



**national film and video foundation**  
— SOUTH AFRICA —

# NATIONAL FILM AND VIDEO FOUNDATION

ANNUAL REPORT 2007

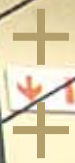
**Mr M Vundla**  
Chairperson: NFVF

**Mr KE Mbalo**  
CEO: NFVF





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## MINISTER'S FOREWORD 2007

The NFVF has delivered on the key national priorities – equity, redress and job creation by nurturing our film-makers' skills and promoting South African cinema. In so doing, the NFVF has also demonstrated the capacity of the cultural industries to stimulate economic growth and to create wealth.

In the past few years South African films, their directors, cinematographers, actors and actresses have scooped up awards at major film festivals around the world and have done the country proud. South African film and cinema, which is amongst the oldest in the world, is now embarked in earnest on making its mark internationally.

However, in order to sustain those achievements much still needs to be done. More people need to be trained in all aspects of making movies; ours must become a film producing country; and South Africa must harness the advantages accruing from so many film-makers coming to our country to shoot their films.


Though South Africa hosted the African Film Summit in 2006 and the Federation of Pan African Film Producers (FEPACI) will be headquartered in Johannesburg for the next four years, FEPACI continues to struggle to survive because of the lack of basic resources. The African states and governments need to review their relationship with such a continental body and examine the challenge of how it should be funded. FEPACI obviously cannot survive on the passion and commitment of African film-makers alone. In my address to the African Film Summit

in 2006 I posed a number of questions that I believe still demand a frank and honest dialogue amongst us to find answers.

- Whom are we making our films for?
- How are we going to ensure that our films reach our African audiences?
- Why should an African film company search the studios of Europe, America or Australia for a skilled director when there are so many on our own continent?
- When will the wealth of acting talent we have on the continent be properly utilised while producers still feel that big name Hollywood stars should be cast in African roles?
- If the cost of making films is so high that co-productions are the only viable route, how many co-production agreements are there among African countries?
- What role do we see African public broadcasters, many still dependent on wares from London, Hollywood, Paris and other developed countries, playing in the development of an African film and video industry?
- How many African film distributors have explored the potential of the new technologies that have come in stream during the last twenty years to offer Africans in the villages of our continent access to this important medium of communication and information?

Film differs from the other artistic genres because it has mass appeal. It is also comprehensive, combining the visual with





the aural. The production of a film, even the shortest, necessarily involves the sciences and modern technology, skilfully combined with our achievements in the arts. It is quintessentially a modern medium, dependent on a myriad of contributors – some of whom are recognized but with thousands of others not even acknowledged. The platform on which the film industry stands is an industrial economy that extends far beyond the movie set and the studio.

The value chain involved in the making of a film is amongst the longest. It begins with the creative person/s who conceive and write the script. But for the process to go further, it needs people who can visualize and build the sets. It then draws in those who are responsible for the lighting, those who compose the music and play the score. Besides the directors, the producers, the actors, the scriptwriters and cinematographers who receive most of the credit, there are a host of other role-players who contribute towards the realization of the product. Film and film-making are inconceivable without the numerous people who make the costumes, do make up, feed and attend to casts and a host of others.

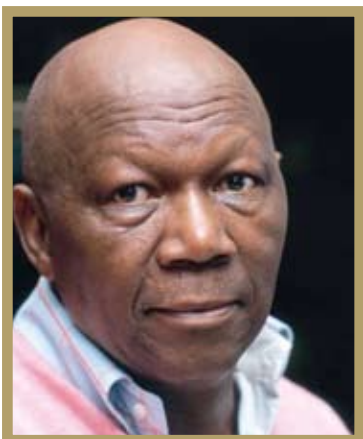
There is still a glaring absence of cinemas and screening venues where the

majority of our people live here in South Africa. This is a challenge that must be addressed by both the private sector and state-supported entities like the NFVE. The future of film in this country critically depends on our ability to fill cinemas so that when South African movies come onto the international circuit, like those from the USA, Britain, Australia and France, they too can be billed as “blockbusters”, because of the revenues they have already generated. South African audiences are the only people who can ensure that.

The African film industry can become the mirror in which we are afforded the opportunity to self-critically examine ourselves by exploring and dissecting our African experience, in all its complexity. By giving expression to the African imagination, while being entertaining, enthralling and uplifting, Africa films that portray us as we really are, warts and all, will challenge us to strive even harder to attain the goals our continent has set itself for this century.

**Z.Pallo Jordan**

*Minister of Arts and Culture*



MFUNDI VUNDLA  
CHAIRPERSON ON NFVF COUNCIL

## MESSAGE FROM CHAIRPERSON – MR M VUNDLA

Temptation to write oneself a positive to glowing review exists when putting pen to paper in an annual report.

Achievements during my stewardship of the National Film and Video Foundation (NFVF) are numerous. None however, are as seminal as the film, TSOTSI garnering an Oscar award. This achievement was a small indication of what is possible if we as a people and an industry apply our mind and creative energy in pursuit of artistic excellence.

Considering the highly competitiveness of the world film industry and the challenges our industry faces, self criticism is called for, not as an exercise in self flagellation but a suggestion of a roadmap for the development of our sector.

I declare therefore that I have failed the South African film industry on the following:

- Not working hard enough in my capacity as chairperson of the NFVF to create a strategic alliance with institutions of state to grow our national film and television industry to world class standing.
- Considering the combined resources of the NFVF; the Department of Trade & Industry; the Industrial Development Corporation; the National Lottery and the South African Broadcasting Corporation, I believe our country is being short changed in as far as positioning it as a player in world film culture and development.
- Confess to failure in convincing the Minister of Arts & Culture to actively fight for a tax regime that would encourage philanthropic giving towards the arts and film in particular.
- Pretending that talent and passion for

the art of film is a democracy...not being rigorous enough in identifying top talent critical for the creation of a South African New Wave.

- Failing outstanding directing talent such as Tebogo Mahlatsi, Thabang Moleya, Zola Maseko, Catherine Stewart, Dumisani Phakathi, Revel Fox, and Khalo Matabane and many others in not granting them maximum opportunities to sharpen their skills and thereby position our country as a film producing and exporting country.
- Convincing government and other stakeholders in creating effective marketing and distribution institutions for the sale of South African film and television content world wide.
- Watching broadcasters brazenly steal intellectual property from those who create it.
- Taking a casual approach to film audience development especially in areas where the previously disadvantaged communities have predominance.
- Not granting film and television education the central role it deserves in NFVF grant making. Also in this regard, not championing the establishment of a national film school.
- Acting on the above challenges will in my view take us a step further in making our film and television industry globally competitive.











## MISSION STATEMENT

### VISION

A South African film and video industry that mirrors and represents the nation, sustains commercial viability, encourages development and provides a medium through which the creative and technical talents of South Africans are able to reach the world.

### MISSION

To create an environment that develops and promotes the South African Film and Video industry domestically and internationally.

### MORAL IMPERATIVE

It is a national imperative to create facilities for ordinary South Africans to bear influence in the expression of their own image, thereby deepen democracy and create prosperity. The National Film and Video Foundation strives for this noble ideal.

### VALUES

- Creativity
- Freedom of expression
- Entrepreneurship
- Equitable redress

*mission*





## LEGISLATIVE MANDATE

The National Film and Video Foundation (NFVF) is governed by the National Film and Video Foundation Act 73 of 1997 as amended by Cultural Laws Amendment Act 36 of 2001.

The mandate of the NFVF is:

- To promote and develop the film and video industry
- To provide and encourage the provision of opportunities for persons, especially from disadvantaged communities to get involved in the film and video industry
- To encourage the development and distribution of local film and video products
- To support the nurturing and development of access to the film and video industry
- To address historical imbalances in the infrastructure and distribution of skills and resources in the film and video industry

In order to achieve these ideals the NFVF has developed the Value Charter which is the strategic interpretation of the NFVF Act. The Value Charter outlines the following mission critical strategic initiatives:

- Development of a Sectoral Information System (SIS), measure of aggregation and Key Performance Indicators (KPI's) for the film sector
- Demand stimulation and audience development
- Production of local genre and content
- Global positioning of the South African film industry
- Capital formation, infrastructure and facilities development
- Human capital development, education and training
- Establishment of the trading entity in terms of paragraph 27 of the Cultural Laws Amendment Act 36 of 2001
- The NFVF empowerment, talent incubation and funding initiative
- Intergovernmental and stakeholder relations





## ACCOUNTING OFFICER'S REPORT



**EDDIE MBALO – NFVF CEO**

In our last annual report, I reported on my five years as the Chief Executive Officer of the National Film and Video Foundation (NFVF). I used the occasion to thank the inaugural Council that appointed me and the then outgoing Council, chaired by Mr Mfundu Vundla. At the time, we were anticipating the appointment of the new Council which did not happen until June 2007. Unfortunately, failure to appoint the Council impacted negatively on the governing structures of the NFVF, e.g. the appointment of the Audit Committee and the performance of a Risk Assessment by the internal auditors. The matter was raised by the Auditor General during the audit and the NFVF also raised the matter with the Department of Arts and Culture which is solely responsible for the appointment of the Council.

I find myself in a position to once again thank the outgoing council for their leadership, dedication, business approach to

their work in Council and foresight to have brought us to where we are as an institution. On behalf of the staff at the NFVF, I would like to thank them all for having allowed us to do our job to the best of our ability, without any undue interference but holding us accountable for the responsibilities we had committed ourselves to.

I specifically would like to thank Mr Mfundu Vundla for his leadership, dedication to the development of our industry and for supporting all our efforts without fear or favour. Whilst it is acknowledged that he is very successful in his own right, he was never half hearted in his commitment to the work at hand. Mr Vundla, at the end of his term as chairperson, at a dinner he hosted, on behalf of his family made a pledge of R1 000 000.00 towards the Trevor Jones Scholarship Fund, established as a collaboration between Mr Trevor Jones, the NFVF and the National Film and Television School in the UK. This is the first commitment I know of, by an individual who has been successful through the business of film. I hope this is an example to others, who have failed to respond to the Minister's call for the private sector to contribute to the development of the film and television industry in our country.

It is a national moral imperative to create platforms for ordinary South Africans to be able to bear influence in the expression of their own images. In this way, we, as an industry, can contribute to furthering our democratic ideals and creating prosperity.

This statement is fundamental to all NFVF





activities and we feel that it is part of our task to accelerate the pace of economic growth and job creation within the cultural industries through film and to extend the scope of development and empowerment.

Our approach identifies four key priority areas for the long-term:

- To increase foreign and local direct investment into film production through encouragement of private-public partnerships.
- To invest directly in infrastructure and facilitate industrial capital formation required to exhibit South African and African film product.
- To improve access to a viable film industry both in terms of ownership and in terms of consumption.
- To establish a regulatory and legal framework for the industry, that will provide the necessary certainty and stability required by the investor community.

The NFVF is pleased to note that our government, through the Accelerated and Shared Growth Initiative for South Africa (AsgiSA), does acknowledge that film is more than just an economic activity, recognising the social, ideological and cultural aspects of the moving image.

The affirmation of a people's culture, through film is an integral part of the overall social, cultural and economic development and therefore prosperity for the nation.

Although the primary objectives of the NFVF relate to promotion of the film and video industry, the NFVF acknowledges the important role of film and television in asserting and projecting cultural presence and identity. Indigenous productions tell stories in the language and idiom of a country, they define

places and peoples and they impact powerfully on people's sense of belonging.

As the government noted with the adoption of the Macro Economic Framework, "The second challenge of the RDP was building the economy, but now that the pace of economic growth needs to be accelerated, investment in industry and infrastructure and an expansion of job opportunities are critical challenges – all to underpin growth and expand room for broad based empowerment." Since its inception, the NFVF has achieved many of its goals within the macro-economic framework articulated by government.

The NFVF believes that key to the development of the film industry in South Africa is effective skills development, increased access to film theatres, nurturing prospects for people from disadvantaged communities and equitable distribution of resources. Historically such opportunities have been concentrated in the main metropolitan centres of the country and particularly white suburbs. Even then, distribution houses have refused to show African film, and locally produced product. In short, they have marginalised an economically active customer base, which has led to uninformed perception of black people's attitude towards cinema, denying them access to one key source of information and entertainment. How do you explain the fact that the population of three to four million people in Soweto still cannot walk to a cinema?

## CONSTRAINTS

In many developing countries, including South Africa, cultural industries and in particular film are not sufficiently exploited to their full commercial potential. Their contributions to local job creation and foreign exchange earnings are seen as being limited. Film in our country, whilst recognised for the economic and



CHARMAINE CHATWIND, PA TO EDDIE MBALO

commercial value it creates and the economic impact it has in a region, has not had the support required to achieve necessary societal impact. And more than often this sector is to some extent neglected or not acknowledged as being a part of the manufacturing industry of a country. We need to move away from the view that film production should only be seen as a hobby like activity rather than a profit-making activity. This is quite contrary to other developed nations where the sector contributes a significant proportion of the gross national product. The recently published study by the Cape Film Commission supports this assertion.

Often the film practitioners have themselves to blame, as they do not regard their profession as a business activity, and even feel threatened that being commercial may interfere with their artistic integrity.

## FRAGMENTATION

### • INDUSTRY FRAGMENTATION

The fragmentation within the industry is an area of concern. At Indaba 2005, the industry recognised the need to establish an industry federation as recommended by the NFVF Indaba report. The South African Screen Federation (SASFED) was established in 2005. However the industry still remains fragmented with the existence of various industry organisations such as the Independent Producers Organisation (IPO), The Producers Alliance (TPA) and Black Filmmakers Network (BFN).

### • GOVERNMENT FRAGMENTATION

At Indaba 2005, concern was raised at the lack of co-ordination between government departments. The Department of Arts and Culture (DAC) is the lead department that needs to co-ordinate an inter-governmental steering committee on cultural industries. However the steering committee has never been convened.

The Customised Sector Programme (CSP) is still under development by the Department of Trade and Industry (Dti) and little progress has been made since this issue was reported on in the NFVF Annual Report for 2006. We are aware that the Film & Production Rebate is currently being revised by the Dti. However, our concern is that this is taking place outside of the CSP framework and is therefore not informed by a broader strategy that has been adopted by the affected agencies and stakeholders.

The Service Level Agreement (SLA) between the NFVF and the DAC has still not been finalised. This negatively impacts on our ability to deliver on our mandate.



Several attempts have been made by the NFVF to fast track this process.

No progress has been made on the Cabinet Memo on the Content Industries Strategy, which has negatively impacted on our ability to support the development and growth of the industry. In 2006, the NFVF made representation to the Portfolio Committee on Arts and Culture expressing our concern on the state of delivery crisis

. The Portfolio Committee recommended that the Minister and the DG of Arts and Culture convene a meeting to resolve this state of crisis. Whilst the meeting did take place towards the end of 2006 and the Minister proposed a Task Team to look at issues that impact negatively between the DAC and NFVF, the task team has not met and no progress has been made.

We are grateful though that, through the Minister's effort, an extra R9million was redirected from the DAC and that assisted us to deliver on new programmes like the South African Film and TV Awards and the short film contests for stories in indigenous languages and stories by women film makers.

The role of the DAC is to represent the NFVF at various forums and platforms, such as the service delivery clusters to which we have no direct access. The failure on the part of the DAC to do this has meant that there is a lack of awareness at high levels of government of programmes that could be implemented that would be in support of key government initiatives such as AsgiSA and the broader government programme of economic development and poverty alleviation.

## ACHIEVEMENTS

Despite the many constraints faced by the NFVF, including our limited funding, the NFVF still continues to deliver on its mandate. The successes that we have seen in this financial year include the very successful hosting of the first ever South African Film & Television Awards (SAFTA) that recognise and reward excellence in the industry. This was also made possible by a very successful working relationship with the public broadcaster, the SABC. Both institutions recognise the common mandate they have to broadly develop the industry, increase the quota of local content and develop skills in the industry.







The past year has seen the collaboration with the SABC on key programmes such as SEDIBA (skills development initiative), SAFTA (South African Film & Television awards), Cape Town World Cinema Festival incorporating Sithengi, MIPCOM & MIPTV (international sales and marketing television expo's). The SABC & NFVF are in the process of finalising an MoU that will formalise this relationship.

The co-production treaty with the United Kingdom was signed in May 2006. In anticipation of the treaty, the NFVF and the UK film Council launched a very successful genre pitching contest, called 25 Words or Less. A very successful workshop was held in August 2006 and all the projects are well on track in the development process. It is anticipated that all projects will have finalised the development stage by December 2007.

A CEO forum made up of NFVE, Cape Film Commission, Gauteng Film Commission and Durban Film Office was established as a way of aligning provincial and national strategies. An MoU is in the process of being finalised.

## OPPORTUNITIES

We are convinced of the fact that strategic opportunities exist for creating a dynamic market for African film and clearly see the film industry having its future being an exporter of products to the rest of the world and mainly between African countries. Various opportunities exist and need to be explored to create a culture of sustainable resources management wherein film can flourish, and the ideals of an African renaissance can be realised. For African film to flourish, it has to appeal first to audiences at home before we can hope to break into foreign markets, at the same time proper facilities have to be created. It is the intention of the NFVF

in the 2007/2008 financial year to begin a pilot project in Soweto whereby we establish alternative Digital Screens, based on a concept of multiple screens. Whilst we do not intend these to be in competition with current screens owned by Ster-kinekor and Nu-Metro, we believe there is room for their co-existence. The introduction of this concept is endorsing an old belief that going to cinema is still an experience and that cinema is an important revenue stream.

In the 2007/2008 financial year the NFVF intends submitting to the Minister of Arts and Culture and the Minister of Trade and Industry a proposal for the establishment of an entity to invest in film – the South African Film Development Corporation as anticipated by the Section 3 (a) of NFVF Act as amended. The NFVF believes, this entity will assist in delivering the content that would elevate South Africa into a true film making nation. It is the NFVF's belief that, unless as a country, we produce 15 – 20 films per year consistently for the next five years, our efforts to develop an appreciation for local film is an exercise in futility.

The SAFDC will also assist in ensuring that, the number of bursary students that are funded by the NFVE, the majority of whom are black, have an avenue to work on their first professional production.

## POLICY

The NFVF believes that facilitating investment and funding into film will be the true engine for job creation. Government's role is creating an enabling environment that supports the development of a vibrant market for film, stimulating the emergence of locally based small business enterprises, and creation and support for distribution channels.

## DIGITAL SCREENS IN THE TOWNSHIPS

Here again we see the Digital Screens play an important role, as a medium to long term planning and action to ensure development of community based entrepreneurship. This will bring the markets closer to the community and communities being brought into the mainstream of the economy. The NFVF is a strong advocate for true ownership of film production tools, distribution and exhibition, copyright and other intellectual properties.

The NFVF believes that a good starting point would be to regard and treat the Digital Screens as viable distribution outlets for African film product, which operate as conventional businesses with its own income stream. This will assist in developing respect for our product and appreciation of our creative ability and integrity whilst creating an opportunity for the empowerment of local entrepreneurs.

There is an urgent need for government to facilitate and support programmes for film development linked to market reforms and technology development. Whilst we acknowledge the moves already taken by the DTI to incentivise production and encourage foreign investment through film, we equally need to ensure that this is not done at the expense of the development of our indigenous industry.

## PUBLIC PRIVATE PARTNERSHIPS

The NFVF has also aligned itself to government thinking that encourages the creation of public private partnerships in different sectors. The NFVF will continue to advocate for partnerships between the various

stakeholders, as we believe that only through these partnerships and collaboration, where broadcaster, government and independent producer come together, are we able to wrestle over, but importantly overcome the obstacles.

The partnerships between all the stakeholders in the film industry will give the industry more and better skilled local filmmakers who will ensure a flow of local content on our screens. Furthermore, government and the stakeholders in the film and television industry will thereby join hands to provide our nation with locally produced programming.

We have managed to show the private sector that we do operate a 'grown-up' viable industry, whereby, like any other business there is risk, but ample opportunity to make profit as well and that there is an audience that is willing and able to pay to watch movies. That together we can achieve the entrepreneurship and skill required to growing the industry.

## SOUTH AFRICAN FILM DEVELOPMENT CORPORATION (SAFDC)

Section 3 (a) of the NFVF Act as amended by Cultural Laws amendment Act 36 of 2001, suggests, "*Council may, subject to the approval of the Minister and the Minister of Trade and Industry, establish a separate legal entity for purposes of investing in film and video projects in accordance with the objects of this Act*". In pursuit of this initiative, the NFVF has made this observation:

- The South African film industry has shown significant development in recent years and has demonstrated its potential to develop into a world-class industry with global impact.



- However despite a wide range of government incentives and interventions, the industry has not yet reached critical mass.
- The creation of a properly-funded commercially-oriented para-statal film body able to produce and distribute home-grown South African films is necessary for the film industry to reach its potential.
- The impact that such an initiative could have on the South African film industry and the broader economy is significant.

The NFVF proposes the establishment of a state driven entity that will produce and distribute South African product if we are to have an impact in our quest to be a film making nation and the creation of sustainable jobs. At the NFVF, we believe South Africa has to produce at least 15 – 20 films consistently for the next five years if we are to be a serious player in international terms. This also supports the theory that says, if our audiences are to support our efforts of taking cinema to the people, we need to be consistent in our delivery of the product to these audiences. We cannot expect loyalty from audiences if we are not going to deliver the product when they need it.

The establishment of this entity will assist in creating an entry point for young filmmakers who have just come out of film school and require work experience. The current environment is not friendly, particularly to young black graduates who wish to sharpen their craft before tackling big projects on their own.

## CONCLUSION

The film industry could play a much more important role in the economy of our country with government support, through a clearly articulated cultural policy and appropriate measures to promote the various sectors, and, in particular, to promote what may be called entrepreneurship. The NFVF wishes to move

away from the so-called ‘non-profit cultural entrepreneurship’ or “subsistence filmmaking” which focuses on the sustainability of the enterprise, through support by funders or donations, and that has as its objective, social and cultural purposes and not necessarily that of economic stimulation. The NFVF believes that there is an opportunity for empowering both the producers of local product and distributors by ensuring that they generate decent incomes from their productive efforts, as well as linking them to market opportunities and thus generating income.

In certain areas, such as crafts, major international agencies (e.g. UNESCO, ITC, UNDP, ILO) have, over the past few years, joined efforts in promoting policies and implementing integrated programmes that focuses on both the cultural and enterprise development aspects of the crafts sector. However, similar approaches are seldom used in other sectors closely related to the cultural heritage of a country, such as music, film, dance, painting, etc. In these sectors, it is mainly the ‘cultural development’ approach that is applied. The few cases, where a ‘commercial’ approach complements the ‘cultural’ approach, are mostly the result of initiatives by individuals who have combined artistic and entrepreneurial skills.

We need to develop a market niche for filmmaking and create and support distribution channels to ensure the wide distribution of African film. We know it has been said often enough but the statistics still show us the truth: our cinema screens remain dominated by Hollywood product. Only a few Africans ever get to see an African film. Therefore our major challenge is to develop more effective and sustainable ways and mechanisms with which African film can break out of its traditional confines of festivals and community centres into cinema theatres both in urban but most importantly in local black areas.





# PROGRAMME PERFORMANCE

## 1. INCOME

### Fundraising

Key objective	Strategy	Output	Service delivery indicator	Service delivery target or milestones	Progress
Increase funding for film and television industry initiatives	Establish strategic relationships with local and international Companies, organisations and European Union governments	<ul style="list-style-type: none"> <li>Access to Lottery Funding</li> <li>Access to funds from Content Industries Strategy approved by cabinet in 2003</li> <li>Access to European Union funding held by National Treasury</li> </ul>	<ul style="list-style-type: none"> <li>More Films produced annually</li> <li>More training programmes developed</li> <li>Facilities developed in under serviced areas</li> </ul>	<ul style="list-style-type: none"> <li>15 – 20 films produced annually</li> <li>South Africans are trained in more needed skills areas</li> </ul>	<p>Ongoing dialogue with Lottery</p> <p>Meeting with DAC. Drafting of cabinet memo</p>
	<ul style="list-style-type: none"> <li>Implement Section 3 (a) of the Act by establishing the SADFC</li> <li>Initiate a new Funding Model for the development of the sector</li> </ul>	<ul style="list-style-type: none"> <li>Allocation of funding for the entity and encourage private partners to invest</li> <li>Development of Private Public Partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Opportunities created for young graduates to work on their first professional productions</li> <li>Less reliance on the private sector to deliver content important for the soul of the nation</li> </ul>	<ul style="list-style-type: none"> <li>Less reliance on the government for funding the development of film</li> <li>More facilities, product and opportunities created in the under developed areas of our country.</li> </ul>	<ul style="list-style-type: none"> <li>Business plan and model has been developed and ready for approval by Minister of DTI and DAC</li> </ul>

### Business Ventures

Key objective	Strategy	Output	Service delivery indicator	Service delivery target or milestones	Progress
Development of commercially viable film and television product	Develop Public Private Partnerships within the film sector	Establishment of a separate legal entity for investment in film(per the Cultural Laws Amendment Act, 2001)	Implementation of the Cultural Laws Amendment Act, 2001	A viable commercial industry that is able to provide a return on investment	Development of a business plan for approval by Minister of DTI and DAC

### Investment Income

Key objective	Strategy	Output	Service delivery indicator	Service delivery target or milestones	Progress
Develop NFVF into a self-sustainable organisation	Development of a recoupment and cost recovery strategy	A self sustaining organisation	Recoupment of investments	Recoupment of NFVF investment on commercial projects within 5 years of project reaching market	NFVF recoupment policy approved by Council in 2006





## 2. EXPENDITURE

### 2.1 FINANCE, ADMINISTRATION AND FUNDING

#### 2.1.1 FUNDING PROCESS

The NFVF's funding process is an interactive one whereby each and every application is read internally and applicants in need of engagement are contacted. This is an effort to help applicants increase their chances of success prior to the project going to a panel of evaluators made up of filmmakers and before the final decision is made by the council of the NFVF. In addition, once funding has been approved for a project, our participation is not only limited to the distribution of the funds, but the NFVF takes an active role in mentoring and providing filmmakers with much needed non financial support. We provide detailed notes on all scripts and provide assistance that enables the filmmaker to raise additional project funding. Once the project has been completed, we assist producers secure distribution at international platforms where we participate.

During the year under review, the NFVF provided support to 37 development projects and 26 projects going into production.

One of the highlights of the year has been the attention received for the slate of projects that have completed their development process. Such projects include: *My Secret Sky* by Madoda Ncayiyana and Julie Frederikse; *Violence* by Khalo Matabane; *The Fighting Prince* by Norman Maake; *Suspended* by Anthony Sher, Thierry Cassuto, and Thandi Brewer; and *Black Adam* by Dominic Wilhelm.

#### 2.1.2 SHORT FILM CONTESTS

As part of the NFVF's strategy to develop and produce specific genre films that reflect and



The Funding Team

develop a South African aesthetic, including the production of indigenous language product, the NFVF Council has approved the introduction of 2 short film contests. The one contest targets projects in any of indigenous languages with the writer and director specifically being black South Africans. The other focuses on women writers and directors of all races producing content in any of South Africa's official languages. 4 winners will be selected in each category.

This contest came as a direct result of the realization that the crop of projects that the NFVF sees in its normal funding process, along with contests it has launched in the past including the "25 words or Less", saw a dearth in the number of black or female applicants that made the short list. This revelation led to the NFVF creating a platform to develop both black and female filmmaking talent through the indigenous language and women helmers short film contests.

#### 2.1.3 SEDIBA SKILLS DEVELOPMENT PROGRAMME

The South African film & television industry is recognised internationally for its high standard of technical skill in terms of production, but too few professional scripts are coming into the market place to build up the critical mass;

to breed creative confidence and to sustain the industry.

A good script is the foundation of a great programme or movie and SEDIBA aims to provide the industry with a script development and script editors' training programme, which emphasises the creative team while acknowledging the writers' position. This is to support, nurture and develop South African writing talent.

Criteria for acceptance into the programme:

- a) A story you come across once in a while that is remarkable not only for its content but for the glimpse it gives us of another world;
- b) The kind of story that helps us to see ourselves more keenly and that makes us roar with laughter or squirm with discomfort through self-recognition;
- c) A quirky comedy that is hilarious because it is so irreverent and outrageous.

### COMPONENTS OF THE TRAINING

- To focus on the fundamentals of screenwriting and to learn the basic elements of telling a screen story from a mythic perspective, learning about premise, story structure, character development, theme, and format
- Story and Genre Theory
- Script analysis and script report writing
- Assessing and developing screenwriting craft skills
- Negotiating development meetings
- Detailed story development practice
- Assessing treatments and other short documents
- Adaptations – including legal and copyright issues
- The industrial environment – development in its context
- Teaching writers a working knowledge of the purpose and effects of good storytelling

- Demonstrate an understanding of classic story structure, which forms the basis of most film and television drama
- Understand and work with the various elements necessary for the construction of dramatic narratives
- Demonstrate an awareness of industry protocol with reference, for example, to formatting and responses to critiques

### PROFESSIONAL PRACTICE

The success of writers on the programme is based on the quality of the creative products that they produce and on their ability to apply themselves to the creative process in a professional manner. For these reasons the programme pays particular attention to professional practice.

This is defined as:

- Producing work in the correct formats, reflecting an understanding of industry practice and the mix between craft, creativity and marketability
- Being able to manage their own workload, complying with submission deadlines, both for their own work and their reports on colleagues' work for script development meetings
- Complying with the story and script development process
- Achieving a high standard of work while ensuring that the work truly reflects the writer's ability rather than the script editor's
- The ability of writers to respond well to notes from script development executives/ script editors during the development process
- Knowledge and understanding of the production process
- The ability to pitch ideas verbally in an articulate, coherent and concise manner



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- Acquiring a valid view of their abilities, strengths and weaknesses through reflective practice
- The ability to act sympathetically and ethically with individuals and groups with whom they collaborate in script development

#### ACHIEVEMENTS TO DATE

- Developed 10 feature films scripts in 2005 and a total number of 31 people were trained during this process.
- The writers trained have subsequently been involved in other projects such as working with the UK Film Council to co-write films. Some of the writers have delivered training to some African countries on scriptwriting while others were absorbed by local producers.
- Developed 14 commissioned SABC drama projects, which have been and continue to be aired in 2006-2008. Almost 100 people were trained and 2264 minutes of screen time were developed.
- The Sediba Introduction to Screenwriting Programme was developed with the aim to train and equip writers who have the passion and skill to write but have never had effective writing training before.

- In 2006/2007, 14 writers have been trained through the Introduction Programme and 16 writers will be trained in the next cycle, which resumes end of May 2007.

#### 2.1.4 25 WORDS OR LESS UK/SA PITCH CONTEST

In anticipation of the signing of the SA/UK co-production treaty, the NFVF in association with the UK Film Council launched the 25 Words or Less pitching contest focusing on 3 genres: fish out of water comedy; teen horror; and zero to hero.

The four winning projects and teams selected in the 3 categories were:

- JIMMY IN PINK by Hanneke Schutte (Genre: fish out of water comedy)  
The UK script editor is Justin Trefgame & the South African Script editor is Thandi Brewer
- KHUMBA AND THE LEGEND OF THE LOST QUAGGA by Anthony Silverston & Raffaella Delle Donne (Genre: zero to hero).  
The UK Script editor is Camilla Bubna-Kasteliz and the South African Script editor is Palesa Shongwe
- ANOTHER BROTHER MOSES by Uzanenkosi Motha (Genre: zero to hero)  
The UK script editor is Claire Moorsom & the SA script editor is Clarence Hamilton
- JUDGEMENT DAY by Sharlto Copley & Simon Hansen (Genre: teen horror)  
The UK script editor is Joel Jenkins & the SA script editors are Lineo Sekeleane & Tshego Monaisa

Following a very successful workshop in August 2006, various story meetings have been held and the projects are well on track in the development process. Some projects are further along the development process than others, but

all projects will have finalised the development stage by December 2007.

As time passes and the projects get closer and closer to completion, the hope is that they will provide an opportunity for commercially viable genre product for the marketplace to finance.

#### **2.1.5 NFVF/SABC PARTNERSHIP**

The SABC and NFVF are both obligated in terms of their respective mandates to develop the film and television industry in South Africa. The NFVF is further tasked at recognising and rewarding excellence in both artistic endeavours and production values in the film and television industry. In this regard it has become apparent that the two organisations may benefit from closer ties to foster creativity and excellence in film and television. To assist in achieving these common goals, the NFVF and SABC will be signing a Memorandum of Understanding (MoU) that will facilitate collaboration and pool resources in order to achieve a focussed common goal including the success and sustainability of the film and television industry.

Current projects the SABC and the NFVF are collaborating on include the SEDIBA process for a crop of SABC's slate as well as talks of collaboration on future slates of films financed by both entities.

The SABC continues to be a partner that provides critical financial support by coming on board projects the NFVF funds, including the DV8 slate, Bunny Chow and The Healing Power of Nature series.

#### **2.1.5 TRAINING AND BURSARIES**

A main objective of the NFVF is the provision of access to education, training and development programmes which address transformation and presently identified skills and talent needs and NFVF training priorities. In line with this objective, the NFVF grants bursaries for full time studies at accredited universities and institutions.

During the year under review, the NFVF granted 50 bursaries for full time studies, 92% going to black applicants and 8 % to white applicants. 34 % of the bursaries were awarded to female students.

The NFVF also provided support to 7 training projects and initiatives, including "Scrawl Scriptwriters Programme", "Anamazing animation workshop" and "Women of the Sun".

#### **2.1.6 "IMAGINE" TRAINING WORKSHOP – BURKINA FASO**

As part of our continued relationship with Burkina Faso and as NFVF's contribution to the aims and objectives of NEPAD, the NFVF agreed to a proposal from Burkinabe filmmaker, Gaston Kabore, the head of the "Imagine" Workshop to send 4 - 5 South African filmmakers to the workshop in Burkina Faso from 16 June to 16 July 2006. Five applicants were selected following an open call to the industry. The NFVF covered the travel costs and "Imagine" covered all other expenses.

4 trainees ultimately participated in the Imagine Workshop after one participant withdrew. All the participants found the programme interesting and uplifting and also enjoyed their one month's stay in Ouagadougou, Burkina Faso.

#### **2.2 RECOUPMENT POLICY**

At a Council meeting held on 03 August 2006, the Council of the NFVF resolved to pursue a policy of recoupment on feature film development and production as well as documentary production funding allocations. This policy will apply to all funding applications that come in through the funding process.

The NFVF needs to take steps towards seeing returns on the money it pays out to projects so as to assist in repopulating its fund for future projects to draw down from, in line with the NFVF's mandate as governed by the NFVF Act.



### 2.2.1 BACKGROUND

- Film agencies around the world make investments in their feature films with equity stakes rather than making grants that are considered soft money. (UK Film Council, Telefilm Canada, FFC Australia, NFDC India)
- The sources of funding for the NFVF as a grant making institution are limited currently to government allocation which is proving hard to come by despite numerous attempts by the NFVF and its council in garnering the attention of Government to its pleas for more money in order to grow the industry.

- In response to the NFVF's outcry and a declaration of "state of delivery crisis" by Council, based on the allocation of R26 million for 2006 which clearly didn't take into account the business plans submitted to the department, the Department of Arts and Culture took out a full page ad in the Mail & Guardian on 18, November 2005 with a headline stating:

*"There comes a time when the young have to stand on their own two feet". The advertorial went on to say: "The Department is responsible for a very large percentage of the NFVF's funding. This seed funding provides powerful impetus to the aims of the NFVF. But we believe that the NFVF has grown sufficiently to the point where it must take more responsibility for its future, and in particular, it's funding. Currently the Cultural unit of Arts and Culture gives top priority to the NFVF. This is a substantial amount, but not enough if the NFVF wishes to grow and expand its vision. It is important that the NFVF develop a new mindset and become less dependent upon the Department and more dependent upon its own resources. As one of 27 Public Entities under the Department it follows that a budget is finite and that funds are widely*

*spread. It thus makes business and survival sense, that the NFVF redefine its approach to the task with which it has been charged with special reference to finance."*

### 2.2.2 A MEASURE OF SELF SUSTAINABILITY BY THE NFVF.

- The DAC's allocation per year with marginal increases accounting for inflation isn't enough to allow the NFVF to achieve the goals it has set out in its business plans and as articulated by the industry's Value Charter.
- Without direct investment from other agencies the NFVF will not be able to achieve its goals.
- Without the ability to recoup its investment on certain projects, there is no possibility that the funding of the NFVF can grow.
- The NFVF has tailor made its position on certain feature films in consultation with forward thinking producers wishing to give the NFVF a favourable position in the recoupment line up.
  - **U-Carmen E-Khayelitsha** – The NFVF has a 5% net profit participation. This was the first project that gave us points on the back end. It was more an exercise to see how far producers were willing to go in giving up points of their own accord.
  - **SPOON** – While the NFVF makes up 33% of the production budget and 50% of the cash budget; the producers were not willing to give up equity participation without it being mandated. This was a huge opportunity missed for the NFVF, as this is a highly commercial project with big recoupment potential.
  - **CONFESSIONS OF A GAMBLER** – The NFVF's participation is 33% of the overall budget and 67% of the cash budget. The deal struck is that the NFVF would

retain 10% equity in the film after the deferrals have been paid. The profits from this project would be set-aside in an envelope for the company to draw down from when coming to the NFVF for funding on future projects. The company must go through the NFVF's normal funding evaluation process prior to receiving funds.

- **TSOTSI** – The NFVF had a recoupment clause in the contract making provision for the NFVF to recoup up to its entire investment in the film. This is the first and only film so far where the NFVF has received part of its investment back.

### 2.3.3 THE CREATION OF A RECOUPMENT POLICY

- The NFVF act states the following
  - Financing
- 16.(1) The funds of the Foundation shall consist of –
  - a) money appropriated by Parliament to finance the functions of the council;
  - b) money paid to the Council by users of its services;
  - c) donations or contributions received from any source;
  - d) interest on investments;
  - e) money in the Funds established by section 18; and
  - f) income derived under this Act from any other source.
- And
- (3) The Foundation may, in respect of any work completed or service rendered by it under this Act, charge such fees or make such other financial arrangements as it may deem fit.
- The NFVF has recently renegotiated its position in the DV8 slate whereby 50% of its allocation would go to a development fund that would repay the NFVF the

principal amount spent on development plus a 50% premium on 1st day of principal photography. This repayment is held in an envelope for DV8 to spend on developing future projects in essence reducing the NFVF's burden in the future towards this slate.

#### 2.2.3.1 OBJECTIVES

The goal of the recoupment policy is to repopulate the pot of funds available to fund projects in line with the NFVF's mandate as governed by the NFVF Act.

#### 2.2.3.2 OPERATION

##### DEVELOPMENT FUND

- 20% premium + original allocation paid back on 1st day of principal photography for feature film development projects.

##### PRODUCTION FUND

- Equity participation in feature film production with the percent participation makes up the percent equity in the project.
- For Documentaries, equity participation is to be made up of the NFVF's percentage of the budget. If the project is sold as a license in the local market that license fee would be split with the NFVF receiving its percentage equity in the project.
- Money repaid from a particular company can be set aside to be drawn down by the company that has had success with a project - in essence creating an envelope for the producer of a successful film to draw down funds from.

#### 2.3.4 Conclusion

- The NFVF council resolves to pursue a policy of recoupment on feature film development



and production as well as documentary production funding allocations. This policy will apply to all funding applications that come in through the funding process.

- This policy is to be communicated to the industry through the NFVF's website by way of the funding criteria.
- The recoupment policy is to be injected into the development and production contracts of the NFVE.
- The injected clause in the Feature film production contract would be:
  - The beneficiary agrees to appoint a collection manager to administer the collection of funds received from the sale or distribution of the project. This entity must be approved by the NFVE.
  - The NFVF's contribution and its percentage participation of the financial plan (Annexure C3) constitutes the recoupment percentage payable to the NFVF which shall be made *pari passu* along side other equity investors.
  - A charge of five percent (5%) of the NFVF's contribution will be deducted as a financing charge from the production budget. This charge may be deferred provided that the NFVF has given its consent in writing.
  - The NFVF will retain non-exclusive online rights to distribute the project and to post it on the NFVF website. Including showcasing the film at film festivals it has an interest in and those it has organized as part of its cultural agreements with other countries.
- The injected clause in the Documentary production contract would be the same as above except for the assignment of a collection manager and the charging of the finance fee.
- The injected clause for Development funding contracts would be:
  - A premium will be applied to the development costs (not to exceed the sum referred to in clause 3 of annexure A) incurred and expended by the NFVF at cost plus twenty percent (20%) and will be repaid no later than first day of principal photography to the NFVF by the beneficiary.
  - A tracking mechanism is to be created by which to track and invoice future returns on projects that are contracted based on the new recoupment policy.



### 2.3.5 Current Recoupment schedule:

Grants	Total
Grants allocated in 2003	12 690 774
Grants allocated in 2004	8 630 000
Grants allocated in 2005	4 990 000
Grants allocated in 2006	4 300 000
Grants allocated in 2007	3 550 000
Total recoupable grants	34 160 774

### Training and Bursaries

Key objective	Strategy	Output	Service delivery indicator	Service delivery target or milestones	Progress
To contribute towards skills development within the industry	Create partnerships with MAPPP-SETA, Department of Education and Department of Labour	Skilled experts in targeted areas of film production	Improved quality of South African product	South Africa as an attraction for foreign investment in personnel	Awaiting conclusion on MAPPP-SETA / NFVF MOU.
Development of professional practitioners in the film industry	Bursary funding for entry level students	Co-ordinated & managed training grant allocations	Growth in the number of trained professionals employed by industry particularly those from previously disadvantaged communities at both entry and professional levels	20% increase in the number of black professionals within the industry over 3 years.	50 Bursaries awarded for full time study at accredited institutions. Support given to 7 training programmes including SEDIBA; Animation Workshop; Monash; Women of the Sun & SCRAWL. Training partnerships with UK film council and Imagine in Burkino Faso
To create access and opportunities to previously disadvantaged individuals	Support of training initiatives especially those that offer training in indigenous languages.	National Strategy for film education and training	Feasibility study for National Film School	Increase in the number of South African professionals at HOD level employed on local and international productions particularly those from previously disadvantaged communities	Phase One of National Film School Research underway Research process underway. Desktop research on-going. Consultations held with various film industry associations. Consultations held with some education and training service providers. Research Advisory Panel established. Awaiting further direction from DAC with respect to Inter-governmental Steering Committee.



## Development and Production of Content

Key objective	Strategy	Output	Service delivery indicator	Service delivery target or milestones	Progress
To improve the quality and commercial prospects of local productions	Increased & better targeted investment in project & script development Encourage script development in indigenous languages	Adequately developed projects which appeal to targeted audiences & have greater commercial returns	Local & international sales and financing of projects Increased in size & scale of distribution channels for South African product	South African film & television productions that are highly commended & successfully sold locally & internationally.	37 development grants awarded including 14 for feature films. 26 production grants awarded.
Development of a National Film Portfolio (incorporating the full value chain from development to distribution)	Development of the Film Development Fund and the Film and Video Initiative (per NFVF Act)  Production of specific genre films that reflect and develop a South African aesthetic including the production of indigenous language product.	Access to funds identified per the Content Industries Strategy approved by cabinet in 2003  A South African Film Portfolio that mirrors our cultural diversity	Activation and implementation of Content Industries Strategy  Growth in the number of co-productions	30% increase in the annual number of South African productions within 3 years. 20% increase in the number of co-productions per year within 3 years.	Co-production Treaty signed with UK. Initiated specific genre contest with UK film council to promote Treaty  Introduction of 2 short film contests that are targeted at indigenous languages and women filmmakers.

### 3. RESEARCH AND POLICY

#### 3.1.1 POLICY DEVELOPMENT

##### POLICY AND LEGISLATION REVIEW

The Department of Arts and Culture (DAC) has undertaken a national policy review, which aims to, inter alia, assess the relevance and effectiveness of DAC policy. One of the milestones is a planned National Policy Review Summit, which will:

- review and evaluate progress made by implementing statutory bodies regarding government objectives set out in the White

Paper on Arts and Culture and related legislation;

- review the effectiveness of government's policy and legislative framework on Arts and Culture;
- review the operational competencies, institutional viability and other factors affecting implementing statutory bodies.

The NFVF was invited to a consultative forum by the DAC on 23 and 24 March 2006. Subsequent to that meeting, the NFVF has participated in all other Arts and Culture Policy Review processes. The NFVF has submitted to the DAC its position paper as well as its proposed amendments to the NFVF Act.





### 3.1.2 Co-production

#### SOUTH AFRICA / UK CO-PRODUCTION AGREEMENT

The SA/UK Film and Television Co-production Treaty was finally signed on 24 May 2006 in London on an occasion attended by the CEO. In anticipation of the signing of the treaty, the NFVF and UK Film Council (UKFC) hosted a joint SA/UK Co-production seminar in Cannes on 22 May 2006. This generated a significant amount of interest from UK producers who are keen to collaborate with South African producers.

The UKFC presented the changes to their tax and funding structures whilst the NFVF gave an overview of SA funding support, including NFVF funds, the DTI Rebate, Section 24F of the Income Tax Act, the Industrial Development Corporation and the SABC feature film fund. The NFVF has received numerous requests for information from South African producers.

It is important to note that the treaty inter alia, makes provision for goods and services to be sourced from the UK, SA, European Economic Area (EEA) state or Southern African Development Community (SADC) state. The treaty is only applicable in respect of film and not general audio-



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visual co-production. The treaty is now in force.

#### OTHER TREATIES UNDER DISCUSSION

During the period under review the NFVF held several successful meetings with our international counter-parts. The NFVF and DAC are negotiating co-production agreements with the following territories:

- SA/ Ireland
- SA/ New Zealand
- SA / Australia
- SA / France.

#### Co-production certification

The NFVF certified the following co-production projects in 2006/2007:

Countries	Title	Status
SA/Canada	Charlie Jade	Final
SA/Canada	Inside Noah's Ark	Final
SA/Canada	The Flood	Final
SA/ Canada	3 Days To Jones Town	Provisional
SA/Italy	Ghost Son	Final
SA/Italy	Nyum Nyum	Provisional
SA/Germany	Goodbye Bafana	Provisional
SA/Germany	Crazy Race 4	Provisional





## 3.2 RESEARCH

### 3.2.1 NATIONAL FILM SCHOOL FEASIBILITY STUDY

#### CONTEXT

Section 4(2) (e) of the National Film and Video Foundation Act (No. 73, 1997) mandates the National Film and Video Foundation to In conjunction with the Departments of Trade and Industry and of Education to investigate the viability of establishing a national film school.

#### GOAL

A national education and training strategy for the South African film industry.

#### DELIVERABLES

- Industry skills needs analysis (quantitative and qualitative);
- Education and training impact analysis;
- Best practice models for film education and training;

- Feasibility of the establishment of a national film school.

#### PROGRESS

The NFVF has established a Research Advisory Panel to provide input into the research methodology and to provide quality assurance in the research process. The Panel is chaired by NFVF Council Member, Ms Charlotte Mampane, and comprises of representatives from the Industrial Development Corporation (IDC), the MAPPP-SETA, Stats-SA, Higher Education South Africa (HESA) and the Human Sciences Research Council (HSRC).

The NFVF research team has undertaken a number of consultative processes with industry members, education and training service providers as well as government officials. Consultations have also included a briefing to the Minister of Arts and Culture.

The study will be complete in the 2007/2008 financial year.

### Research and Policy

Key objective	Strategy	Output	Service delivery indicator	Service delivery target or milestones	Progress / Correction action
To facilitate industry & public policy development by providing comprehensive accurate information on the film & video Sector	Development of Sectoral Information Systems (SIS), measures of aggregation and Key Performance Indicators (KPI'S) for the film sector	Reliable information on the industry that is published regularly updated and widely disseminated. Co-ordinated information gathering	Commission / conduct research that provides qualitative, quantitative & reliable information on the industry, including ownership trends, employment figures, turnover, audience trends& international case studies.	Formal and widely accepted quantification of the industry. Well-informed public policy initiatives. Publication of research data that shows the full economic impact of film on the GDP	Research underway; Development of Sectoral Information System underway; Primary and secondary variables selected; Some data population underway and on-going; National Film School research project incorporates methodology for determining film contribution to GDP; Coordinated information gathering underway; Various meetings held with stakeholders to review and advise on key indicators for film industry.

Key objective	Strategy	Output	Service delivery indicator	Service delivery target or milestones	Progress / Correction action
Develop "film-friendly" policies	Lobby for a legislative framework that is investor-friendly and safe- guards the rights of South Africans	Stimulate the growth of the film industry	"Film-friendly" legislation at national, regional & local level	Increase in number of both local and international productions	SA/ireland DAC to submit treaty to State Law Advisors for submission to Minister. Negotiations underway with respect to Australia and New Zealand. SA/UK : DAC to submit Note Verbale to DFA to bring treaty into force. SA/Italy: Implementation protocol has been signed

## 4. MARKETING

### 4.1 PROGRAMME WITHIN THE VALUE CHARTER:

#### DEMAND STIMULATION AND MARKET DEVELOPMENT

The NFVF has outlined in its strategic document the need to increase demand for South African product and grow markets for South African audiences. The Value Charter says that "At a micro economic level, the need is to stimulate the culture of film appreciation and cinema going, which will ensure growth within the sector".

#### 4.1.1 SOUTH AFRICAN FILM AND TELEVISION AWARDS (SAFTAS)

The SAFTA'S are a tactical intervention in line with the programme of Demand Stimulation and Market Development. The NFVF initiated the introduction of a national South African Film and Television Awards (SAFTA's) as a result of a mandate given to the NFVF by the broader industry. The SAFTA's were set up to recognise, reward and popularise local film and television content and talent. The intention was to give prestige to local content, which in turn would

increase its popularity, thereby increasing its demand and growing its audiences.

#### SAFTA OBJECTIVES

The overall objectives of SAFTA as adopted by the South African Film and Television Awards committee are:

- To celebrate talent and creativity within the South African film and television industry.
- To encourage the development of new talent within the Film and Television industry.
- To promote film and television product that is of a high quality and demonstrates excellence in the South African industry.
- To encourage entrepreneurship within the South African Film and Television industry.

#### SAFTA STRUCTURE

The NFVF formed a SAFTA Executive Committee to launch the Safta's 2006, comprising Eddie Mballo (Chair), Ferdi Gazendam (Ster Kinekor), Debbie McCrum (Nu Metro), Kamscilla Naidoo (SABC), Bongiwe Selane (Mnet), Raymond Theart (PMA), Joel Phiri (IPO), Desiree Markgraaff (independent), and Jackie Motsepe (NFVF). The call for entries documents as well as the entry



rules and regulations were formulated by the SAFTA executive committee.

### SAFTA LAUNCH

The SAFTA awards launch was a red carpet media event with video messages from the Ministers of Arts and Culture, Communication and Trade and Industry held at the Theatre on the Track in Kyalami. The launch was followed by an inaugural edition of the South Africa Film and Television Awards held on Friday 27th and Saturday 28th October 2006 at the Gallagher Estate in Midrand, Gauteng, and was addressed by the Minister Arts and Culture, Dr Z Pallo Jordan.

### SPECIAL AWARDS

The award for Outstanding Contributor was given to Anant Singh of Videovision. A Special Award was given for a film that contributed in ushering in a new era in the history of South African cinema: Mapantsula – Directed by Olivier Schmidt.

### SAFTA AUDITING

Sizwe Ntsaluba vsp, issued a certificate pronouncing the judging process for SAFTA's to be free and fair. The judging panels were in the categories of Feature Film, TV Fiction – Soaps, TV Comedy, TV Drama Series, TV Non Fiction (Wildlife, Talkshows, Reality, Sport and Gameshows) TV Non Fiction (New/ Actuality, Education, Variety, Factual, Magazine and Children), Documentary and Student, Short, Animation.

#### 4.1.2 NATIONAL FILM FESTIVALS

The NFVF supports film festivals at a national level to fulfil the following objectives:

- To grow markets for South African cinema.
- To provide avenues for the distribution of South African film.







- To change the belief that says local stories have low commercial value and appeal for local audiences.
- To increase the revenue streams coming into the industry and reverse the decline in cinema attendance
- To stimulate the culture of film appreciation, (especially of South African content) and cinema going.
- To provide a networking platform for South African film practitioners with international partners
- To allow for the provision of filmmaking workshops in the communities.
- To share information with the industry on NFVF programmes and projects.

The NFVF provides direct funding to festivals nationally and in different provinces, operated independently with a programme of events and screenings for the respective festivals. The NFVF provides support to ensure that these festival are operated successfully and the objectives for market development are met.

The NFVF funds the following festivals:

- Durban International Film Festival, Durban, KwaZulu - Natal.
- Encounters Documentary Festival, Johannesburg (Gauteng), Cape Town (Western Cape)
- TriContinental Film Festival, Johannesburg (Gauteng), Cape Town (Western Cape)
- North West Film Festival, Mafikeng (North West)
- Apollo Film Festival, Victoria West, Northern Cape
- Malopo Arts Festival, Mamelodi (Pretoria, Gauteng)
- Cape Town World Cinema Festival, Cape Town (Western Cape)
- Soweto Arts Festival, Johannesburg (Gauteng)



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- KwaMashu Film Festival, Durban (KwaZulu-Natal)
- Gay and Lesbian Film Festival, Johannesburg (Gauteng)

#### 4.2 PROGRAMME WITHIN THE VALUE CHARTER:

##### GLOBAL POSITIONING OF THE SOUTH AFRICAN FILM INDUSTRY.

The Value Charter states that, "The production of local content must be publicised with a clear positioning strategy for the film sector. The South African film industry must move from a low volume and low margin base to a high volume and high margin base..." The positioning of South Africa within the continent and the world is a diplomatic enterprise that involves the following:

- Hosting of and participation in international film festivals.
- Carving a unique South African niche in the global film industry.

The NFVF, following international trends and benchmarks, hosts South African stands and pavilions at international events that rank high on the international film calendar. The NFVF



follows a dedicated schedule of markets and festivals where the programme of global positioning can be best implemented. Since 2001, the NFVF has embarked on a concerted programme to position the South African industry in the global arena and a number of film producers taking advantage of this opportunity has grown significantly.

The NFVF hosts a national pavilion at various festivals which provide a business environment for South African filmmakers to have a home and a base away from home to allow them to conduct business in an environment that is as conducive and accommodating as possible. The NFVF organises stands and pavilions that have business facilities including fax, computer and internet facilities; administrative support to the delegations where diaries can be kept, as well as a messaging service, meeting and screening facilities are provided.

The South African delegation can also leave marketing material in the form of brochures, leaflets, booklets and show reels on their projects and companies at the stand. Business cards and contact details of the filmmakers are kept on the stand on the filmmaker's behalf. The NFVF also produces brochures, CD ROMs, posters or cards that has information on the filmmakers, their contacts and the product they represent.

The South African stand acts as a central point where any queries on the South African film industry can be answered, and where the South African film industry as a whole can be effectively marketed. The NFVF solicits partnerships from national and provincial bodies that have film as part of their portfolio to partner in hosting South African stands/pavilions at international events.

#### **4.2.1 CANNES FILM FESTIVAL – 17 – 28 MAY 2006**

##### **A PARTNERSHIP THAT WORKS**

The NFVF in partnership with the Department of Arts and Culture (DAC), Department of Trade and Industry (Dti) and the Industrial Development Corporation (IDC) hosted the South African pavilion at the Cannes



film festival. By far the most prestigious event on the film festival calendar the festival had a large contingent of South Africa filmmakers in attendance. The pavilion, which is a home away from home and a base for business meetings and networking, has become very popular with delegates wanting to do business with South Africa and network with the South African delegation.

The NFVF sponsored two student filmmakers whose films were being screened and profiled at the festival whilst the Dti as part of the partnership, sponsored 10 South African companies to attend the festival.

The NFVF has been a sponsor at the Producers Network of Cannes since it was founded in 2003. South African producers take full advantage of the network and use it as a forum where they can get more in-depth knowledge and experience on the business of film and find potential co-production partners for their future projects. As a partner of the network the NFVF is afforded the opportunity of hosting a South African spotlight where South African producers and the South African industry as a whole can be promoted.

In partnership with the Department of Arts and Culture the NFVF hosted a reception for 300 guests and invited a popular South African band, "Freshly Ground" to perform at the event. The reception gives the NFVF and South African delegates the opportunity to invite their international guests and have an opportunity to network. Hosting a reception of this nature gives the NFVF the opportunity to raise the profile of South Africa's presence in Cannes and South African filmmaker an opportunity to invite and meet with influential people, that they would not otherwise have an opportunity to meet.

#### STRENGTHENING INTERNATIONAL RELATIONS IN FILM

Minister Jordan signed a cultural agreement with France at the festival with French Minister

of Culture and Communication Mr Renaud Donnedieu de Vabre. Immediately after leaving the Cannes Film Festival, the Minister travelled to London in the UK to sign the long awaited co-production treaty to coincide with the Cannes Film Festival.

For the first time in 2006, Nigeria had a very large presence at the Cannes Film Festival. NFVF CEO, Eddie Mbalo had a brief meeting with Mr Frank Nweke JNR, Minister of Information and National Orientation accompanied by Mr G.B. Preware Ambassador of Nigeria in France and Mr Afolabi Adesanya, Head of the Nigerian Film Corporation with a large delegation of Nigerian filmmakers when they paid a courtesy visit to the South African pavilion. The delegation was on a fact finding mission to ascertain whether they should host a Nigerian pavilion at the festival, and participate in Cannes 2007. The NFVF facilitated meetings for the delegation with the management of the Cannes Film Festival. After the series of meetings and visits of the various facilities at Cannes, the delegation was optimistic that they would be able to host the pavilion at Cannes in 2007.

The NFVF held meetings with national film bodies CNC (France), the U.K. Film Council, Irish Film Board, and the Australian Film Commission in an effort to further strengthen relations and open up co-production opportunities for South African film makers. The presence of filmmakers at the festival meant that they could take full advantage of the programme put together by the NFVF and conduct business at the South African pavilion.

#### 4.2.2 AFCI LOCATIONS EXPO – 7- 9 APRIL 2006

The NFVF led a delegation to the Locations Expo in Santa Monica, California. The EXPO is an ideal platform for the promotion of South African locations; to market the South African film incentive, and other financial instruments

for the production of film in the country. The beneficiaries of the event are predominately provincial film offices and South African facilitation companies.

The South African delegation was represented by 5 provinces and comprised the following:

- NFVF: Jackie Motsepe, Deliwe Xorile
- Gauteng Film Office: Terry Tselane, Puisano Phatoli, Jacques Stoltz
- Cape Film Commission: Bianca Mphahlaza, Laurence Mitchell
- Mpumalanga Province: Ray Phiri, Sherrif Molefe, Jabu Dlamini, Mxolisi Mahlangu.
- Durban film Office: Mandle Ndimande
- Eastern Cape Province: Chris van Vuuren, Gerda Jansen

The South African presence at the Locations Expo was a partnership between the South African Consulate in Los Angeles, NFVF, GFO, Cape Film Commission, and Durban Film Office.

The Locations Expo 2006, felt like a turning point and a culmination of the efforts made over the last 5 years to have South Africa represented at this event. The quality of visitor to the South African stand has improved with a considerable number of producers either planning on making their next project in South Africa; having heard about the benefits of shooting in the country; wanting to gather more concrete information and proof of the benefits of the South African location; or location managers making a concerted and serious effort to collect information on the South African location and wanting to understand the range of locations in the country and how the incentive works. The AFCI Locations Expo still remains a viable market for promoting the country as a location for film.

The South African stand won the first prize for the best stand, which means that the stand was informative, the design was creative, and there was good literature and information available on the stand for the visitor to glean and take away.

#### 4.2.3 VENICE FILM FESTIVAL

The NFVF attended the Venice Film Festival for the year under review with the view of maintaining visibility for the South African film industry at this prestigious event.

The South African presence in 2006 was strongest ever, as a delegation led by the Deputy Minister of Arts and Culture, Ms Ntombazana Botha was in attendance as part of South Africa's participation at the Architectural Biennale that coincides with the film festival.

The NFVF collaborated with the South African embassy in Italy on the programme of events. The film and architecture delegations co-operated well with one another and participated on a single programme that included both disciplines.

The programme of events included the screening of a new short film by Tebogo Matlatsi, which opened the Corto Cortissimo section of the festival, to which he was the head of the jury. Other screenings of South African shorts were programmed at the Venice Days, a side bar of the festival, and these were "Beyond Freedom", by Jackie Trowell, and "Alive in Joburg", by Sharlto Copley.

The South African exhibition at the Architectural Biennale, curated by Architect Mphethi Morojele was officially opened by the Deputy Minister. The NFVF hosted a formal lunch that was attended by the Deputy Minister of Arts and Culture, Ms N Botha; Prof Itumeleng Mosala, the South African Arts and Culture Director-General; Mr Gaetano Blandini, the Director-General for Cinema in Italy and the South African Ambassador in Italy, His Excellency Mr Lenin Shope.





#### 4.2.4 MIPCOM 9 – 13 OCTOBER 2006

The NFVF, after hosting the South African pavilion at Mipcom Television Market for the last 4 years, for the first time in 2006, partnered with the SABC and hosted a South African stand. Seen by the NFVF as an important development for the promotion and sale of South African television and video product, the new partnership attracted numerous enquiries for South African related content, particularly in the build up to 2010. In the spirit of the discussion towards the MOU to be signed between the NFVF and the SABC, there is an underlying principle that both institutions have a common mandate to ensure the sustained growth and development of the film and television industry, and in that regard will partner on programmes of common interest. The pavilion was officially opened with speeches by Mr Eddie Mbalo, CEO of NFVF and Mr Mvuso Mbebe, Head of Content Enterprises of the SABC. The opening was also used as a networking function for the South African delegation who made use of the stand and the business facilities on offer.

#### 4.2.5 VISIT TO ROME AND CINNECITA

The NFVF took advantage of being in France for the Mipcom (television market) and travelled to Rome to attend the launch of the new Rome Film Festival. This festival intends to have a fund for African cinema and the NFVF had initial discussions on a possible future collaboration on this fund. The NFVF also met with the provincial government representative who is responsible for funding the Rome film festival.

Whilst in Rome, there was a visit to the government created studio company, Cinnecita Holdings, with the view of studying the Italian model to see what lessons can be learnt as NFVF develops its business plan for the establishment of a government funded distribution and production entity.

#### 4.2.6 SOUTH AFRICAN FILM WEEK – STOCKHOLM, SWEDEN

As part of the Protocol on Arts and Culture Co-operation between South Africa and Sweden. The National Film and Video Foundation (NFVF) and the Swedish Film Institute (SFI) were awarded a grant by the department of Arts and culture, in South Africa, and the Swedish government in Sweden. The grant was to be used towards the strengthening of partnerships between the NFVF and the SFI within the framework of the Swedish/South African culture partnership.

The South African film week in Stockholm Sweden took place from the 30 March – 7 April.

The films screened were:

- Conversations on Sunday afternoon by Khalo Matabane
- Zulu love letter by Ramadan Suleman
- Forgiveness by Ian Gabriel
- Drum by Zola Maseko
- UCarmen eKhayelitsha by Mark Danford-May
- Yesterday by Darrel Roodt

The delegation was led by the NFVF CEO, Eddie Mbalo and comprised the following:

- Jeremy Nathan – DV8
- Darrell Roodt – Director of Yesterday
- Ramadan Suleman – Director of Zulu Love letter

All 6 films that had been selected for the film week were screened with 3 films represented by either the producer or the director of the film.

## Distribution and Marketing

Key objective	Strategy	Output	Service delivery indicator	Service delivery target or milestones	Progress
Global positioning of SA film Industry	To enable more effective & strategic marketing & distribution of South African product and talent	Provide adequate, well-targeted & managed funding for marketing distribution & exhibition. Opening of new markets for South Africa product locally and internationally	Number of film & TV programmes successfully marketed & distributed locally and internationally	30% increase in the number of South African productions successfully distributed within 3 years	One on one presentations to be scheduled with key stakeholders on the overall Integrated Marketing Campaign Strategy to get buy in and participation in key critical areas of the strategy, buy in, in the area of the NFVF's strategy on global positioning will be sought.
Demand Stimulation and audience development	Development of an Integrated Marketing Strategy  Development of a distribution strategy	<b>Fund new &amp; existing audience development &amp; distribution initiatives</b>  More & better quality audience development & distribution / exhibition initiatives	Growth & increased diversity in South African audiences that have access to & demand for local product  Creating access to film by majority of South Africans including product in indigenous languages Increased access points to film including the negotiation of new technologies	20% increase in demand for South African product by South Africans within 5 years.  20% increase in audiences able to access film / television products.  Increased investment in cinema infrastructure	One on one presentations to be scheduled with key stakeholders on the overall Integrated Marketing Campaign Strategy to get buy in and participation in key critical areas of the strategy. Buy in in the area of demand stimulation and audience development will be sought.  The IMC presentation to stakeholders will also galvanise support for the distribution of South African film.



Key objective	Strategy	Output	Service delivery indicator	Service delivery target or milestones	Progress
To attract international productions and investment into South Africa	Enable improved & more co-ordinated marketing of the South African industry in terms of talent, product, infrastructure and locations	South African presence at major international film markets, festivals, trade fairs & locations expos Well informed and prepared Producers at local and International level	Growth in the number and value of international productions filmed in South Africa Growth in the number of co-productions Increased use of South African talent in international productions & co-productions	20% increase in the number of international productions & co-productions per year within 3 years. 30% increase in the value of these productions. 30% increase in usage rates of local talent, expertise & facilities	Draft MOU's with SAA and SA Tourism have been tabled in the process of interrogating the content of the MOU's with the view of having signed agreements before financial year end.





## 5. CORPORATE GOVERNANCE

The Corporate Governance Principles and Practice of the NFVF are based on relevant legislation (incorporating the National Film and Video Foundation Act, as amended by the Cultural Laws Amendment Act, 36 of 2001, the Public Finance Management Act, 1 of 1999), and take into account the Protocol on Corporate Governance in the Public Sector, Notice 637 of 2002, as well as the King Report on Corporate Governance in South Africa, 2002 ("King Report").

In terms of section 6 of the Act, the NFVF functions under the guidance of a Council, appointed by the Minister of Arts and Culture. The Council bears primary responsibility for discharging the statutory mandate of the NFVF as set out in the Act. The Chief Executive Officer, management and staff exist to support the Council in executing its responsibilities.

The NFVF recognises the significance of good governance in the public sector, which is crucial for effective public services and improved social outcomes. The NFVF is committed to ensuring good governance throughout the organisation by observing the principles of the King Report, where possible within the parameters of public sector legislation. All employees and Council members of the NFVF are expected to conduct the affairs of the NFVF in accordance with the law, and the spirit of the corporate governance principles and practices, which requires a separation of organisational and private interests and the adoption of ethical standards of business.

The Council and Management of the NFVF ensures that its processes and practices are reviewed on an ongoing basis in order to ensure adherence to good corporate governance practices, which are continually benchmarked against international practices.

The Council and Management believe that the organisation has substantially applied and complied with the principles incorporated in the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance for South Africa 2002, as well as the Protocol on Corporate Governance in the Public Sector 2002.

## 6. HUMAN RESOURCE MANAGEMENT

The National Film and Video Foundation is committed to creating an environment in which individuals, through their ability and application, can develop careers at all levels, regardless of their background, race or gender. The NFVF recognises that a motivated, skilled workforce that is remunerated fairly enhances organisational efficiency and effectiveness and this is vital for the achievement of NFVF's goals.

The NFVF's strategy is to ensure alignment between organisational needs and the skills and competencies of its workforce. One element of this strategy is to ensure the appropriately skilled people are attracted to the organisation. Another is to ensure all staff continue with their personal and professional development while in the organisation.

### 6.1 REMUNERATION

The NFVF strives to remunerate employees at competitive government salary scales. In addition, the NFVF has a provident fund incorporating group life and disability insurance for all employees as well as a comprehensive medical aid scheme.

### 6.2 STAFF TURNOVER

During the period under review 1 employee left the organization, and 4 new employees were appointed.

### 6.3 EMPLOYMENT EQUITY AND WORKPLACE DIVERSITY

The NFVF places a high priority on employment equity as part of its transformation agenda, and is continuously striving to meet its equity targets in terms of race and gender. The table below indicates the NFVF's race and gender representivity.

POST LEVEL	FILLED	BLACK		WHITE	
		M	F	M	F
Management	1	1			
Middle management and high level specialists	3		3		
Supervisor and high level skilled/clerical	14	3	9		2
Lower level skilled/clerical	1		1		
Very low skilled	1		1		
<b>TOTAL</b>	20	4	14		2
		20%	70%	%	10%





## 7. AUDIT COMMITTEE REPORT

This report has been prepared according to the Treasury Regulations for public entities issued in terms of the Public Finance Management Act (PFMA), 1999, as amended. The NFVF is listed as a national public entity in Schedule 3A of the Act.

The audit committee has adopted an appropriate formal audit committee charter, which has been confirmed by the Council of the NFVF, and has performed its responsibilities as set out in the charter.

The committee currently consists of Mr Talib Sadik (chairperson), Mr Clement Mannya, Ms Charlotte Mampane, Mr Mark Rosin and Mr Motsamai Karedi.

During the year under review (2006/2007), the committee met on 07 June 2006 and 18 July 2006. Invited persons to the meeting included the Chief Executive Officer, Chief Financial Officer and the internal and external auditors.

The audit committee has reviewed the internal audit charter and the risk assessment undertaken by management. In the context of our understanding of the risks facing the entity, the committee is satisfied that the internal controls managing the major risks are effective. The strategic risk assessment is reviewed on an annual basis. It should be noted that there was a 13 month delay in the appointment of the NFVF Council which negatively impacted on the effective operation of the Audit Committee.

The committee has reviewed the annual financial statements of the NFVF for the year ended 31 March 2007, the audit and management reports of the Auditor General, and is satisfied that these statements comply, in all material respects with the requirements of the PFMA, 1999, as amended, and South African Statements of Generally Accepted Accounting Practice.



**Talib Sadik**

*Chairperson of the audit committee*

# NATIONAL FILM AND VIDEO FOUNDATION ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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The annual financial statements were approved by the Accounting Authority  
on 31 May 2007 and are signed by:



**Mr. M Vundla**  
*Chairperson*  
NFVF



**Mr. K.E. Mbalo**  
*Chief Executive Officer*  
NFVF



# REPORT OF THE AUDITOR-GENERAL TO THE PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NATIONAL FILM AND VIDEO FOUNDATION FOR THE YEAR ENDED 31 MARCH 2007

## REPORT ON THE FINANCIAL STATEMENTS

### INTRODUCTION

1. I have audited the accompanying financial statements of the National Film and Video Foundation which comprise the statement of financial position as at 31 March 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 61 to 74.

### RESPONSIBILITY OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement

and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

### RESPONSIBILITY OF THE AUDITOR- GENERAL

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and General Notices 647 of 2007, issued in Government Gazette No. 29919 of 25 May 2007. Those standards require that I comply with ethical requirements

and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

#### **BASIS OF ACCOUNTING**

8. The National Film and Video Foundation's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1.

#### **OPINION**

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the National Film and Video Foundation as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting as described in note 1.1 to the financial statements and in the manner required by the PFMA.

#### **OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

#### **INTERNAL CONTROLS**

10. Due to inadequate monitoring controls, supply chain management regulations, as reported in paragraph 11 below, were not always adhered to.

#### **MATERIAL NON-COMPLIANCE WITH APPLICABLE LEGISLATION**

11. Due to the specialised nature of the NFVF business most of the suppliers were unique and had to be sourced from specific service providers. This made it impractical to always invite competitive bids.

NFVF in partnership with other stakeholders, sourced certain services amounting to R200 000 and above without inviting competitive bids. Although the details of transactions procured were disclosed to the accounting



authority, there was no evidence that the NFVF recorded the reasons for deviating from inviting competitive bids for the approval by the accounting authority as required by Treasury Regulation 16.A.6.4

### MATTERS OF GOVERNANCE

12. Due to delays in the appointment of the new Council members, the audit committee, which is a sub-committee of the Council, met twice in the financial year 2006/07. This resulted in the audit committee not being able to perform certain functions as required by Treasury regulation 27.1.8.

### OTHER REPORTING RESPONSIBILITIES

#### REPORTING ON PERFORMANCE INFORMATION

13. I have audited the performance information as set out on pages 25 to 51.

### RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY

14. The accounting authority had additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

### RESPONSIBILITY OF THE AUDITOR-GENERAL

15. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read

with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.

16. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
17. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my audit findings.
18. No audit findings

### APPRECIATION

19. The assistance rendered by the staff of the National Film and Video Foundation during the audit is sincerely appreciated.



**Mr. S. Vilakazi**  
*for Auditor-General*  
*Johannesburg*  
*31 July 2007*



A U D I T O R - G E N E R A L

# NATIONAL FILM AND VIDEO FOUNDATION ACCOUNTING AUTHORITY REPORT FOR THE YEAR ENDED 31 MARCH 2007

## 1. INTRODUCTION

The Accounting Authority presents the report that forms part of the audited annual financial statements of the organisation for the year ended 31 March 2007.

The National Film and Video Foundation is established in terms of the National Film and Video Foundation (NFVF) Act no. 73 of 1997 and is listed as a national public entity in schedule 3A of the Public Finance Management Act, 1999, as amended, (PFMA).

The council acts as the accounting authority of the NFVF, in terms of PFMA.

## 2. DIRECTORS OF THE ENTITY

### EXECUTIVE DIRECTOR:

Mr KE Mbalo (Chief Executive Officer)

### NON-EXECUTIVE DIRECTORS (COUNCIL):

Mr M Vundla (Chairperson)

Dr M Botha

Mr M Dearham

Ms C Mampane

Ms K Heynes

Ms J Mistry

Dr G Mokae

Mr G O'Leary

Prof B Peterson

Mr M Rosin

Ms N Sowazi

## 3. ORGANISATIONAL STRUCTURE

The organisation currently employs 20 permanent staff including the chief executive officer and 3 executive managers. 4 additional staff members were employed during the year, and 1 employee resigned.

## REMUNERATION FOR THE YEAR

Non-executive directors (council):

Director	Amount	No of Meetings attended			
		Council	Exco	Audit	HR
Mr M Vundla (Chairperson)	13 000	2	1	-	-
Dr M Botha	-	-	-	-	-
Mr M Dearham	15 000	3	-	-	-
Ms C Mampane	8 000	1	-	1	-
Ms K Heynes	10 000	2	-	-	1
Ms J Mistry	16 000	2	2	-	-
Mr G O'Leary	21 000	3	2	-	1
Mr M Rosin	21 000	3	-	2	-
Ms N Sowazi	8 000	1	1	-	-

#### Executive Management:

	Basic Salary	Bonus	Allowances	Contributions	Total
CEO	701 322	59 485	12 000	117 919	890 726
CFO	471 808	39 317	6 000	56 981	574 106
Head: Marketing	390 578	32 564	6 000	67 255	496 397
Head: Policy	302 699	24 189	6 000	46 129	379 017

#### 4. PRINCIPAL ACTIVITIES

The principal activities of the organisation during the year comprise support to the film and video industry through the granting of funds for the development and production of film projects, the granting of bursaries and support of training initiatives, and the marketing and promotion of film and video projects.

#### 5. OPERATING RESULTS

The net profit of the organisation for the year was R 153 146 (2006: R217 103 )

#### 6. REVIEW OF OPERATIONS

##### REVENUE

Revenue comprises of funding received from Government

The increase in revenue is attributable an increase in the allocation received from the Department of Arts and Culture as well as funds received from various sponsors for the support of initiatives such as the South African Film and Television Awards (SAFTA), the Swedish Film Week and MIPTV and Cannes.

##### OPERATING EXPENSES

1 staff member resigned and 4 new staff members were employed during the current financial year.

The organisation conducted a feasibility study on the establishment of a National

Film School.

The organisation hosted the first ever annual South African Film and Television Awards (SAFTA) in October 2006.

#### 7. EVENTS SUBSEQUENT TO BALANCE DATE

The Accounting Authority is not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the annual financial statements, which significantly affect the financial position of the organisation or the results of its operations.

A new council was appointed by the Minister of Arts & Culture on the 19th of June 2007, but have not yet taken office.

#### 8. ADDRESSES

The entity's business, postal and registered addresses are as follows:

##### BUSINESS ADDRESS / DOMICILE:

87 Central Street  
Houghton 2198

##### POSTAL ADDRESS:

Private Bag X04  
Northlands 2116

##### REGISTERED ADDRESS:

87 Central Street  
Houghton 2198



**NATIONAL FILM AND VIDEO FOUNDATION  
STATEMENT OF FINANCIAL PERFORMANCE FOR  
THE YEAR ENDED 31 MARCH 2007**

	Note	2007 R	2006 R
Revenue	5	42,997,415	29,545,396
Grants paid	6	(32,256,365)	(20,469,842)
		10,741,050	9,075,554
Other operating income		-	-
Operating expenses	7	(10,930,318)	(9,625,730)
(Loss) from operations		(189,268)	(550,176)
Investment income	8	342,414	767,279
Surplus for the year		153,145	217,103

**NATIONAL FILM AND VIDEO FOUNDATION  
STATEMENT OF FINANCIAL POSITION AS AT  
31 MARCH 2007**

	Note	2007 R	2006 R
<b>ASSETS</b>			
Non Current Assets		1,216,004	1,530,937
Plant and equipment	2	999,444	1,314,377
Rental deposit		216,560	216,560
Current Assets		12,799,064	12,835,426
Cash and cash equivalents	12	8,133,569	12,278,799
Receivables	3	3,296,724	247,661
Prepayments		1,368,771	308,966
<b>TOTAL ASSETS</b>		<b>14,015,068</b>	<b>14,366,363</b>
<b>LIABILITIES</b>			
Accumulated surplus		3,718,137	3,564,991
Current Liabilities		10,296,931	10,801,372
Accounts payable	4.1	893,491	528,921
Provisions	4.2	8,445,569	7,964,580
Deferred income	4.3	957,871	2,307,871
<b>TOTAL NET ASSETS</b>		<b>14,015,068</b>	<b>14,366,363</b>

**NATIONAL FILM AND VIDEO FOUNDATION  
STATEMENT OF CHANGE IN NET  
ASSETS FOR THE YEAR ENDED 31 MARCH 2007**

	Accumulated Surplus	Total
Balance as at 01 April 2001	1,667,971	1,667,971
Surplus for the year ended 31 March 2002	397,091	397,091
Balance as at 31 March 2002	2,065,062	2,065,062
Surplus for the year ended 31 March 2003	386,803	386,803
Balance as at 31 March 2003	2,451,865	2,451,865
Surplus for the year ended 31 March 2004 as previously reported	650,724	650,724
Prior year adjustment (note8)	(43,444)	(43,444)
Balance as at 31 March 2004 as restated	3,059,145	3,059,145
Surplus for the year ended 31 March 2005 as previously repoted	442,861	442,861
Prior year adjustment (note8)	(154,118)	(154,118)
Balance as at 31 March 2005 as restated	3,347,888	3,347,888
Surplus for the year ended 31 March 2006	217,103	217,103
Balance as at 31 March 2006	3,564,991	3,564,991
Surplus for the year ended 31 March 2007	153,146	153,146
<b>Balance as at 31 March 2007</b>	<b>3,718,137</b>	<b>3,718,137</b>



# NATIONAL FILM AND VIDEO FOUNDATION

## CASH FLOW STATEMENT FOR THE YEAR ENDED

### 31 MARCH 2007

	Note	2007 R	2006 R
<b>Net cash flows used in operating activities</b>		(3,896,160)	(778,917)
Cash received for grants		42,997,415	29,545,396
Interest income		342,414	767,279
Cash paid to employees, suppliers & projects		43,072,632	(29,528,859)
Cash generated from operations	9	717,148	783,816
Changes in working capital	10	(4,613,309)	(1,562,733)
<b>Net cash flows used in investing activities</b>		(249,070)	(257,367)
Purchase of plant and equipment	11	(249,070)	(257,367)
<b>Net (decrease) / increase in cash and cash equivalents</b>		(4,145,230)	(1,036,284)
Cash and cash equivalents at the beginning of the year		12,278,799	13,315,083
<b>Cash and cash equivalents at the end of the year</b>	12	<u>8,133,569</u>	<u>12,278,799</u>

## NATIONAL FILM AND VIDEO FOUNDATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

### 1. ACCOUNTING POLICIES

#### Basis of Preparation

The annual financial statements of the Foundation have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice, including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statements as follows:

#### Standard of GRAP

GRAP1 - Presentation of financial statements  
GRAP2 - Cash flow statements  
GRAP3 - Accounting policies, changes in accounting estimates and errors

#### Replaced Statement of GAAP

AC101 - Presentation of financial  
AC118 - Cash flow statements  
AC103 - Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP1,2 and 3 has resulted in the following significant changes in the presentation of the financial statements:

#### 1.1 Terminology differences

##### Standard of GRAP

Statement of financial performance  
Statement of financial position  
Statement of changes in net assets  
Net assets  
Surplus/deficit for the period  
Accumulated surplus/deficit  
Contribution from owners  
Distribution to owners  
Reporting date

##### Replaced Statement of GAAP

Income statement  
Balance sheet  
Statement of changes in equity  
Equity  
Profit/loss for the period  
Retained earnings  
Share capital  
Dividends  
Balance sheet date

#### 1.2 The cash flow statement can only be prepared in accordance with the direct method

### 1.3 Specific information such as:

- (a) receivables from non-exchange transactions, including taxes and transfers;
- (b) taxes and transfers payable;
- (c) trade and other payables from non-exchange transactions; must be presented separately on the statement of financial position

### 1.4 The amount and nature of any restrictions on cash balances is required to be disclosed.

Paragraph 11 -15 of GRAP 1 has not been implemented as the budget reporting standard has not developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure would not affect fair presentation.

## 1.5 INCOME

Gross revenue comprises of funding from the Department of Arts and Culture (DAC), the Department of Trade & Industry (Dti), South African Broadcasting Corporation (SABC).

### 1.5.1 Government grants

All government grants are accounted for on an accrual basis, in the income statement for the year to which they relate.

### 1.5.2 Deferred income

Government grants are recorded as deferred income when they become receivable and are then recognised as income on a systematic basis over the period necessary to match the grants with the related costs which they are intended to compensate.

## 1.6 Fixed assets and depreciation

Fixed assets are shown at cost less accumulated depreciation. Fixed assets are depreciated on the straight line method at rates which are estimated to write off each asset over its useful life.

The depreciation rates are as follows:

Computer hardware	33.33% p.a
Furniture and fillings	16.67% p.a
Computer software	50.00% p.a
Office equipment	16.67% p.a

Fixed assets are held for the supply of services and for administrative purposes, and are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the



carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet.

### 1.7 Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when the organisation becomes a party to the contractual provisions of the instrument. Financial instruments are measured at transaction cost.

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis from observable current market transactions.

### 1.8 Provisions

Provisions are recognised when the organisation has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably.

### 1.9 Taxation

No provision has been made for income tax as the Foundation is exempted in terms of section 10 (1) (cA) (1) of the Income Tax Act, 1962 (Act No.58 of 1962).

### 1.10 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### 1.11 Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The PFMA, or
- Any provincial legislation providing for procurement procedures in that provincial government.

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

All irregular and fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

### 1.12 Leasing

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

### 1.13 Significant Judgements

During the period under review, there were no significant judgments against the organisation

## 2. PLANT AND EQUIPMENT

	R	R	R	R	R
	Computer hardware	Furniture & fittings	Computer software	Office equipment	Total
Net book value at 1 April 2005	105,976	1,271,368	92,216	154,163	1,623,723
Additions	136,680	-	120,687	-	257,367
Write-offs	-	-	-	-	-
Depreciation	114,470	299,259	108,327	44,657	566,713
<b>Net book value at 31 March 2006</b>	<b>128,186</b>	<b>972,109</b>	<b>104,576</b>	<b>109,506</b>	<b>1,314,377</b>

Cost as at 31 March 2006	636,854	1,795,191	417,339	267,892	3,117,276
Accumulated Depreciation	508,668	823,082	312,763	158,386	1,802,899
<b>Net book value at 31 March 2006</b>	<b>128,186</b>	<b>972,109</b>	<b>104,576</b>	<b>109,506</b>	<b>1,314,377</b>

	R	R	R	R	R
	Computer hardware	Furniture & fittings	Computer software	Office equipment	Total
Net book value at 1 April 2006	128,186	972,109	104,576	109,506	1,314,377
Additions	115,267	39,018	77,686	17,099	249,070
Write-offs	-	-	-	-	-
Depreciation	114,051	298,798	106,021	45,133	564,003
<b>Net book value at 31 March 2007</b>	<b>129,402</b>	<b>712,330</b>	<b>76,240</b>	<b>81,472</b>	<b>999,444</b>

Cost as at 31 March 2007	752,121	1,834,210	495,025	284,991	3,366,346
Accumulated Depreciation	622,719	1,121,879	418,785	203,519	2,366,902
<b>Net book value at 31 March 2007</b>	<b>129,402</b>	<b>712,330</b>	<b>76,240</b>	<b>81,472</b>	<b>999,444</b>

No adjustments have been made to comparative figures

### 3. RECEIVABLES

	2007 R	2006 R
Sundry debtor - Loan to Short End Pictures	23,457	57,661
Discounted amount	22,634	57,661
Interest receivable	823	-
Sundry debtor - SABC: SEDIBA ,SAFTA Awards & MIPCOM	1,773,267	190,000
Discounted amount	1,720,640	190,000
Interest receivable	52,627	-
Sundry debtor - Advance to Sithengi	1,500,000	-
Discounted amount	1,447,364	-
Interest receivable	52,637	-
	3,296,724	247,661

Loan to Short End Pictures was in respect of bridging finance for the film "SSQ - Soweto String Quartet". Interest is payable at 10.50%. The loan is repayable on 31 July 2007.

#### 4.1 ACCOUNTS PAYABLE

	2007 R	2006 R
Sundry creditor - scholarship fund	102,422	102,422
Medical aid provision	37,359	28,965
Provident fund provision	59,478	-
Salary provision	14,185	-
Operating lease	276,881	271,091
Cashbook accruals	403,166	126,443
<b>Total accounts payable</b>	<b>893,491</b>	<b>528,921</b>



## 4.2 PROVISIONS

### 4.2.1 Provision for grants issued by NFVF

Opening Balance as at 01 April 2006	7,824,068	13,971,620
New grants issued (note 6)	32,256,365	20,469,842
Payments for the year	(31,860,235)	(26,617,394)
Closing Balance as at 31 March 2007	8,220,198	7,824,068

The Foundation issues grants in the following categories: training and bursaries; research and script development; production and distribution and marketing.

### 4.2.2 Provision for leave payment

Opening carrying amount	140,512	128,369
Utilised during the year	(140,512)	(128,369)
Provision for the year	225,371	140,512
Closing carrying amount	225,371	140,512

<b>Total provisions</b>	<b>8,445,569</b>	<b>7,964,580</b>
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## 4.3 DEFERRED INCOME

### Department of Communications

Opening Balance	957,871	957,871
Utilised during the year	-	-
Closing Balance	957,871	957,871

### Department of Arts and Culture

Opening Balance	1,350,000	-
Received during the year	-	1,350,000
Utilised during the year	(1,350,000)	
Closing Balance	-	1,350,000

<b>Total deferred income</b>	<b>957,871</b>	<b>2,307,871</b>
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## 5. REVENUE

	2007	2006
	R	R
Department of Arts and Culture - annual allocation	34,086,000	24,609,000
Department of Arts and Culture - special projects	1,350,000	3,556,344
Department of Arts and Culture - Swedish film week	427,500	-
Department of Arts and Culture - Bambatha documentary	400,000	-
Industrial Development Corporation	350,000	500,000
South African Broadcasting Corporation	5,261,069	190,000
French Embassy - African Film Summit	-	120,000
National Lottery - SEDIBA	-	450,000
South African Film and Television Awards (SAFTA) fees	68,506	111,800
Ticket sales - Hong Kong Film Festival	-	8,252
Brand Neu Agency - SAFTA	316,800	-
Gauteng Film Office	200,000	-
Department of Trade and Industry	377,217	-
Stitching Freeway Custody - Tsotsi recoupment	119,297	-
Avea refund	41,027	-
	<u>42,997,415</u>	<u>29,545,396</u>

## 6. GRANTS PAID

Training & Bursaries	3,134,362	3,435,406
Research & Development	2,496,081	1,041,300
Production	5,551,700	4,564,050
Distribution & Marketing	21,074,223	11,429,086
	<u>32,256,365</u>	<u>20,469,842</u>

## 7. OPERATING EXPENSES

Included in the operating expenses are the following:

Audit fees	140,137	116,150
Consulting services	592,700	904,791
Internal audit fees	92,454	282,971
Professional services - Human Resources	92,340	184,680
Professional services - Other	394,761	389,944
Website expenses	13,145	47,196
Councillor's services		
Honorarium - council meetings	112,000	174,250
Depreciation	564,003	566,713
Computer hardware	114,051	114,470
Furniture & fittings	298,798	299,259
Computer software	106,021	108,327
Office equipment	45,133	44,657
Panellist fees	99,400	130,850
Rent paid	1,081,873	1,010,604
Salaries and wages - CEO	890,726	801,782
Salaries and wages - CFO	574,106	447,919
Salaries and wages - Head: Marketing & Public Affairs	496,397	410,005
Salaries and wages - Head: Policy & Research	379,017	496,456
Salaries and wages - other staff	4,202,269	2,334,425
Travel and accommodation	270,097	310,477

### 7.1 Honorarium - council services

	112,000	174,250
Mr M Vundla	13,000	26,250
Dr M Botha	-	15,000
Mr M Dearham	15,000	10,000
Ms C Mampane	8,000	13,000
Ms K Heyns	10,000	20,000
Ms J Mistry	16,000	13,000
Mr G O'Leary	21,000	32,000
Prof B Peterson	-	8,000
Mr M Rosin	21,000	32,000
Ms N Sowazi	8,000	5,000



**8. INVESTMENT INCOME**

	2007 R	2006 R
Interest income	342,414	767,279
Loan - Firebird Films	-	45,179
Loan - Short End Pictures	5,796	7,961
Loan - DV8	-	35,000
Bank deposits	336,618	679,139

**9. CASH GENERATED FROM OPERATIONS**

	717,148	783,816
Net operating (loss)	(189,268)	(550,176)
Interest received	342,414	767,279
Adjustment for depreciation	564,003	566,713

**10. CHANGES IN WORKING CAPITAL**

	(4,613,309)	(1,562,733)
(Increase)/decrease in debtors	(4,084,383)	3,517,699
(Decrease) in creditors	(528,926)	(5,080,432)

**11. PURCHASE OF PLANT AND EQUIPMENT**

	(249,070)	(257,367)
Furniture & Fittings	(39,018)	-
Office Equipment	(17,099)	-
Computer Software	(77,686)	(120,687)
Computer Hardware	(115,267)	(136,680)

**12. CASH AND CASH EQUIVALENTS**

	8,133,569	12,278,799
First National Bank	1,901,812	3,862,808
Corporation for Public Deposits	6,229,757	8,413,991
Petty cash	2,000	2,000

### 13. OPERATING LEASE ARRANGEMENTS

At the balance sheet date the organisation had outstanding commitments under non-cancelable operating leases, which fall due as follows:

Up to 1 year	1,040,923	1,040,923
1 to 5 years	962,737	2,003,660
	2,003,660	3,044,583

#### Nashua - Office Equipment

This is a 36 month contract allowing for 15% escalation fee annually.

#### Rental:

87 Central Properties allows for an annual escalation of 10% per annum

The lease for the period 1 January 2006 to 31 December 2006 was R79 279.20

The lease for the period 1 January 2007 to 31 December 2007 was R87 207.12

### 14. MATERIAL LOSSES THROUGH CRIMINAL CONDUCT

The organisation incurred no material losses through criminal conduct during the financial year under review.

### 15. IRREGULAR EXPENDITURE

The organisation incurred no irregular expenditure during the financial year under review.

### 16. FRUITLESS AND WASTEFUL EXPENDITURE

The organisation incurred no fruitless and wasteful expenditure during the financial year under review.

### 17. RELATED PARTIES

Loans to related parties

Sithengi	5,000,000	-
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Amounts owed by related parties

Sithengi	1,500,000	-
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Amounts received by related parties

Department of Arts and Culture	36,263,500	28,165,344
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Amounts funded to related parties

Sithengi	1,200,000	1,200,000
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