Companies and Intellectual Property Commission

ANNUAL REPORT 2016/2017

Companies and Intellectual Property Commission

a member of **the dti** group

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PART A:
General Information

"It takes 20 years to build a reputation and five minutes to ruin it.
If you think about that, you'll do things differently."
Warren Buffett

Part A: General Information

1.1 The CIPC's General Information

Registered name of the public entity

Companies and Intellectual Property Commission (CIPC)

Registration Numbers and/or other relevant numbers

Not applicable

Registered Office address

the dti campus (Block F - Entfutfukweni)
77 Meintjies Street
Sunnyside,
Pretoria

Postal Address

P.O. Box 429
Pretoria
0001

Contact telephone numbers

+27 86 100 2472

Enquiries

http://enquiries.cipc.co.za

Website address

www.cipc.co.za

External Auditors Information

Auditor-General South Africa
PO Box 446
Pretoria
0001

Bankers Information

ABSA
PO Box 4210
Pretoria
0001

Company Secretary

CIPC does not have a Company Secretary

1.2 List of Abbreviations/Acronyms

Abbreviation	Description
AA	Accounting Authority
AFS	Annual Financial Statements
AGSA	Auditor General of South Africa
APP	Annual Performance Plan
AR	Annual Return
BBBEE	Broad-Based Black Economic Empowerment
BP	Business Plan
BR	Business Rescue
BRICS	Brazil, Russia, India, China and South Africa
BRP	Business Rescue Practitioner
CC	Close Corporation
CEO	Chief Executive Officer
CAB	Change Advisory Board
CAPASSO	Composers Authors and Publishers Association
CCIFSA	Cultural and Creative Industries Federation
CCMA	Commission for Conciliation, Mediation and Arbitration
CSD	Central Supplier Database
CIPC	Companies and Intellectual Property Commission
CIPRO	Companies and Intellectual Property Registration Office
CT	Companies Tribunal
DAC	Department of Arts and Culture
DEA	Department of Environmental Affairs
DHA	Department of Home Affairs
DOE	Department of Education
DSBD	Department of Small Business Development
DST	Department of Science and Technology
EDD	Economic Development Department
EPO	European Patents Office
ERMS	Electronic Records Management System
FNB	First National Bank
FRSC	Financial Reporting Standards Council
HIPO	Heads of Intellectual Property Offices
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communications Technology
INTA - BASCAP	International Trademark Association and the International Chamber of Commerce Business Action to Stop Counterfeiting and Piracy
IKS	Indigenous Knowledge Systems

Abbreviation	Description
IRBA	Independent Regulatory Board of Auditors
IP	Intellectual Property
IPAP	Industrial Policy Action Plan
IT	Information Technology
IPAS	Industrial Property Automation System
IPLAA	The IP Laws Amendments Act
IPR	Intellectual Property Rights
JSE	Johannesburg Stock Exchange
MASA	Music Association of South Africa
MOI	Memorandum of Incorporation
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NIPMO	National Intellectual Property Management Office
NMMU	Nelson Mandela Metropolitan University
NT	National Treasury
NLB	National Lotteries Board
OPC	Operational Performance Committee
OTT	Office of Technology Transfer
PEB	Patent Examination Board
PFMA	Public Finance Management Act
SA	South Africa
SAPS	South African Police Services
SARS	South African Revenue Service
SCM	Supply Chain Management
SIPO	State Intellectual Property Office
SMMEs	Small, Medium and Micro Enterprises
SOC	State Owned Company
SOE	Standard Operating Environment
SST	Self Service Terminals
the dti	The Department of Trade and Industry
TIA	Technology Innovation Agency
TRP	Takeover Regulation Panel
UK	United Kingdom
WIPO	World Intellectual Property Organisation
XBRL	eXtensible Business Reporting Language

1.3 Foreword by the Minister

Dr Rob Davies, MP Minister of Trade and Industry

It is my pleasure to present the annual report of the Companies and Intellectual Property Commission (CIPC) for the 2016/17 financial year. This year marks the final year of the five year strategy since the Commission was established.

Since the Companies Act, No 71 of 2008 (as amended) came into effect, the CIPC has established itself as a credible regulator. Over the past five years, CIPC systems have stabilised, with an increased drive towards automation and simplifying how customers transact with them.

One of the major changes that the corporate law reform enabled, was the introduction of business rescue. In recent months, the first company to have entered into this process managed to successfully continue its business operations. This is the demonstration that business rescue can save jobs if the reasons are sound and the company is well advised.

One of the regulatory highlights of the past year was the first delinquency order that CIPC secured against a director of a company for non-compliance with a compliance notice. CIPC continued to play an instrumental role in improving the ease of doing business especially in terms of starting a business, both operationally and at a strategic level, through its engagement with World Bank partners together with InvestSA. In March this year, a one-stop facility was launched by the President of the Republic, His Excellency Jacob Zuma in an attempt to reduce bureaucracy for investors who wish to do business in South Africa. This initiative is the result of a collaborative effort between CIPC and the Department of Trade and Industry's (**the dti)** InvestSA.

In an effort to prepare for the IP Laws Amendment Act, the CIPC continued with the training of patent examiners, as part of efforts to enhance the value of the registered patents through the substantive examination of patents.

The CIPC continues to increase their visibility and reach with targeted education and awareness campaigns to build capacity within law enforcement agencies to engage successfully in anti-counterfeiting initiatives. During this period, the CIPC engaged on a Media Campaign named "Your Business, our Focus" whose aim was to promote the awareness of the CIPC brand whilst at the same time promoting the automated services and ease of transaction and reached all the nine provinces.

The CIPC has continued to build on the pre-existing partnerships with the four big banks, First National Bank (FNB), ABSA, Standard Bank and Nedbank. Through these partnerships, the CIPC has ensured increased accessibility, through the banks' footprint and reliable verification. A significant achievement this financial year, was the CIPC providing to the National Treasury (NT), a real time link which enabled them to check the status of enterprises and directors prior to them registering their businesses on the Central Supplier Database (CSD).

The introduction of a new transacting model known as the 'Third Party Model' enables the CIPC customers to transact instantly using the Department of Home Affairs' (DHA) biometric identity verification. Through Self Service Terminals (SSTs), access to CIPC services was extended to three (3) more provinces; North West, Free State and Limpopo. This is the use of technology to advance the Fourth Industrial Revolution for the benefit of the previously disadvantaged.

In order to improve compliance efficiency and effectiveness with the filling and analysis of Annual Financial Statements (AFS), the CIPC will roll-out the implementation of eXtensible Business Reporting Language (XBRL). This will reduce the administrative burden of analysis on each AFS as it automates the process and further allow easy comparison of statements to determine the trends within a sector of the economy.

The achievements outlined in this report give the CIPC a foundation to continue to position itself as a world class regulator for business and intellectual property protection therefore, contributing to the strengthening of our economy.

Dr Rob Davies, MP
Minister of the Trade and Industry
31 July 2017

1.4 Commissioner's Overview

Adv. Rory Voller, CIPC Commissioner

It is my pleasure to present the annual report of the Companies and Intellectual Property Commission (CIPC) for the 2016/17 financial year.

During the past year the emphasis was on the continued implementation of the organisation's automation strategy in line with the principles of the Fourth Industrial Revolution. The purpose of digitizing services is to enhance the customer experience and to create a progressive organisation and public service that is attuned to the needs of the economic citizen.

Service delivery improvements through continued automation of core processes remained key. The e-services platform has been enhanced to cater for increased digitization as opposed to hybrid filing. Plans are underway to migrate all hybrid processes to fully digitised services in the next strategic planning period.

Our multichannel strategy included the rollout of what we term the "Third Party Model". This tool enables interested individuals and organisations to render company registration and related services in a secure seamless way. The use of biometric identity verification against the Home Affairs National Identity System (HANIS) allows for all transactions performed using this channel to be instant. To date, third parties from across the country have signed up to render this service and we only received positive feedback from end users.

The CIPC is committed to improve the ease of doing business hence the concerted efforts in the service delivery space. Over the past year, we worked very close with the World Bank, InvestSA and other government entities to ensure South Africa's ranking in the World Bank Doing Business Report's Starting a Business indicator improved. Other entities responsible for the ranking of this particular indicator are SARS, Compensation Fund and the Unemployment Insurance Fund (UIF). The CIPC has been elected to chair the technical working committee on Starting a Business and attending a first training session in Dubai in March this year.

Our involvement in the international space as far as company registration and regulation is concerned, is well noted. The CIPC has been elected to serve on the International Corporate Register's Forum's executive for a year from April this year. A technical working committee workshop for African peers is planned for August this year. The objective is to share learnings on the African continent and to ensure modernisation of corporate registries remains a priority.

Operations continued and in most areas service delivery standards were exceeded on a consistent basis.

The CIPC registration network was expanded during the year to now include all four major banks with Nedbank coming on board during 2016. Scoping meetings were held with all these banks to expand on the service offering for clients especially in the lodging of Annual Returns (AR) as well as the disclosure of BEE certificates for exempted microenterprises through these channels.

The CIPC rolled out an expansive and intensive Marketing, Awareness and Media campaign covering all the provinces of South Africa and holding strategic events in order to maximise on the reach of our products and services. This has shown fruit in that the CIPC registered over 370 000 new companies, the most ever since its establishment in 2011.

We are pleased with the implementation of the training programme for our new Patent Examiners in preparation for the implementation of a substantive search and examination process and they have successfully completed their first year of training. More examiners will be added in the coming year in order to capacitate the organisation and be ready for a full rollout of patent examination in the country. A Memorandum of Understanding (MoU) with the European Patent Organisation (EPO) has also been signed in order to collaborate on patent administration and management with a full work programme currently in process. Trade mark application and registration continues to show steady growth year on year with the organisation once again registering a new high with over 38 000 applications.

The focus on the submission of financial data and other regulatory prescripts has the CIPC working hard during the year, in the rollout of an eXtensible Business Reporting Language (XBRL) system with the mandated date being July 2018 of this multi-year project.

The rollout of CIPC services in the provinces continues to show steady growth with the Eastern Cape, North West and Free State provinces coming on board using provincial collaborative partners. During the course of the 2017/18 year we will have covered all the provinces with Limpopo and Mpumalanga coming on board as well as expanding our partnerships within the provinces to cover more cities and towns.

The CIPC has started to implement its Social media strategy using Facebook and Twitter as a means of reaching out to clients through information sharing as well as engaging with them on these platforms on the resolution of queries. We are seeing a lot of attention and traction on the use of these platforms and the gains that come from continuous interaction with our valued clients and the users of these platforms shows steady growth.

1.4.1 General financial review of the public entity

For the year under review, the CIPC received revenue totalling R596 million, of which R315.3 million was derived from annual returns paid.

For the period 01 April 2016 to 31 March 2017, a total revenue of R468 million was generated from business activities related to submission of annual returns and registrations of companies, patents, designs and trade marks. Revenue generated from other income amounts to R6.2 million. This comprised mainly of recognition as revenue of customer deposit balances older than 3 years, amounting to R5.8 million and other sundry income. Interest of R121.8 million was earned on the Corporation for Public Deposits (CPD) investment at the Reserve Bank and other related accounts.

It is expected that the CIPC will generate sufficient revenue over the short to medium term to sustain its operational activities and to improve its efficiencies in rendering and maintaining quality services as set out in the Companies Act of 2008. If CIPC is to remain financially sustainable and to cover the annual cost increase in service delivery, an annual adjustment of fees will be required. In this regard, National Treasury (NT) approved a fee increase for the CIPC and these increases will be implemented after due legal processes are completed. During the previous year, NT approved a five-year financial sustainability analysis and funds will be available to achieve the future organisational objectives.

1.4.2 Spending trends of the public entity

The 2015/2016 - 2018/2019 Medium Term Revenue and Expenditure Framework (MTREF) for the CIPC was submitted to **the dti** and National Treasury (NT) in accordance with the Public Finance Management Act (PFMA) (Act 1 of 1999).

The main cost drivers for CIPC as a service organisation relate to employee remuneration, IT services, office accommodation and service delivery enhancement projects. The remuneration of staff remains the most substantial expense, amounting to R253.1 million (62%) of total operating expenditure in the 2016/2017 financial year.

During the period under review, the CIPC continued with the stabilisation of its IT systems through investment in improved IT infrastructure which led to improved functionality and greater security. The organisation will continue to invest in modernising its infrastructure in the next strategic period.

1.4.3 Capacity constraints and challenges facing the public entity

Substantive Search and Examination (SSE) is being introduced for the first time in South Africa, and we have had a challenge of coordinating a streamlined training programme for the examiners. We require a streamlined training program that not only ensures that our examiners receive the best training, but also addresses the challenges that are unique to South Africa as a developing country.

We also recognise that our examiners are highly qualified employees, and as they receive further training, they become more attractive to the market. We must therefore ensure that we retain these key skills to ensure capacity building and knowledge transfer.

We have also noted that our operations are not optimal to ensure efficient implementation of SSE, in that most of our processes are still manual. We therefore need to automate our processes to ensure that our processes are efficient to implement SSE. In addition, we must ensure that the examiners are provided with a conducive environment in which to work. The open plan office environment is not conducive for the type of work that the examiners will undertake. The examiners require a quiet environment that allows them to concentrate and focus on their work.

One of the compliance areas that calls for strong regulatory guidance and compliance monitoring is good corporate governance for collecting societies. A key area that received attention was the lack of copyright knowledge amongst the performing artists, especially in the music industry.

Rights holders play a significant role in the enforcement value chain and a lack of cooperation from Intellectual Property rights (IPR) owners hampers effective enforcement. IP rights owners must take active steps to protect and enforce their Intellectual Property Rights (IPR).

1.4.4 Discontinued activities / activities to be discontinued

No services were discontinued.

1.4.5 New or proposed activities

The CIPC has rolled out a new functionality on the Electronic Records Management System (ERMS), in an attempt to force companies to comply with compliance notices issued by the CIPC. Companies who fail to comply with the compliance notice issued will see the following status on the disclosure certificate, "Failed to Comply with a Compliance Notice". The new status is visible to any person who comes across the information relating to such a non-compliant company.

1.4.6 Requests for rollover of funds

No rollover of funds was reported or requested during this period.

1.4.7 Supply chain management

The Supply Chain Management (SCM) Unit is located within the Office of the Chief Financial Officer (CFO) in line with the Treasury Regulations (TR) and the PFMA. It is responsible for the procurement of goods and services for the CIPC in a fair, equitable, transparent, cost effective and competitive manner. All bids are subjected to evaluation and adjudication by the respective bid committees as appointed and declarations of interest are duly signed during meetings. The Code of Conduct for SCM practitioners was adopted and signed by all relevant officials for the period under review. An approved SCM policy and Delegations of Authority (DoA) are in place and are being reviewed as the need arises.

1.4.8 All concluded unsolicited bid proposals for the year under review

CIPC did not have unsolicited bid proposals for the year under review.

1.4.9 SCM processes and systems in place

The SCM processes and systems are in place, and are reviewed as and when is necessary as per the PFMA and TR.

1.4.10 Challenges experienced and how they will be resolved

Annual Financial Statements (AFS) reviews and the monitoring of compliance thereof is mostly a manual process due to AFSs having to be submitted via email in PDF. Knowing which companies have submitted the AFS as required in terms of Section 30 of which Acts, issue date and Regulation 30 becomes very difficult.

For training of our examiners, we collaborated with other IP offices to exchange best practices and to develop a streamlined training programmes. We are also working on a proposal that deals with the recruitment and retention of examiners. To counter the manual work flow, a proof-of-concept project with the World Intellectual Property Office (WIPO) is underway to test the end-to end processing system Industrial Property Automation System (IPAS) which is workflow processing system adopted for use in small to medium sized IP offices.

Capacity building in the Collecting Societies in the form of a workshop was created in cooperation with WIPO. CIPC outreach on IP education and awareness strategy is being reviewed for a wider reach.

1.4.11 Audit report matters in the previous year and how these would be addressed

Finding	Audit report matter in 2015/2016	Commitments	Progress so far
Irregular Expenditure	1. Medical and Housing adjustment The entity incurred Irregular expenditure amounting to R6 054 000 relating to increases in medical and housing allowances in contravention of the approved remuneration framework in terms of Section 210(3) of the Companies Act, 2008. This is in contravention of Section 51(1)(b)(ii) of the Public Finance Management Act.	The Accounting Authority engaged with the Executive Authority for condonation due to the fact that since the inception of the new CIPC Remuneration framework, the CIPC was not been faced with such an adjustment and had therefore not consulted with organised labour during the process of the salary cost of living adjustments for the period due to the fact that Public service adjustments in Housing and Medical Aid had occurred and CIPC staff must not be worse since the implementation of the new Commission.	Irregular expenditure has been condoned by the Minister of **the dti** The CIPC is in the process of developing a remuneration policy to guide the implementation of the Remuneration Framework.

1.4.12 Outlook/ Plans for the future to address financial challenges

There are currently no financial challenges within the organisation in the short- to medium term. The implementation of the tariff fee adjustment as approved by National Treasury (NT) will make a notable contribution towards the long-term sustainability of the organisation going forward. The digitisation of the organisation will assist in improving efficiencies, whilst addressing equitable allocation of human resources. Improvement in compliance with the prescriptions for Annual Returns will also be an added advantage for the organisation.

1.4.13 Events after the reporting date

The CIPC appointed a Chief Financial Officer, Mr Muhammed Jasat with effect from 01 April 2017.

1.4.14 Economic viability

The organisation is entirely self-funded from levies and fees charged for the services it renders to its clients. In the previous year, a five-year financial viability analysis was developed and according to the analysis the projected revenue will be sufficient to sustain the operations of the CIPC in the medium term.

The implementation of the tariff fee adjustment as approved by NT will make a significant contribution towards the long-term sustainability of the organisation going forward. The digitisation of the organisation will assist in improving efficiencies, whilst addressing equitable allocation of human resources. Improvement in compliance with the prescriptions for Annual Returns will be an added advantage for the organisation.

1.4.15 Acknowledgement/s or Appreciation

I would like to appreciate the commitment and dedication of the CIPC executive, senior management, all staff, who did their jobs with commitment and dedication thereby contributing to the delivery of the services to the CIPC clients and achievement of 93% of the targets set on the Annual Performance Plan (APP); as well as organized labour for their contribution. I would also like to convey my appreciation to the Audit and Risk Committees for their value add and commitment to governance in the organization. My appreciation is also extended to other committees like the Client Liaison Committee (CLC), IP Lawyers fraternity, Standing Advisory Committee in Company Law (SACCL), and all collaboration partners for their contribution to CIPC.

Finally, let me extend my appreciation to the Minister of Trade and Industry Honourable Dr Rob Davies, Deputy Minister Honourable Mzwandile Masina, the Director General of **the dti**, Mr Lionel October and the whole of **the dti** for their support.

1.4.16 Other (information that needs to be communicated to users of AFS)

The financial statements for the year that ended 31 March 2017 are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and incorporate disclosures in line with the accounting policies of the entity and the requirements of the PFMA.

Rory Voller, Adv
CIPC Commissioner
Date: 31 July 2017

1.5 Statement of responsibility and confirmation of accuracy for the annual report

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (AFS) (Part E) have been prepared in accordance with the **South African Statements of Generally Recognised Accounting Practice (GRAP)** applicable to the public entity.

The accounting authority is responsible for the preparation of the AFS and for the judgements and estimations made in the contained information.

The accounting authority is responsible for establishing, and implementing a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, the performance and the human resources information and the financial affairs of the entity for the financial year ended 31 March 2017.

Yours faithfully

Rory Voller, Adv
CIPC Commissioner
Date: 31 July 2017

1.6 Strategic Overview

Vision

The vision of the CIPC is to be the gateway to sustainable formal economic participation and investment for all in South Africa.

Mission

The mission of the CIPC is to unlock value in businesses and intellectual property by:

- Providing easy, accessible and value-adding registration services for business entities, intellectual property rights holders and regulated practitioners;
- Maintaining and disclosing secure, accurate, credible and relevant information regarding business entities, business rescue practitioners, corporate conduct and reputation, intellectual property rights and indigenous cultural expression;
- Increasing awareness and knowledge of company and intellectual property laws, inclusive of the compliance obligations and opportunities for business entities and intellectual property rights holders to drive growth and sustainability, as well as the knowledge of the actual and potential impact of these laws in promoting the broader policy objectives of government; and
- Taking the necessary steps to visibly, effectively and efficiently monitor and enforce compliance with the laws that CIPC administers.

CIPC values

Value	What it means
Passion for service	We work as one to seamlessly serve our customers with passion, commitment and dedication.
Integrity	We live out fairness, impartiality and respect in all of our actions as individuals and as an organisation.
Empowerment	We recognize the value of our employees and partners and provide them with the discretion and tools to effectively deliver on their responsibilities.
Accountability	We hold one another accountable for our commitments. We are responsible and responsive in the execution of our duties.
Collaboration	We believe in the power of teams, teamwork and collaborative effort to deliver exceptional service and to execute our duties effectively.

1.7 Legislative and Other Mandates

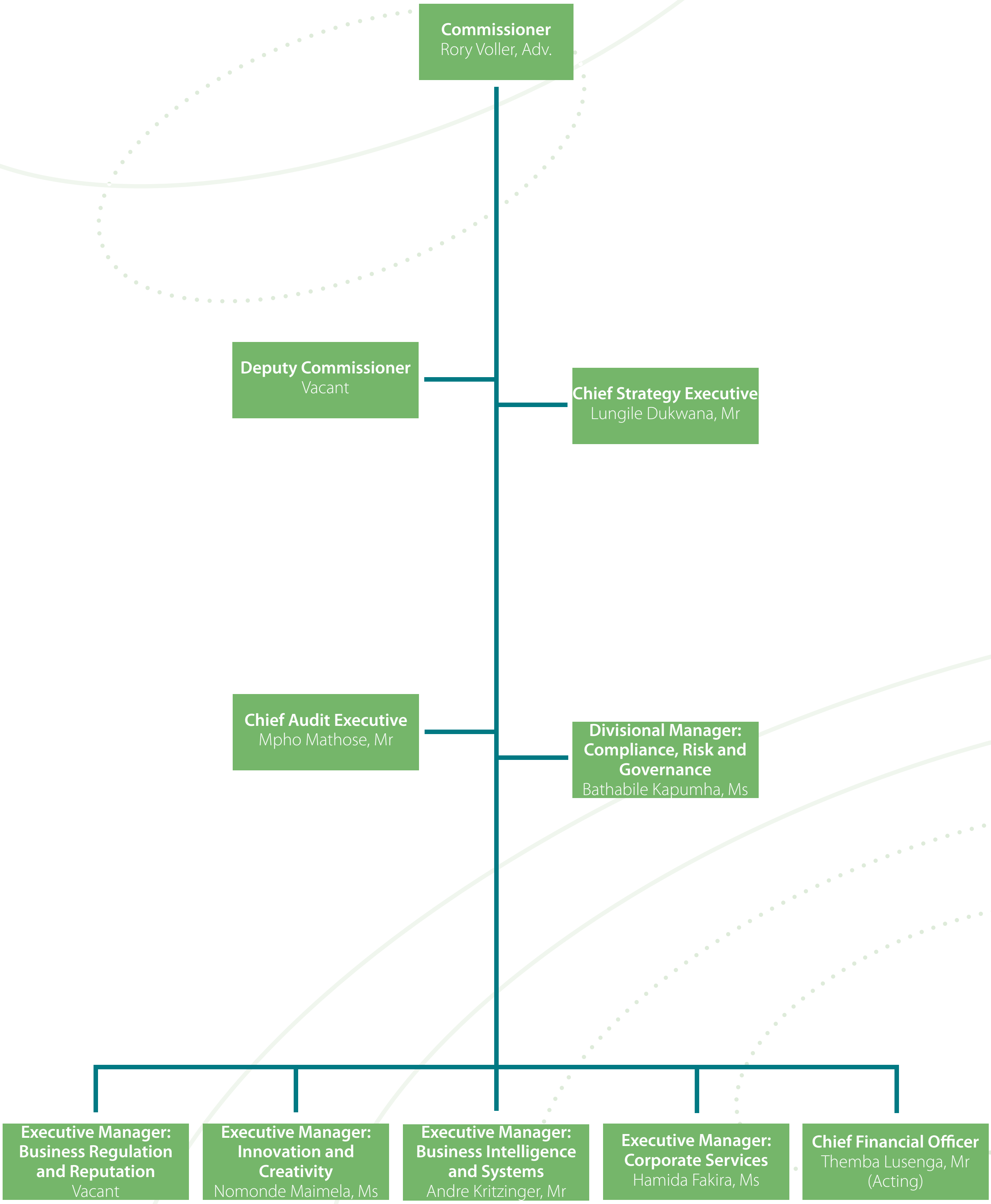
The CIPC is a Schedule 3A Public Entity under the PFMA and administers all or parts of the fourteen (14) pieces of legislation relating to corporate and intellectual property regulation. Its mandate encompasses companies, close corporations, co-operatives, trade marks, patents, designs, aspects of copyright legislation and enforcement of rules and regulations in most of these areas of law. The CIPC's primary institutional mandate is derived from the Companies Act, 2008, which establishes the CIPC as a juristic person.

The table below summarises the legislative mandate of the CIPC in terms of each law it administers. The table also indicates the sectoral application of the administered law:

Table 1: Legislative mandate of the CIPC

Legislation	Mandate	Sector
Companies Act, No 71 of 2008	Register companies, business rescue practitioners and corporate names, maintain data, regulate governance of and disclosure by companies, accredit dispute resolution agents; educate and inform about all laws, non-binding opinions and circulars, policy and legislative advice	Economy-wide
Close Corporations Act, No 69 of 1984	Maintain data, regulate governance of and disclosure by close corporations	Economy-wide
Co-operatives Act, No 14 of 2005	Register co-operatives, maintain data, regulate governance of and disclosure by co-operatives	Economy-wide
Share Block Control Act, No 59 of 1980	Regulate conduct and disclosure by share block schemes	Economy-wide
Consumer Protection Act, No 68 of 2008	Register business names	Economy-wide
Trade Marks Act, No 194 of 1993	Register trade marks, maintain data, resolve disputes	Economy-wide
Merchandise Marks Act, No 17 of 1941 (Unauthorised Use of State Emblems Act, No 37 of 1961)	Prevent and enforce the unauthorised use of state emblems	Economy-wide
Patents Act, No 57 of 1978	Register patents, maintain data, publish patent journal, administer Court of Commissioner of Patents	Economy-wide
Designs Act, No 195 of 1993	Register designs, maintain data, resolve disputes	Economy-wide
Copyright Act, No 98 of 1978	Provide non-binding advice to the public	Creative industries
Registration of Cinematography Films Act, No 62 of 1977	Register films, maintain data	Film industry
Performers Protection Act, No 11 of 1967	Accredit Collecting Societies; regulate their governance, conduct and disclosure	Music industry
Intellectual Property Laws Amendment Act of 2013	Record and register Indigenous Knowledge (IK), administer the National Trust and Council for IK, accredit dispute resolution agencies	Creative industries
Counterfeit Goods Act, No 37 of 1997	Conduct and co-ordinate search and seizure operations, oversee depots	Economy-wide

1.8 Organisational Structure (as at 31 March 2017)



The CIPC Executive

Rory Voller, Adv. | Lungile Dukwana, Mr | Mpho Mathose, Mr | Bathabile Kapumha, Ms

Nomonde Maimela, Ms | Andre Kritzinger, Mr | Hamida Fakira, Ms | Themba Lusenga, Mr

PART B:
Performance Information

"I'd rather invest in an entrepreneur who has failed before than one who assumes success from day one."

Kevin O'Leary

Part B: Performance Information

2.1 Situational Analysis

2.1.1 Service Delivery Environment

Although worldwide economic growth in 2016/17 under performed against economic expectations, there is a generally positive outlook for 2017/18, specifically within developing economies. However, there is significant political uncertainty worldwide which has the potential to undermine the growth prospects for 2017/18.

Current growth expectations within South Africa for the next financial year are expected to be between 1 and 2 percent. This low growth environment, coupled with local political uncertainty is expected to have a negative impact on new enterprise development and is expected to put pressure on future company and Intellectual Property (IP) registrations.

Despite the uncertainty in the economic climate, there were a number of key achievements in service delivery for the 2016/17 reporting period. These included:

- Record level of Company Registrations, due in part to the increased drive towards automation
- Trade mark applications reached a record level
- The banking partnership has now achieved coverage of all the big four banks (FNB, Standard Bank, ABSA and Nedbank)
- The implementation of the Third Party Model resulted in 530 registered users, contributing to 4881 companies being registered through this channel
- Approximately 34% of all name reservation applications were processed in a fully automated fashion
- Call centre improved by 10% to a maximum of 66% in Quarter 3 of the reporting period in question, although this number still requires further work, the commitment shown by the call centre team has led to a marked improvement in performance
- The Media Campaign named "Your Business, our Focus" was rolled out in all nine (9) provinces with a specific focus on the CIPC brand awareness and taking the CIPC to the people. Two (2) towns were reached per province and a number of stakeholders were engaged
- Two (2) additional Self Service Terminals (SSTs) were established in the Free State and North West provinces during the 2016/17 reporting period, bringing the total number of SSTs to six (6).

During the past year, a number of key, high volume, processes were automated, including: name changes and reservations, electronic registration of non-profit companies, password reset and change of auditor detail. Furthermore, the indexing system was automated and simplified allowing for documents to be uploaded directly instead of e-mailed.

The CIPC continues to collaborate with other organisations to improve the customer experience. The Department of Home Affairs (DHA) partnership enables SST offerings to the CIPC offices partner organisations and interested third parties. In line with the goal of enhancing our accessibility, the banking collaboration (with the Big Four banks as partners) contributed approximately 5% of all applications for Private Companies being filed through this channel.

A flagship project which was piloted in the year under review was the introduction of the Third Party Model. It offers an opportunity to any interested individual and enterprise to offer CIPC services using biometric identity verification. Users of the CIPC's services are protected in the sense that the third parties are verified biometrically too. Interested third parties agree to a set of terms and conditions before access is granted and the CIPC reserves the right to blacklist, refuse and discontinue access to its systems. By end of March 2017, approximately 4881 companies were registered through this channel.

Based on the above activities as well as the continued efforts within the CIPC and ICT Infrastructure space, there has been a significant improvement in the ease of engagement with the CIPC.

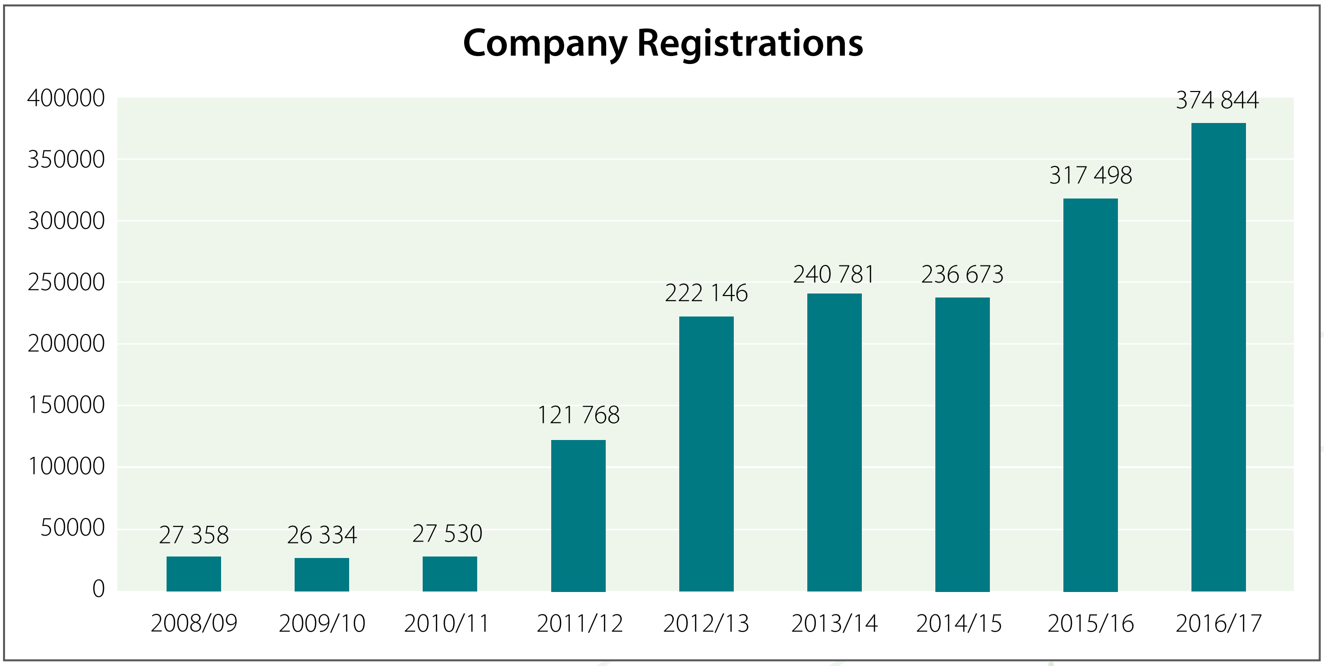


Figure 1: Company registrations 2008/09-2016/17

The number of companies registered have increased to record breaking levels for two years running, with an approximately 20% increase year on year. The above mentioned improvements in process automation and efficiency could be significant drivers in promoting businesses to register. Additionally, there may be a number of external socio-economic and environmental factors that could have impacted in the uptake of company registrations. Economic difficulties result in an increase in the number of labour layoffs, increasing unemployment and forcing individuals to start their own enterprises. Moreover, economic difficulties result in individuals exploring alternative forms of revenue, which could also account for the rise in company registrations.

Whilst growth in registrations has been used as a proxy for short-term indications increasing economic activity, a more appropriate measure may be the sustainability of these businesses as short term registrations do not indicate the continued operations of these businesses within South Africa. Measuring business sustainability is somewhat difficult, however, the CIPC has identified this as an important indicator going forward.

Figure 2: Co-operatives registrations 2008/09-2016/17

The registration of co-operatives has continued its four year decline, registering a 13% decrease compared to the previous financial year. This represents the lowest number of co-operatives registered since the 2010/11 reporting period, but may not be an indication of poor performance of the CIPC. As we are witnessing an increase in the number of company registrations due to the simplicity of registering a new standard Memorandum of Incorporation (MOI) company, amongst other reasons, this may be affecting the demand for co-operatives. Additionally, the withdrawal of incentives to form cooperatives will have decreased the demand to register co-operatives over a standard company.

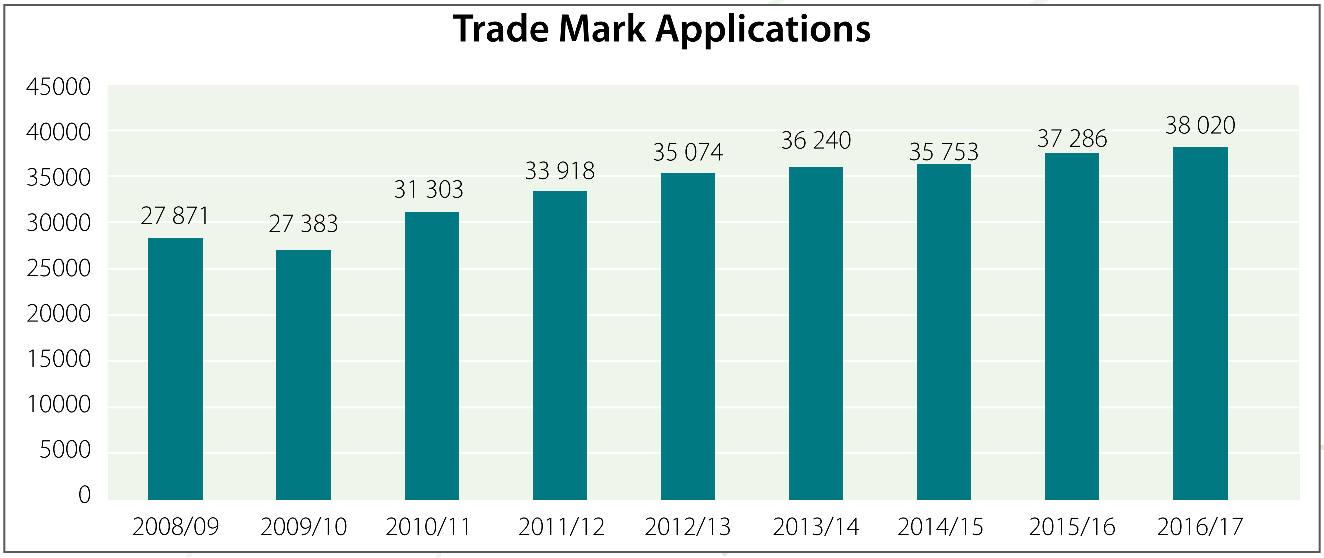


Figure 3: Trademark applications 2008/09-2016/17

During the year under review, trade mark applications increased by 3% compared to the previous period. This is the highest number of applications received in the last eight years. It must be noted that Trade Mark Registrations (TMRs) do not correlate to the applications as the registration of a trade mark is based on the merits of each case. The increased number of applications processed could be an indication of the improved effectiveness of the Trade Marks (TM) function within the CIPC. Additional detail regarding the trends in trade mark applications is included under the overview of Programme 1 (Business Regulation and Reputation).

The protection of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology. However, patents granted to an undeserving invention, weakens the innovation system. It is therefore, important that the exclusivity in patents be granted to inventions that only meet the patentability criteria laid down in the Patent Act. Hence, the CIPC has engaged in the process of implementing Substantive Search and Examination (SSE) procedures in order to act as the primary gate keeper to the granting of valid and thus high quality patents.

South Africa has a strong culture of innovation, supported by a well-established research base. In the 2016 World Intellectual Property Organisation (WIPO) global innovation index, the country was ranked 54th (an improvement of 6 places from the 2015 report) and 2nd in Africa, just after Mauritius (53rd).

South African Universities and research institutions are world-renowned and have done exceptionally well in producing world-class research and publications in peer-reviewed journals, however the volume of research still lags that of developed market. Furthermore, there is still a gap in the National Innovation System (NIS), as most of the research outputs have not translated to commercially-viable products and services and the creation of new industries.

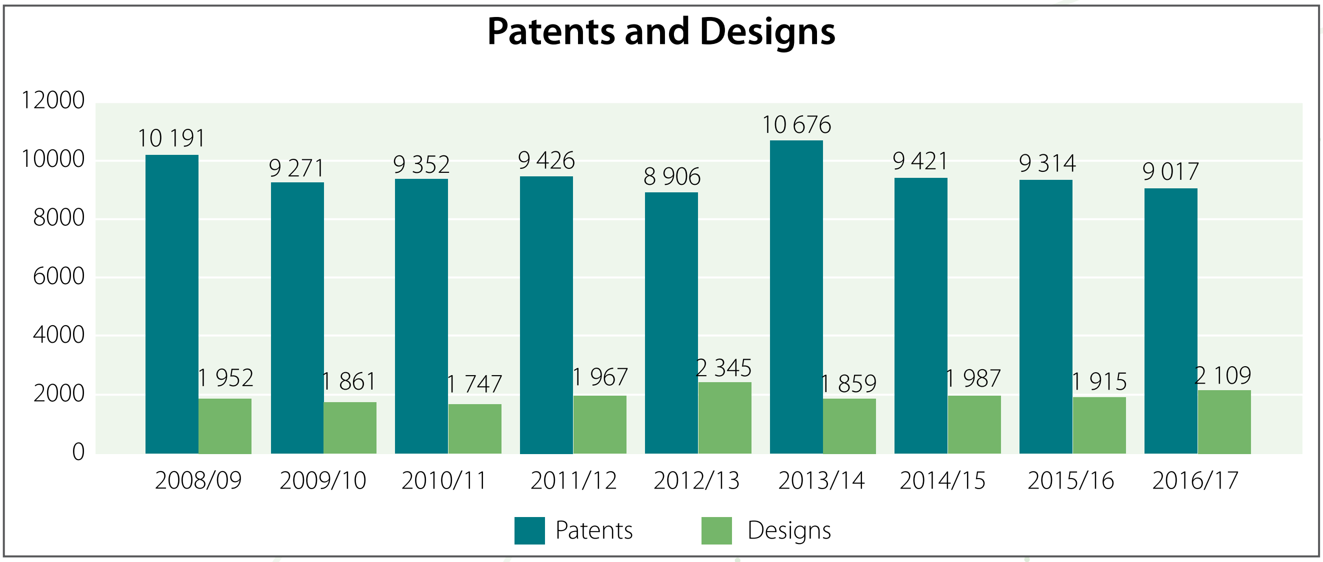


Figure 4: Patents and Designs applications 2008/09-2016/17

The filing of patents has decreased from last year by approximately 3.3%, to 9017 patents. Although the trend over the last 4 years is now downwards, the magnitude is negligible. Should the negative trend continue, a market assessment should be conducted in order to understand the drivers of the decrease in filings. The majority of these applications occur electronically (88%) with a turnaround time for these applications being 2 days.

In contrast, the number of designs processed increased slightly over the last financial year. The turnaround time has improved for design applications to approximately 2 days for electronic applications, which now amounts to of 51% of filings. 49% of the filings still remain manual in nature and additional work in education of the public on the availability of the automated system is required in order to push this down.

The high proportion of electronic registration for patents compared to designs is linked to the fact that patents are (in general) filed through lawyers' offices, with whom a high uptake of online filings has been achieved while designs are in general self-published and submitted manually. It is expected that the implementation of the SSE programme will result in an uptake of patent registrations as the total cost of registration will decrease while more easily attributing value to patents.

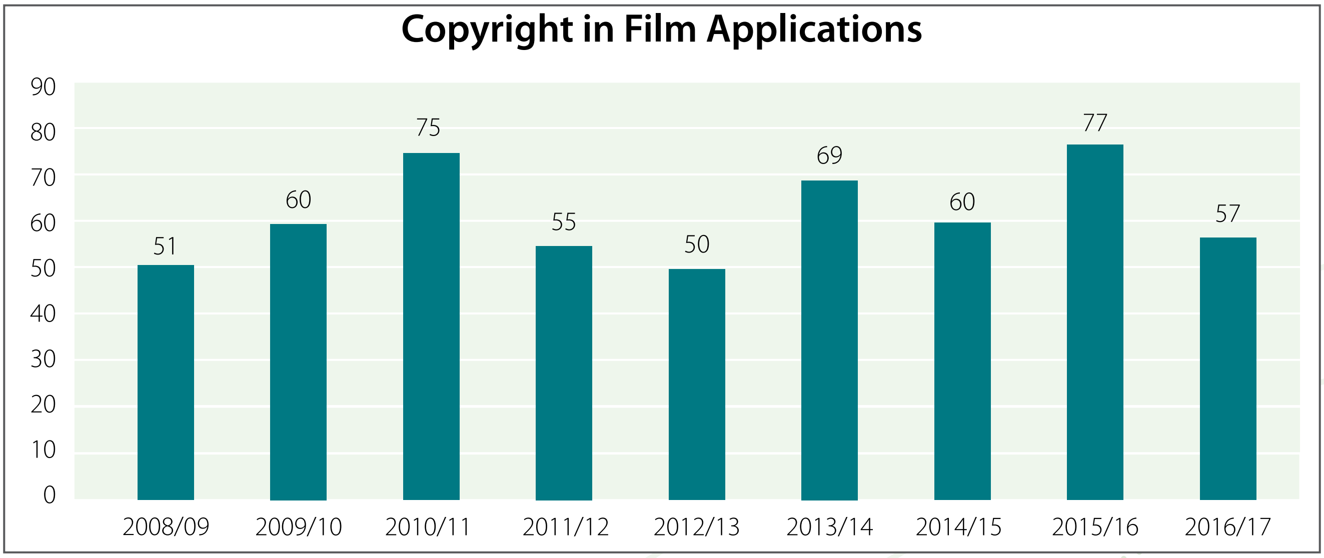


Figure 5: Copyright in the film applications 2008/09-2016/17

57 copyright in film applications were done in the financial year. The decline in the number of registration is a direct result of the easy access to broadband and affordable data packages offered. The distribution channels have changed from physical products being offered to a digital trading environment. The IPC will probably see continuous decline over the next few years.

2.1.2 Organisational Environment

As at 31 March 2017, 76% of the approved positions were filled, compared to 74% of the previous year. During the reporting period, a total of 30 appointments were made. These appointments included 3 positions at Senior Management/Advanced Specialist level, being the Division Manager (Human Capital), the Chief Technology Officer (CTO) and the Chief Financial Officer (CFO), – only with effect from 01 April 2017. Furthermore, a number of critical management and technical vacancies within Information and Communications Technology (ICT) were filled, increasing capacity to focus and improve traction on key initiatives. During the same reporting period, there were 18 losses and 25 internal transfers.

With respect to internal skills development, two officials attended a course offered by the British High Commission to enhance skills of relevant government officials in the area of cyber enforcement. Additionally, an official participated in a WIPO sponsored copyright and related rights training course that was offered in London UK. This intense training took place over two weeks and focused on ensuring that participants gained expert knowledge in the copyright area.

WIPO also sponsored an opportunity to partake in a conference on Building Respect for IP. CIPC was represented and attended the two days in Shanghai. Valuable networking opportunities were pursued and building relationships with counterparts were a priority.

There has also been progress made in capacity building for the implementation of a Substantive Search and Examination (SSE) system for patents. In preparation for the implementation of a SSE system for patents, the twenty (20) Patent Examiners registered and wrote examination for various online-training courses offered by WIPO. These courses form part of CIPC two (2) year training program designed for the Patent examiners.

As the CIPC prepares for the implementation of SSE of patents, it is important for the Patent examiners to better understand the country's priorities for industrial development and the relevant policies supporting this imperative. Thus, the CIPC organized an information-sharing workshop titled "Innovation Policies for Industrial Development". Key departments: **the dti**, DST and DEA, presented on key policy instruments such as the Industrial Policy Action Plan (IPAP); the Intellectual Property (IP) Policy Consultative Framework; the Innovation and Technology Policy; National Bio-economy strategy; the Indigenous Knoledge Systems (IKS) Bill and the SA Legislative Framework on Bio Prospecting, Access and Benefit Sharing.

2.1.3 Key Policy Developments and Legislative Changes

Copyright Amendment Bill and the Performers' Protection Amendment Bill

The Copyright Amendment Bill and the Performers' Protection Amendment Bill were approved in parliament on the 8th June 2016. These Bills complement each other and therefore are considered together. These Bills reform the copyright and performers protection regime in South Africa. These amendments are aligned to the National Development Plans (NDP) objectives of promoting innovation, improved productivity, more intensive pursuit of a knowledge economy and better exploitation of comparative and competitive advantage. The CIPC implemented various initiatives to enable the organisation to adequately navigate through the changes. The activities undertaken include the recruitment and extensive training of the patent examiners, as well as education and awareness.

Protection, Promotion, Development and Management of Indigenous Knowledge Bill

The Department of Science and Technology (DST) and **the dti** (represented by the CIPC), are closely collaborating in order to align to the legislative framework for the Protection, Promotion, Development and Management of Indigenous Knowledge Bill. Once a legislated framework is agreed, resources will be dedicated and implementation plans and actions will be developed in order to effectively deliver the Management of IK.

The policy context

Direct Policy environment

The CIPC derives its policy mandate from the policies of its responsible department, **the dti**. The key policies and strategies of **the dti** relevant for CIPC are as follows:

Table 2: Key policies and strategies of the dti

The dti policies relevant to CIPC	Details
the dti Medium Term Strategic Plan 2014 - 2019	To promote structural transformation, towards a dynamic industrial and globally competitive economy and to broaden participation in the economy to strengthen economic development.
Industrial Policy Action Plan 2016	To facilitate diversification by promoting increase value-addition per capita and intensification of South Africa's industrialisation process.
Strategy on the Promotion of Entrepreneurship and Small Enterprise	To increase supply for financial and non-financial support services and creating demand for small enterprise products and services through the reduction of small enterprise regulatory constraints.
Corporate Law Reform Policy	To promote growth, employment, innovation, stability, good governance, confidence in the South African business environment, as well as increase international competitiveness.
Policy on Indigenous Knowledge	Describes how the South African intellectual property systems can be used to protect traditional knowledge systemss.
Co-operatives Development Policy for South Africa	Create an enabling environment for co-operative enterprises which reduces the disparities between urban and rural businesses, and is conducive to entrepreneurship and to promote the development of economically sustainable co-operatives.
Integrated Strategy for the Development and Promotion of Co-operatives	To grow all forms and types of co-operatives and the co-operatives movement, as well as increase its contribution to the country's GDP growth rate, economic transformation and social impact.

The CIPC and its predecessors, CIPRO and OCIPE, are explicitly mentioned and considered in two of **the dti** policy documents, namely the Co-operative Development Policy of South Africa and the Corporate Law Reform Policy. As there are synergies between the legislative mandate of the CIPC and other policies and strategies of **the dti**, an opportunity presents itself for the CIPC to define its role in enterprise development and industrial policy. The CIPC has identified the key issues in the policies and strategies of **the dti** that are relevant to its mandate, these include:

- The need for employment creation and economic growth in a manner that is sustainable and encourages broad-based economic participation;
- The emphasis on co-operatives as a vehicle for employment creation in marginalised areas and communities;
- The need for commercialising South African research and development, with a particular emphasis on certain sectors identified in the Industrial Policy Action Plan (IPAP) 3;
- The importance of public and preferential procurement for enterprise and industry development
- The need to develop SA's competitiveness by improving the ease of doing business, stimulation of entrepreneurship, sustainable corporate entities, transparency, integrity and high standards of corporate governance; and
- The potential of indigenous knowledge and the need for its protection and commercialisation
- Combating trade mark counterfeiting and copyright piracy through a balanced approach to building respect for IP.

The broader policy environment

The CIPC further considered the broader policy environment created by the National Planning Commission (NPC) and the Economic Development Department (EDD) as well as specific departments, whose work directly impacts on the CIPC, namely the Department of Science and Technology (DST), the Department of Arts and Culture (DAC) and the Department of Agriculture (DoA).

The CIPC considered the following policies and strategies to inform its broader policy mandate:

Table 3: CIPC broader policy mandate

Other related policies impacting to CIPC	Details
The National Development Plan - 2030	Raising employment through faster economic growth, whilst improving the quality of education, skills, development and innovation. Building the capability of the state to play a developmental, transformative role.
The New Growth Path	Assists in the ease of doing business, the sustainability of enterprises and the development of a knowledge economy. It envisages that employment growth will result from the development of labour intensive sectors. These points are all directly relevant for CIPC.
The Ten Year Plan on Innovation	Highlights the need for the development and exploitation of South African innovations - 'converting ideas into economic growth' – and the potential of certain sectors in promoting a knowledge economy, such as green technologies, agriculture, pharmaceuticals and business processing. The Plan further mentions the potential of indigenous knowledge and its exploitation as a way to benefit communities, especially in respect of medicines and indigenous cultural expressions.
Mzansi Golden Economy	The Mzansi Golden Heritage policy document by the Department of Arts and Culture (DAC) considers the contribution that the Arts, Culture and Heritage Sectors could make to the New Growth Path, in particular with respect to employment creation. IPAP3 explicitly refers to the employment potential of cultural industries connected with the tourism industry. This is reinforced in the National Development Plan which stresses that 'South Africa can offer unique stories, voices and products to the world. In addition, artistic endeavour and expression can foster values, facilitate healing and restore national pride.' The DAC policy document, read in conjunction with the NDP, sets out a vision for the creative sector, including the development of the music industry. Given its roles and responsibilities in promoting and protecting IP, CIPC could make a major contribution in this area.
The Government MTSF	The Government Medium Term Strategic Framework (MTSF), developed by the Minister in the Presidency responsible for Planning, emphasizes the need for Batho Pele and reliable, empathetic, respectful and efficient service delivery to the people of South Africa. Enhanced service delivery is particularly important to the CIPC.

2.2 Strategic outcome oriented goals

This reporting period marks the CIPC's fifth year in operation and the completion of the CIPC's first five-year strategic plan. Looking towards the future, the CIPC is embarking in a strategic review and strategic development process up to the 2030 period.

The CIPC has embarked to achieving three Outcome Oriented Strategic Goals that aim to give effect and substance to its strategic plan. These are:

1. To improve the competitiveness of the South African economy by enhancing the reputation of South African businesses and the South African business environment;
2. To contribute to a knowledge-based economy and competitive local industries by promoting innovation, creativity and indigenous cultural expression and knowledge; and
3. To promote broader formal economic participation by enhancing service delivery and extending the reach of CIPC.

Each of these Outcome Oriented Strategic Goals are linked directly to an internal programme and include a number of sub-programmes and activities under each. The below diagram illustrates the links between the CIPC's strategic goals, internal programs and sub-programmes under each.

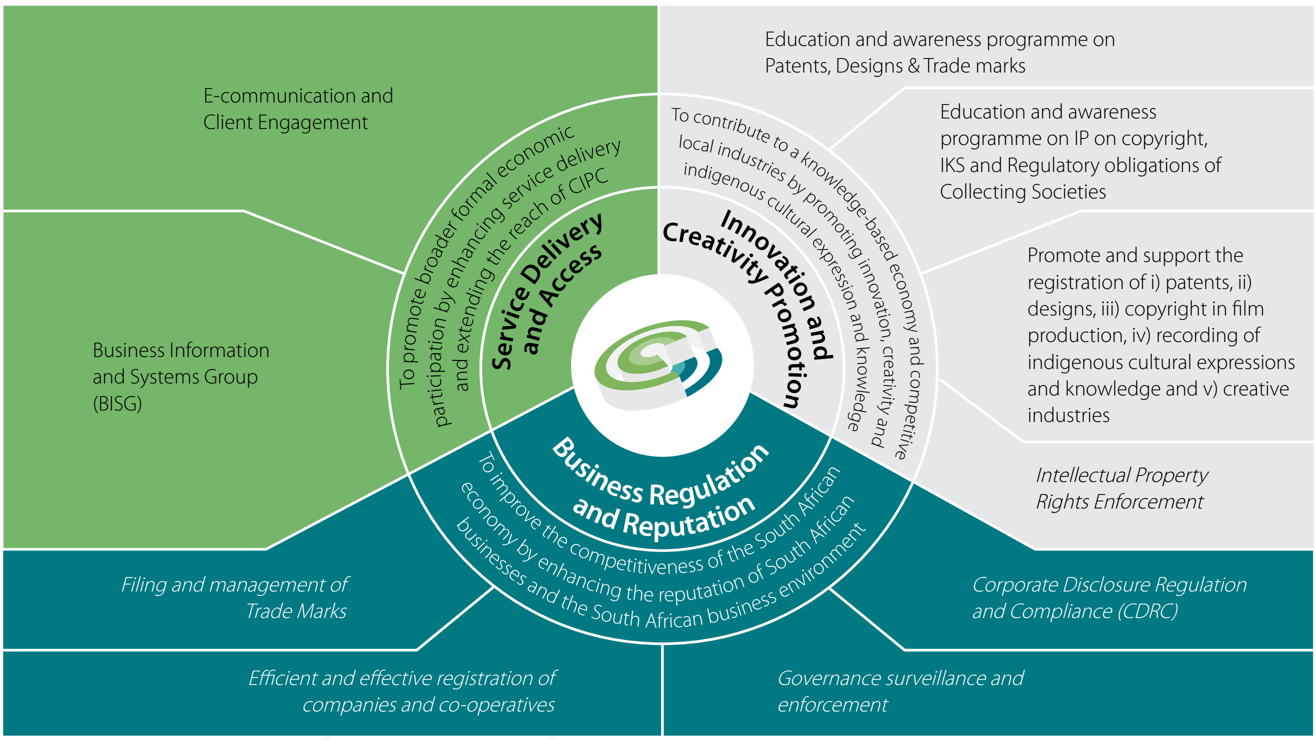


Figure 6: Links between the CIPC's strategic goals, internal programs and sub-programmes

Strategic Outcome Oriented Goal 1: To improve the competitiveness of the South African economy by enhancing the reputation of South African businesses and the South African business environment.

Corporate Disclosure Regulation and Compliance (Company compliance with Companies Act)

Reportable irregularities

Auditors are obliged in terms of the Auditing Professions Act, 2005, to report any reportable irregularities to relevant regulators. Should an audited company contravene the Companies Act, 2008 or any other relevant policies, auditors are required to report this to the CIPC. This year, several initiatives were conducted to address challenges in reportable irregularities. An engagement boardroom visit was set up this year with a perpetually non-compliant company. The CIPC met with the CEO and his management, legal and auditing teams who apologized for their continued non-compliance and committed to comply going forward. In the later part of the year, a cold case register was established (a register of non-compliant entities). This relates to situations where even after a compliance notice was issued, companies continue to ignore such a compliance notice. The CIPC had to therefore source Senior Counsel to assist with obtaining Administrative Fines against such entities. To date, about 16 matters have been placed on a court roll for litigation and specifically for administrative fines to be issued against the non-compliant companies.

Independent reviews

With regards to independent reviews, it has been found that the rate of reporting in terms of reportable irregularities by independent reviewers is low. A formal request was submitted to the organisations responsible for independent review practitioners to identify who amongst their membership practices as an independent reviewer. Moreover, the CIPC issued a survey via survey monkey in order to make an informed determination on why independent review practitioners are not reporting reportable irregularities and why few companies are using independent review as a form of assurance (limited assurance). The results of which confirms that companies are aware of the processes and procedures to report reportable irregularities and that credit providers prefer audited annual financial statements as opposed to independently reviewed annual financial statements.

Prospectus Registrations

The CIPC held a roundtable discussions to clarify the business model of companies who issues shares to local investors, invest on the foreign stock exchange, yet not registered as external companies in terms of the Companies Act to protect and enforce the local laws in case the company fails to adhere to the terms and conditions of the prospectus. The CIPC also directed a company, which published an offering of securities to the market without a registered prospectus, to retract such a published advert which was done, however a formal investigation process against the company is still in process.

As part of our enforcement action with regards to matters relating to Chapter 4 of the Act, a company was found to have contravened Section 99 (2) of the Act by "inviting members of the public to subscribe to shares without a registered prospectus". The CIPC directed the company to retract the advertisement in Moneyweb, subject to certain conditions, confirming the role of CIPC in protecting investors.

Submission of Annual Financial Statements

A trend by private companies failing to timeously submit AFS on time continues and is a concern for the CIPC. In order to combat this, Education and Awareness and Strategic Communications units are communicating this message to improve compliance. This year the CIPC held quarterly meetings as part of the review and analysis function with respect to annual financial statements and financial accountability supplements. Market information defined focus areas for the year, included: Health Care (including Pharmaceuticals) and Logistics Industries, Agricultural sector, Consolidated AFS and Telecommunication industry. Focus areas also included Agriculture – IAS 41; Intangible Assets – IAS 38; Regulation 164 (4) (if company has prepared consolidated annual financial statements); Revenue – IFRS 15/IAS 18. The CIPC further continued to meet its targets in terms of Annual Financial Statements reviews.

Monitoring of compliance with the provisions of the Companies Act in respect of annual returns was undertaken by the Enforcement Unit. Section 187 (2) (b) of the Companies Act empowers the CIPC to "monitor proper compliance with this Act". The CIPC has, in the surveillance sweep, identified more than 15 listed companies that were under disclosing or not disclosing the proper annual turnover values and therefore were not paying the correct annual return fees to the CIPC.

The companies implicated in the surveillance operation, have undertaken to remedy the transgression. The CIPC views this breach of the Companies Act as material, and therefore has requested that these companies inform the market by issuing a Stock Exchange News Service (SENS). Failure to do so will result in the CIPC publishing the names of these companies on the CIPC website. Only one company issued a SENS and the names of the other companies were subsequently published on the CIPC website.

In order to improve the Annual Financial Statements (AFS) review and analysis function within the CIPC, there has been a significant push to adopt financial reporting standards in the form of eXtensible Business Reporting Language (XBRL). XBRL is used to create uniformity in AFS structure and format. Currently all AFS are received by the CIPC in PDF. Migrating to the XBRL will reduce the administrative burden of analysis on each AFS as it will automate the process and will further allow easy comparison of statements between companies in order to determine trends within a sector of the economy or even across the economy as a whole. The use of XBRL is expected to improve the efficiency and effectiveness of the CIPC. Implementation of the XBRL is underway.

Beneficial ownership

The CIPC is working on a project to start collecting Beneficial Ownership information for registered legal entities. South Africa is a member of the Financial Action Task Force (FATF), an inter-governmental standard setting body on combating money laundering and terrorist financing. As a custodian of the register of companies we will have to maintain records of information concerning beneficial owners to enable interested parties to verify and validate information provided to them with what is in our records. The process to amend the Regulations has been initiated.

Appointment of Social and Ethics committees

Letters were sent to twenty nine (29) listed and State Owned companies to ascertain their compliance with the legislative requirements in respect of the establishment of Social and Ethics Committees. They were reminded of the following requirements and were requested to provide specific information as proof of compliance:

"Regulation 43 (4), prescribes that a company's Social and Ethics Committee must comprise not less than three directors or prescribed officers of the company, at least one of whom must be a director who is not involved in the day – to – day management of the company's business, and must not have been so involved within the previous three financial years."

Regulation 43 (5), inter-alia prescribes that a Social and Ethics Committee has the following functions:

1. To monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to –
    a. good corporate citizenship, including the company's:
        i. contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominately marketed; and
        ii. record of sponsorship, donations and charitable giving;
    b. the environment, health and public safety, including the impact of the company's activities and of its products or services."

16 JSE Alt X companies responded and five SOCs responded. A review of the responses received confirmed substantial compliance with Regulation 43 (4) and proof was provided thereof. With regard to the other functions, the companies have attempted to incorporate and report on these as it relates to their specific company. Compliance with the specific requirements of Regulation 43 is an ongoing process and will be monitored by the CIPC as and when is required. Moreover, an open letter in respect of the role and responsibilities of the Social and Ethics Committee was published in BusinessLive.co.za in March 2017.

Declaring director delinquent or under probation

Based on an investigation conducted into the affairs of one (1) corporation (now in liquidation) by the CIPC Inspectors, a delinquency application in terms of Section 162(5) of the Companies Act No 71 of 2008, as amended, was brought by the CIPC to declare the director delinquent.

In delivering his judgment in this case, a Judge of the Western Cape Division summarised that it was grossly negligent for a director to have allowed a company to continue business in so parlous and insolvent a set of circumstances, to extract company cash in order to pay directors fees and to continue business in the clear knowledge that the Civil Aviation Authority (CAA) was not prepared to grant permission for the crucial element of the company's business and to allow a public company to operate without proper accounting systems. The Judge consequently declared the director delinquent.

Criminal Conviction for non-compliance

On 20 January 2014, the CIPC issued a compliance notice to a JSE listed director. In terms of the Act, the CIPC may issue Compliance Notices to any person whom the CIPC, on reasonable grounds, believes has contravened the Act. Non-compliance with this notice may result in an administrative fine or referral to the National Prosecuting Authority (NPA) for prosecution as an offence.

The CIPC received a complaint from a shareholder of a company alleging that the company had not called an annual general meeting for its shareholders nor produced annual financial statements for the 2012 financial year, thus contravening Sections 30 and 61 of the Act. On the 21 July 2016, the company was convicted of contraventions under Section 214 (3), read with the provisions of Section 171 and Section 216(b) of the Companies Act No. 71 of 2008 (as amended) ("Act") in the Specialised Commercial Crime Court in Bellville, Cape Town.

Reputation Building

In terms of building SA reputation in the business and IP environment, several achievements were made. SA hosted the 56th Series of Meetings of the Assemblies of the Member States of WIPO and was granted an opportunity alongside seven (7) other countries to exhibit on the margins of the General Assembly (GA) from the 3rd to the 11th of October 2016 under the theme "Treasures of South Africa". South Africa hosted the first of seven receptions on the 3rd October, followed by Hungary on the 4th and Brazil on the 5th. South Africa showcased special patents and invention and crafts during the seven-day event. On the reception night, traditional dishes were served to over 600 delegates from across the member states. During the GA, South Africa engaged in bilateral discussions with the other BRICS countries and a number of other countries including United Kingdom and the European Patents Office on various issues of interest.

Business rescue:

In terms of business rescue activities, reminders are sent monthly to business rescue practitioners to comply with their conditions of license. The business rescue accreditation model was established where professional bodies are accredited to have their members as licensed business rescue practitioners. This assists in monitoring the conduct of business rescue practitioners. The CIPC also established the Business Rescue Liaison Committee (BRLC) comprising of different role players within the industry, ranging from academics, banks, practitioners, accounting professions, legal and business. The purpose of the BRLC is to, amongst others, consider trends and training available in the business rescue space and a need for any enhancement.

The CIPC has also established an accreditation of professions was introduced as per Section 138 read together with Regulation 126 of the Companies Act. Currently the CIPC has three professional bodies that have been accredited thus anticipating more to come due to enquiries we are receiving pertaining to accreditation from professional bodies. Operationally CIPC introduced conditions to the licenses for the practitioners to adhere to and failure to do that would result either in suspension of the license or revoking of the license depending on the gravity of the matter.

Strategic Outcome Oriented Goal 2: To contribute to a knowledge-based economy and competitive local industries by promoting innovation, creativity and indigenous cultural expression and knowledge.

Public Awareness and Education on Intellectual Property

Momentum is gaining and the appetite for Intellectual Property (IP) information growing at a steady pace. All these interventions have a positive impact in meeting the Minister's priority of increasing the visibility and education in Intellectual Property Rights (IPR).

In order to drive the achievement of this priority, a CIPC Media Campaign, named "Your Business, our Focus" kicked off in May of 2016. This campaign included advertising through billboards, taxi wraps, community newspapers, community radio adverts and interviews as well as engaging with additional, targeted high volume exhibitions. The key messages communicated to the public included information on Companies, IP, co-operatives and compliance. These messages were in all the campaign platforms as well as Social Media which enabled our Facebook page to gain at list 15000 likes by the end of the campaign.

Throughout the past year, specific IP education and awareness campaigns were organized, targeting a number of high impact demographics (such as High School Students, University students, researchers, business forums, law enforcement and Small Macro Medium Enterprises (SMMEs)). These sessions were seen to be of a high impact as they were constantly oversubscribed. This has resulted in a significant increase in awareness of the general public, on IP and the individual rights associated with IP, an improved awareness of how to protect IP and how to engage with the CIPC.

Education of artists (audio and visual), was also a key priority for the financial year and a number of workshops were held nationally to sensitise artists on their rights and responsibilities. This initiative has as its primary goal of ensuring that creators have access to relevant knowledge to enhance and protect their creative works. The CIPC also successfully hosted workshops on collective management of rights in music in co-operation with WIPO which was aimed at providing increased capacity to the music industry sector.

Skills Development in the field of IP

In August of 2016, the CIPC launched a training manual, through a three (3) day workshop, on investigating and prosecuting IP crimes, which is intended for use by senior law enforcement officials in the field of IPR enforcement. The manual is an instrument to ease their day to day administrational tasks to ensure effective enforcement. The objectives of the workshop were to address the gap between the investigation and successful prosecution of counterfeiting cases. Furthermore, the intention was to ensure that the IP crime prosecutors and investigators are equipped to deal with IP and related crimes in a manner conducive to the implementation of Recommendation 45 of the WIPO Development Agenda.

Building partnerships and leveraging off the expertise of such partners greatly assist the CIPC to strengthen the IP regulatory environment and its efforts geared at combating counterfeiting and piracy. The project's success can be attributed to the close collaboration between the CIPC and the Building Respect for IP Division of WIPO.

A further highlight was this year's WIPO Summer School (WSS), held in Cape Town from 5 to 15 December 2016. The WSS is a collaboration between WIPO, the CIPC, the National Intellectual Property Management Organization (NIPMO), the University of Western Cape (UWC) and the Japanese Patent Office (JPO). The attendance at this year's event far exceeded the previous sessions, attracting a total of seventy participants (as compared to an average of 40 participants) from countries such as Algeria, Botswana, Brazil, China, Japan, India, Italy, Kenya, Namibia, Nigeria, Russia, Tunisia and Uganda. The WSS continues to play an important role in the dissemination of information and providing essential training in IP rights.

Indigenous Knowledge System

In the area of Indigenous Knowledge, information sessions continued and during the period under review, the traditional leaders' councils were targeted to educate them on the value of indigenous knowledge.

Traditional leaders also formed part of the stakeholder group who continue to be widely consulted, and additional information session and workshops are held on demand.

Copyright

South Africa as WIPO member state continues to benefit from the developmental programmes of WIPO. This was evident when Companies and Intellectual Property Commission and WIPO co-hosted a fruitful workshop on Collective Management of Rights in music with local key music industry organizations and structures on 14-15 March 2017.

The workshop was aimed at exposing the local music industry organizations to the best global practices in the administration and management of Collecting Societies in music. Best practices on good governance included transparency and accountability in the running of collecting agencies.

In the area of education and awareness on Intellectual Property, the strategic focus has always been to take Intellectual Property to the rural areas across the provinces of the country to ensure that Intellectual Property does not continue to be an unknown subject.

Promoting Easy Engagement with the CIPC

One of the CIPC's key objectives is to promote accessibility and simplicity in the process for registration of IP, especially for small businesses and artists. The formalisation of artists through registration of legal entities in terms of the Companies Act of 2008 is a focus area for the Creative Industries to ensure that the performing artists sector can be formalized into businesses. The existence of CCIFSA Culture Federation of artists and performers will be assisting with the formalization of artists.

Strategic Outcome Oriented Goal 3: To promote broader formal economic participation by enhancing service delivery and extending the reach of CIPC.

The anticipated result of this strategic goal is to reduce regulatory burden and costs for businesses in South Africa, as well as deliver efficient and effective services, which will add value to customers. The CIPC has made great strides in terms of growing alternative access channels for customers and building on the already existing relationships and partnerships to enhance its service delivery model. This resulted in improved turnaround times, and enriched the 'one stop' registration process that is integrating directly with a number of key government agencies.

The CIPC has built on the pre-existing partnerships with four banks – First National Bank (FNB), ABSA, Standard Bank and Nedbank. Five (5) per cent of all Private Company registrations were filed through this distribution channel. The CIPC, together with FNB, launched a revamped online platform that makes the company registration and name reservation processes seamless for the customer, as well as a redesigned customer user interface, payment integration and B-BBEE certificate application. This has improved efficiency throughout the entire process by reducing the number of touch points, number of steps, costs and time taken. FNB and Nedbank provide customers with a comprehensive company registration experience, whilst Standard Bank's and ABSA's offerings are still in their infancy.

An MoU was signed between CIPC and the banks to extend their current agreement. The extension of the agreement allows customers to receive a B-BBEE certificate through one of the partner banks upon company registration or submission of annual returns. Although the MoU was signed in the financial year under review, the benefits will be evident in the future as the banks are currently developing their systems to accommodate B-BBEE registration.

The benefits that the CIPC has realised from these partnerships include:

- Increased accessibility: banks have branch networks and online functionality which are globally accessible; and
- Reliable identity verification: in terms of the banking laws and regulations customers have to undergo face to face identity verification before an account is opened; and reduced red tape: research has shown that more than 50% of entrepreneurs who register their businesses immediately require business bank accounts.

Additionally, in order to improve public engagement, CIPC hosted 10 joint outreach events with the Departments of Defence and Small Business Development with the intention of providing the public with new ways of transacting easily, and at a lower cost within the 7 provinces visited.

A significant development that took place this financial year was the CIPC providing the National Treasury with a real time link which enables the National Treasury to check the status of enterprises and directors prior to them registering the business on the Central Supplier Database (CSD). This has resulted in entrepreneurs' deriving cost and time savings as they now only have to register once on the CSD, and not register with individual entities and departments.

In the period under review, the CIPC introduced a new distribution model known as the Third Party Model. This delivery model permits identified the CIPC transactions using the Department of Home Affairs biometric authentication. There are currently 530 registered third party users, with approximately 108 active. At the end of March 2017, approximately 4881 companies were registered through this channel.

Although this model has been effective in the past year, it has experienced several challenges:

- Partners providing incorrect information to CIPC customers;
- Slow system response times and downtime;
- Partners not having adequate capacity to manage CIPC online registration, including human resources;
- No back up for the Department of Home Affairs link; and,
- Availability of broad brand connectivity and Wi-Fi access at partner sites.

In 2016, Substantive Search and Examinations (SSE) were introduced in South Africa for the first time. Central to the CIPC's efforts to increase efficiency of service delivery is the effective and well organized implementation of SSE. In order to effectively implement this, an appropriate system is required to support SSE activities. As such, a MoU between WIPO and CIPC for the testing of Industrial Property Automation System (IPAS) was finalised and signed. The project is now expected to commence on the 25th of May, developing the technical requirements before embarking on process of development and implementation of required IT and supporting requirements and long term strategic planning.

Furthermore, in order to deal with the pending implementation of Industrial Property Automated System (IPAS), the CIPC had a core focus on capability building this financial year and this is expected to continue into the new financial year. Several training initiatives were implemented in an attempt to up skill resources and increase the capacity of the staff complement. The following are the highlights if the capability building efforts the CIPC instituted this year:

- Approximately 20 newly recruited examiners started an extensive training programme that will be for the duration of two years. The training programme includes theory and practical training sessions (on the job training on priority art searches and substantive examination of patents). The training was tailored to comprise of basic to advance courses on IP in general, Patents and the Patentability criteria as provided in the Patent Act;
- The UK-IP office spent two weeks in August 2016 training the Patent Examiners on novelty, inventive step etc. and several case studies that help broaden their knowledge on substantive search and examination of patents;
- Through the WIPO, online distance training was conducted, which comprised of the following courses; DL 301 covering Patents, principal of IP, the Patent application process, different layers of the International Patent system and regional Patent Protection Mechanism and covering the basics of Patent Drafting;
- The examiners attended several lectures organized by the Patent Examination Board (PEB);
- Two examiners attended a conference hosted by State Intellectual Property Office (SIPO) in China for two weeks and another two examiners spent a week with the Patent examiners in the Austrian Patent Office; and
- Workshops were set up in order to enhance the training already received. The workshops covers the following topics; Method of treatment (why content may not be patentable), Patent Analytics and Review and establish a bi-lateral agreement on SSE.

Over and above the four (4) provinces where SSTs are already installed and operating, the CIPC expanded its provincial presence by installing SSTs in an additional three (3) provinces in North West, Free State and Limpopo, to the already existing in Gauteng, Western Cape, Eastern Cape and KwaZulu-Natal, bringing the accumulated total of provinces with SSTs installed and operational to seven (7) provinces.

System upgrades are pivotal in the CIPC's efforts to drive access to and simplicity of its services, as well as reaching small businesses. There has been a substantial increase in the number of electronic transactions as a result of the system upgrades undertaken by the CIPC during the 2016/2017 financial year. The CIPC reduced the average number of days to process applications for the registration of business entities and IP. Out of the 184 CIPC core processes, 38 processes (21%) are offered through hybrid (combination of manual and automation) or fully automated services. This shows an increase of 1% from the previous financial reporting period. The table below shows the percentage of online transactions over time for each service.

Table 4: Percentage of online transactions over time

Service	% of online transactions in 2014/2015	% of online transactions in 2015/2016	% of online transactions in 2016/2017
Company registration	91%	95%	98%
Director changes	80%	89%	100%
Trade mark applications	93%	95%	95%
Patent applications	48%	79%	88%
Design applications	28%	31%	51%
Copyright in film application	97%	95%	84%

The increase in online transactions can be attributed to the CIPC aligning itself to its strategic objective of Increasing Access and Improving the Ease of Transacting for Entrepreneurs and Small Enterprises. This financial year's system upgrades included the following:

- **Enhancement of system stability and performance**

The CIPC further modernised its application systems and technology infrastructure. This includes provision of new customer services and automation that support and underpin the electronic transaction based on the CIPC service delivery model that focuses on providing improved accessibility, reliability and response of systems, data and information to all CIPC stakeholders.

- **Automated name reservation and electronic registration of non-profit companies**

The automated name reservation function has greatly assisted in reducing the volume of name reservations being referred for back office process. The name reservation unit continuously monitors the performance of the automated name reservation system to advise whether further adjustments are required in order to improve the efficiency and volume of automated name reservation. In 2016/2017 approximately 34% of name reservation applications were processed in a fully automated fashion.

- **Auto-indexing and documentation upload**

Continuous efforts are made to improve the service standard for new company registration by automating certain back office steps. This resulted in the implementation of the auto-indexing function, which aimed to significantly reduce turnaround times. In addition to this, an "upload documentation" function was implemented in order to assist in resolving documentation image quality issues, as well as reducing customer queries.

- **Industrial Property Automation (IPAS)**

The IPAS is an automated system for the processing of IP applications, which includes patents, designs and trade marks. WIPO and CIPC are currently in the process of a pilot project to test the suitability of the administrative back-end interface and customer interface of the system in order to determine its suitability to the CIPC's specific requirements only in relation to patents and designs.

2.3 Performance Information by Programme

CIPC is divided into three programmes, namely:

- Programme 1: Business Regulation and Reputation;
- Programme 2: Innovation and Creativity Promotion and
- Programme 3: Service Delivery and Access.

2.3.1 Programme 1: Business Regulation and Reputation

Purpose of the programme

The purpose of the programme is to enhance the reputation of South African businesses and the business environment by ensuring that the registers of corporate entities, their managers and their identity have integrity and that a culture of corporate compliance and high standards of governance, disclosure and corporate reputation is established. The programme also aims to provide policy and legal insight and advice on the coordination, implementation and impact of the respective laws.

Description of each Programme

The following functions, amongst others, fall within this programme:

- Maintaining registers of companies and close corporations, co-operatives, directors and delinquent persons and trade marks, as well as company names and business names;
- Accreditation of practitioners and intermediaries; and
- Educating business owners and practitioners on compliance of the legislation and promoting and enforcing compliance with the legislation.

CIPC is required to monitor compliance with certain requirements of the legislation, such as the submission of annual returns, the rotation of auditors and disclosures in terms of the financial reporting standards and the requirements for prospectuses. CIPC furthermore investigates complaints and enforces the provision of the Companies Act, the Close Corporations Act, the Share Block Companies Act and the Co-operatives Act relating to governance and disclosure.

The Business Regulation and Reputation Programme also focuses on corporate policy and legal matters. This includes support for the prosecution of offences and the interpretation of laws, as well as the proposal of amendments to legislation and regulations. The function also entails continuously tracking international developments in the areas of corporate governance, disclosure, corporate registration and enforcement of trade marks.

Table 5: Strategic objectives, performance indicators planned targets and actual achievements

Output	Performance Measure or Indicator	Actual Achievement 2015/2016	Annual Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
GOAL 1: Improve the competitiveness of the South African business environment						
Strategic Objective 1.1 Encourage the formalisation of South African businesses and their identity						
Reduction in the average number of days to register a company from the date of receipt of a complete application	The average number of days to register a company from the date of receipt of a complete application	4	3	3	0	No deviation
Reduction in the average number of days to register a co-operative from the date of receipt of a complete application	The average number of days to register a co-operative from the date of receipt of a complete application	2	2	2	0	No deviation
Increased level of education and awareness around important changes in the Co-operative Act, 2013 and its regulations.	Number of work-shops conducted by the CIPC on the new Co-operative Act, 2013 and its regulations, highlighting important changes	New indicator	3	3	0	No deviation

Output	Performance Measure or Indicator	Actual Achievement 2015/2016	Annual Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
GOAL 1: Improve the competitiveness of the South African business environment						
Strategic Objective 1.2 Encourage the maintenance of high standards of corporate governance, transparency and brand protection						
Companies with an "active business" status that have filed annual returns by the reporting period (year to date)	% of companies (entities with an active business status) that have filed annual returns by the end reporting period (year to date)	50%	54%	48%	6%	1. Some of the Companies are survivalist in nature and as such a large number of companies end up being de-registered. Possibly some business do not survive beyond their first year. 2. New registrations only file in the second year in terms of the Companies Act Some of the Challenges they face include: - Access to internet - Limited knowledge of requirements to file. - Electronic contact details incorrect therefore can not send reminder
Increased level of awareness of annual return compliance amongst State Owned Companies (SOCs)	Number of seminars with SOCs on annual return compliance (1 seminar in Cape Town, 1 in Durban and 1 in Gauteng)	New indicator	3	3	1 in Cape Town and 2 in Gauteng	Although 3 workshops were held, no workshop was held in Durban. On 25 October 2016 in Cape Town, 23 February 2017 and 31 March 2017 in Gauteng. It was realised that the SOC were around Gauteng hence event held in Sandton attendance was great. It did not make business sense (introduction of Cost Containment measures) and the targeted SOC were in Gauteng to host the event outside Gauteng.

Output	Performance Measure or Indicator	Actual Achievement 2015/2016	Annual Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
GOAL 1: Improve the competitiveness of the South African business environment						
Strategic Objective 1.2 Encourage the maintenance of high standards of corporate governance, transparency and brand protection						
Reduction in the average number of days to issue an application number for a trade mark from the date of an application	The average number of days to issue an application number for a trade mark number from the date of application	2	3	2	1	Improved efficiency of processing.

Sub-programmes and activities:

Governance surveillance and enforcement sub-programme

Table 6: Investigations - statistical information 1 April 2016 - 31 March 2017

Activity	Status of each activity	March 2016	April 2016	May 2016	June 2016	July 2016	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	March 2017
Investigation	Cases brought forward	54	49	51	54	49	56	62	60	57	61	72	85	100
	Complaints Received	8	15	24	10	23	10	20	12	10	13	34	26	30
	Cases finalized and Referred	13	13	21	16	16	4	22	15	6	2	21	11	23
	Pending cases	49	51	54	48	56	62	60	57	61	72	85	100	107
	Average Turnaround time on determination of complaint / request for investigation / closed	20 days	28 days	16 days	22 days	12 days	20 days	25 days	19 days	28 days	17 days	14 days	15 days	17 days
	No of investigators	9	9	8	7	7	7	7	7	7	7	7	7	7
	Average case load per investigator	7	7	9	9	10	11	11	10	9	10	15	15	18

Reasons for matters closed: Inspectors appointed to investigate; Companies under Business Rescue; Complainant still a director and/or member; Allegations not substantiated; Not in mandate; No contravention of Act; Referred to Tribunal; Complaint withdrawn; Fronting matters referred; Inspectors appointed to investigate; refer to other units in CIPC.

The tables below show the CIPC activities with regards to reportable irregularities over 2016/2017.

Table 7: Reportable irregularities

	Q1 2016/17	Q2 2016/17	Q3 2016/17	Q4 2016/17
Opening Balance	189	177	201	237
Cases Received	90	89	69	45
Closed Cases	102	65	33	102
Closing Balance	177	201	237	180

The above table indicates that the CIPC has a significant backlog of cases that urgently need to be addressed. At the start of the 2016/17 financial year, there was a backlog of 189 cases, which did not significantly change during the year, indicating that at this stage, the CIPC are able to only close the approximate number of cases they receive within the year.

The above table also depicts irregular matters received by the CIPC and matters closed for various reasons in the financial period in review. Reasons for closure vary from entities that complied with the CIPC's notices of intention to investigate; entities being liquidated or deregistered; and/or matters which were referred to other entities. With investigations being dependent on the response from the entity being investigated, the number of cases being closed varies from quarter to quarter.

Table 8: Independent Review Regulation 29

	Q1 2016/17	Q2 2016/17	Q3 2016/17	Q4 2016/17
Opening Balance	14	16	18	29
Allocated	10	9	27	42
Liability Exceeds Assets	4	1	12	8
Financial Assistance	0	1	3	21
VAT Tax Return Not Declared To SARS	1		1	2
Other	3	5		1
Total Closed	8	7	16	32
Closing Balance	16	18	29	39

The above table indicates the progress of the independent review function over the past year. Majority of cases were allocated and several irregularities uncovered. As a consistent theme, the reporting of irregularities by independent reviewers remains low and needs to continuously be considered by the CIPC.

Prospectus

During the 2016/2017 financial year, the Commission registered 23 prospectuses (i.e.) public offerings of company securities as contained in Chapter 4 of the Act. Five (5) were from international companies and 18 from local companies. The trend of international companies registering prospectuses increased from two (2) in 2013/2014, three (3) in 2014/2015 and four (4) in 2015/2016 respectively. Out of the 23 prospectuses registered in 2016/2017, nineteen (19) are listed on the stock exchange with four (4) still pending and we expect to receive the final draft at a later stage.

Business rescue

The below table reflects the status of commenced business rescue proceedings from inception of business rescue on 1 May 2011 to 31 March 2017.

Table 9: Status of commenced business rescue proceedings

Operational BR Proceeding Applications	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	Total
Business Rescue Proceedings Started	382	440	410	413	481	373	2499
Invalid filings	61	27	23	42	12	6	171
Business Rescue Proceedings Ended	312	273	241	212	233	87	1358
Notice of Termination (CoR125.2)	72	96	74	72	120	37	471
Notice of Substantial Implementation (CoR125.3)	78	98	91	68	47	14	396
Liquidation	54	46	53	44	42	20	259
CO_Set Aside BR	2	6	3	3	0	0	14
Nullities (Proceedings started but was declared a nullity)	106	27	20	25	24	16	218
Active as at 31 March 2017	70	167	169	201	248	286	1141
Active as at 31 December 2016	70	168	170	203	256	236	1103
Active as at 30 June 2016	83	179	184	236	336	101	1119
Active as at 31 March 2016	86	181	189	250	422	1129	N/A
Active as at 31 December 2015	88	193	206	275	330	1092	N/A
Active as at 30 June 2015	96	201	217	314	97	925	N/A

From the 2499 cases (invalid filings are not included since the proceedings never commenced) for which business rescue proceedings commenced:-

- 218 proceedings became a nullity in law;
- 471 proceedings were terminated by way of filing a Notice of Termination (CoR125.2);
- 396 proceedings were substantially implemented by way of filing a Notice of Substantial Implementation (CoR125.3);
- 259 proceedings ended up directly in liquidation without a Notice of Termination (CoR125.2) being filed;
- the court set aside the business rescue of 14 proceedings; and
- 1141 proceedings are still in business rescue.

Trade marks

For the financial period 2016/2017 (as well as for the calendar year 2015/16) a record number of new trade mark applications were received, the highest number ever in the existence of the Office of the Registrar of Trade marks.

The trade mark e-search facility launched early in 2015 which makes the Trade Marks Register available electronically via the CIPC website at no charge, continues to provide value added service to CIPC customers.

The e-filing system for the lodging of new trade mark applications, which was launched mid-2013 continues to prove a success as on average 95% of new trade mark applications are lodged via the system on a monthly basis.

The following table provides details on the trade mark figures received, queried, and pending.

Table 10: Monthly Trademark production figures

	TOTAL
New Applications (processed)	38 578
Special Searches (processed)	1 545
Searching	61 191
Coding	39 990
Examination and Official Actions (issued)	57 795
Acceptances (issued)	13 371
Registration Certificates (issued)	9 375
Renewals and Restorations (processed)	21 530

2.3.2 Programme 2: Innovation and Creativity Promotion

Purpose of the programme

The purpose of the Innovation and Creativity Promotion Programme is to promote, support and protect IP rights and IKS, whilst conforming to the international IP systems. The core functions of the programme are to maintain accurate and secure registries of patents, designs, film productions, recordings of IK and cultural expressions. In addition, the programme supervises and regulates the distribution of benefits related to copyright and IKS.

Other functions of the Programme include; the coordination of appropriate enforcement actions; education and awareness of the requirements and benefits of registration of IP rights; the remedies available and the opportunities for commercialisation and industrial development through efficient management of IP assets.

Most importantly the CIPC has begun focusing on rolling out programmes aimed at increasing education and awareness to Small, Medium Enterprises (SMEs) to boost local IP ownership.

The group supports targeted and focused education and awareness initiatives, in partnership with other Departments and agencies, to ensure effective protection and efficient management of IP assets. In collaboration with the other government enforcement agencies, the group will also act against counterfeiters and those that do not respect IP rights.

Description of each programme/activity/objective

The Innovation and Creativity Promotion Programme aims to accomplish an uptake in registration of patents and designs. This programme also oversees the accreditation of collecting societies for the music industry and monitors the governance of the accredited institutions. In addition, the programme registers patent attorneys that have passed the Patent Board Examination. Key to meeting its strategic objectives, the programme provides policy and legal insight; as well as advice on the implementation and impact of the relevant legislation. The programme seeks to strengthen its capacity in research and policy analysis.

The programme is furthermore responsible for monitoring the unauthorised use of private and public IP rights, with a particular focus on the protection of the IP rights holders in the creative industries. The CIPC also sees an opportunity to promote local innovation and creativity by creating awareness of the opportunities that could flow from formalising rights through their registration, but also by making information about opportunities and financing available from other institutions that can support commercialisation. The CIPC sees a close relationship between the registration of rights and their commercialisation, as envisaged in the Industrial Policy Action Plan (IPAP) 3.

Strategic objectives, performance indicators planned targets and actual achievements

Output	Performance Measure or Indicator	Actual Achieve-ment 2015/2016	Annual Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
GOAL 2: Promote innovation, creativity and indigenous cultural expression						
Strategic Objective 2.1: Promote the protection and commercial exploitation of innovations in key sectors						
Maintaining the average number of days to issue an application number for a patent from the date of receipt of a complete application.	The average number of days to issue an application number for a patent from the date of receipt of a complete application	3	3	2	1	Exceeded: Improved efficiency in processing, however additional uptake of electronic submissions will result in further improvement
Maintaining the average number of days to issue an application number for a design from the date of receipt of a complete application	The average number of days to issue an application number for a design from the date of receipt of a complete application	3	3	3	0	No deviation
Increased knowledge and awareness on IP	Number of education and awareness workshops on IP conducted by CIPC	21	20	25	5	Received more requests for IP education and awareness workshops/ information session
Strategic Objective 2.2: To promote our cultural heritage and support a strong competitive South African creative industry that provides benefits for local artists						
Increased knowledge and awareness IKS	Number of education and awareness workshops in IKS creativity conducted by CIPC	New indicator	3	14	7	Received more requests for IP education and awareness workshops/ information sessions
Increased knowledge and awareness on creativity and IP enforcement	Number of education and awareness events on creativity and visible IP enforcement initiatives conducted by CIPC	New indicator	4	6	2	Better coordination by stakeholders.

Sub-programmes and activities:

Education and awareness programme on Patents, Designs and Trade marks, counterfeiting and copyright piracy

The CIPC has also engaged in a number of forums with entrepreneurs and high school students on the relevant and important information on intellectual property to start their businesses and protect their technological ideas, musical/audio-visual works, products and branding. Additional focus was put on educating participants on royalties and duties regarding collective rights management agencies.

The CIPC conducted and participated in a number of workshops on IP including trade marks. Some of the key highlights from these workshops included:

- Information and Discussion Sessions on IP at Central University of Technology (Free State); Calculus High School (Bloemfontein) and others.
- Joint CIPC-NIPMO IP workshop for SMME's (within the East London Industrial Zone)
- Exhibition on the full domains of IP for high schools (Mamelodi, Soshanguve)
- Three days workshops on the South African Training Manual on Investigating and Prosecuting IP Crime that was followed by a one day Training Workshop for Detectives in the Western Cape, and
- The CIPC presented a paper at the International Trademark Association and the International Chamber of Commerce Business Action to Stop Counterfeiting and Piracy (INTA – BASCAP) Workshop focusing on stopping and combating piracy and counterfeiting.

Education and awareness programme on IP Enforcement, copyright, IKS and Regulatory obligations of Collecting Societies.

In order to ensure enhanced skills within the CIPC's customer facing operations, specific training and workshop sessions were held with the CIPC Call Centre. This training ensured that all operators were educated correctly regarding intellectual property information in order to ensure that accurate information disseminated to the public at large.

In addition to the internal training, the CIPC engaged significantly with the general public and interest groups around the subjects of copyright and IK. This drive was followed as this is a key focus area for the Minister of **the dti**. Over 20 engagement sessions were led or supported by the CIPC certain highlights include:

- Training and workshops with multiple groups focusing on the legislation regarding Indigenous Knowledge (undertaken with but not limited to: Music Association of South Africa [MASA]; CAPASSO and Music Publishers, Gauteng Provincial Department of Arts and Culture
- Workshops focusing on improving the awareness of Indigenous Knowledge with multi-disciplinary groups (including UNISA; Kwa Dlangezwa; IKSSA; E-Sundumbili Kwa-Mathonsi Tribal Authority; uMlalazi Municipality);

- Facilitating discussions regarding how Traditional Healers can co-practice at local hospitals within Ekhombe (Kwa-Mabasa Tribal Authority In Sodwana Bay) ;
- Facilitated workshops / training sessions with the National Film and Video Foundation, as well as the Music Association of SA and South African Music Industry Council on copyright In audio visual and indigenous knowledge;
- Creative Industry Workshops with a focus on artists as sustainable micro businesses, engaging with over 150 artists over three workshop sessions; and
- Engaged with the Mothong African Heritage Trust project in Mamelodi, engaging with youth entrepreneurs to understand how better to support them.

Partnerships with other Governmental Departments

As indicated above, the CIPC and the DST are actively engaging and collaborating on the development of a holistic Legislative Framework for Indigenous Knowledge Management. Once this framework has been completed, the nature of the partnership between the DST and the CIPC will be developed and implemented as necessary.

A project approach to assist South African SMME's in enhancing their awareness on effective management of IP assets was agreed to between South Africa and WIPO during November 2015. One of the project's deliverables focus is on IP Outreach and Awareness creation. A discussion between the representatives of CIPC and WIPO was in which parties agreed to implement a Workshop on "Effective IP Asset Management by SME's" as the first intervention on which other projects can then gain momentum and lead to overall success. In this regard, CIPC has collaborated with WIPO to develop a proposal which is expected to begin implementation over the period of the 2016/17 reporting period.

CIPC partnered with SARS to educate SMME's through an Education and Awareness initiative that was held in Cape Town. These outreach programmes have as their main focus the education of SMME's with regards to their obligations to comply with legislation, including the Counterfeit Goods Act.

MOU with European Patents Office (EPO)

Of particular importance for the past financial year, the CIPC and the European Patent Office (EPO) signed a Memorandum of Understanding (MoU) and a two year work plan in February 2017, for international collaboration on patent matters.

The scope of the MOU includes:

- Ensuring high quality patent in order to foster innovation and economic development and to support commerce and industry in both jurisdictions;
- Increasing the efficiency and timeliness in the patent grant process through work-sharing;
- Ensuring long term sustainability of the bilateral co-operation activities by exchanging best practices in IP office administration and management;
- Establishing regular exchange of published patent data and legal status information for the benefit of patent quality; and
- Promoting patent information as an important tool for innovation, commercialization and technology transfer.

Intellectual Property Rights Enforcement

The importance of intellectual property (IP) rights for any country's social, economic and cultural development cannot be overstated. IP protection is critical to foster innovation and stimulate economic growth and development. Without protection of ideas in a material form, businesses and individuals cannot reap the full benefits of their inventions and have little incentive to invest in further research and development. Similarly, without IP enforcement, artists are not fairly compensated for their works and so are unable to invest in new creations, harming cultural vitality.

A particularly tricky area is how to tackle the illegal trade in counterfeit goods and piracy and enforce IP rights effectively with limited financial and human resources. While counterfeiting and piracy is a global phenomenon which requires global action, we have to take the challenges and risks associated with this illegal trade very seriously as a developing country.

The focus of the unit is to implement a National IPR Enforcement Strategy based on protocols, supported by a signed Memorandum of Understanding. The intention of the strategy is to combat the demand for counterfeited and pirated goods. Ensuring compliance with the minimum requirements of operating a Counterfeit Goods Depot will ensure a streamlined approach in safe-guarding physical evidence stored at these facilities.

Joint Search and Seizure Operations to monitor and deal with IPR infringements are targeting the creative industries to combat piracy, the pharmaceutical industry that is prone to flooding of counterfeit medicine, the automotive industry and fast moving consumer goods that may be harmful to public health.

Partnering with enforcement counterparts such as the South African Police Service (SAPS) and the South African Revenue Services (SARS) will allow the CIPC the opportunity to promote objectives in enhancing the knowledge of not only customs officials but also their key partners in combatting counterfeiting and piracy.

Exhibitions and Events Attended

The CIPC attended a number of events, covering a number of topics, throughout the last performance reporting period. These included:

- The World IP Day celebration: A creative industry, 5-a-side seminar at the 2016 WIPO conference under the theme "Digital Creativity ... Culture Reimagined";
- Workshop with SMME to drive compliance in IP law;
- The Young Entrepreneur Development Program, run by the Department of Small Business;
- The launch of the Film Competition with High School learners in Charlton Vos College; and
- An exhibition at the Annual Moshito Music Festival and Conference.

An additional highlight was South Africa being re-nominated to Chair the ACE (Advisory Committee on Enforcement) meeting at WIPO for the second year running. Furthermore, the CIPC has been nominated to participate in the amendment of the Performers Protection Act spearheaded by **the dti**.

2.3.3 Programme 3: Service Delivery and Access

Purpose of the programme

The purpose of the programme is to promote enhanced access to, and service delivery by the CIPC to ensure that our access channels are secure and easily accessible to all, that the institution has sufficient and appropriate organisational resources to deliver the best possible service and that operational excellence is established in all areas of the organisation.

Description of each programme/activity/objective

The emphasis of the CIPC business model is equally on the quality of the services it provides, the acceptable speed with which it delivers them and the value that its products, services and solutions generate for customers. The model focuses on the manner in which it will deliver services, the quality of those services, the fees it will charge to be sustainable and the potential for value addition. In order to deliver on its strategic mandate, CIPC identified three key resources that it will need to build, develop and/or acquire: an informed, competent and engaged workforce; intelligent IT systems and infrastructure, and strategic partners to assist the organisation to deliver on its broader mandate - in a mutually beneficial manner.

A large fraction of CIPC's services was delivered through intermediaries - IP legal practitioners, company secretarial services, provincial small business development partners and other associated intermediaries customers choose to transact with for the sake of convenience, but also because CIPC is difficult to access and navigate.

CIPC focuses on improving its direct services to customers through the implementation of a new business model which is based on a direct channel and partnership approach. CIPC works with collaboration partners to increase access to its products, services and solutions through the development of indirect channels. These channels are managed in collaboration with identified service delivery partners. The partners are identified on the basis of the increased value that the combined services of the CIPC and its partners can deliver to its customers. The key principles that inform the choice of service delivery partners are a combination of such enhanced value to entrepreneurs and inventors, as well as the partners' ability to contribute to the increased ease of doing business in SA. At no point can the selection of partners compromise CIPC's operating or customer service standards. Identity verification is a key required capability, so that the integrity of CIPC's information can consistently be relied upon - at all times; and through all channels.

In order to deliver the enhanced services required by its customers and stakeholders, the CIPC requires competent, engaged employees who deliver high quality work at an acceptable speed of delivery. As a public sector regulatory agency rather than a business, the CIPC's ultimate goal is not to be profitable but is rather focussed on a self-sustaining funding model that delivers sufficient revenue to cover the capital and operating costs of the services it delivers. Operational efficiencies are enhanced by intelligent, high performance IT systems, which serve CIPC employees, customers, partners and registered intermediaries. Expenditure on its IT systems continues to be a consistent feature in its budget over the period of the strategic plan and into the future. Given the importance and sensitivity of the information held by CIPC and the impact of service delivery on the business sector, CIPC prioritises information integrity and security, disaster recovery and change management in all its efforts. It places significant emphasis on proactively managing the strategic risks that are identified, while providing innovative and value-adding services.

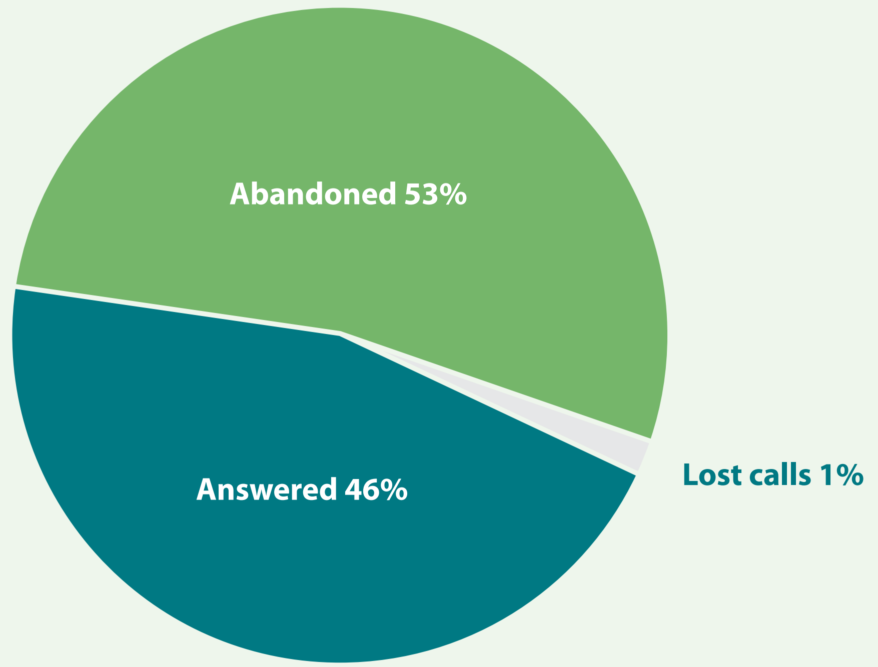
Strategic objectives, performance indicators planned targets and actual achievements

Output	Performance Measure or Indicator	Actual Achievement 2015/2016	Annual Target 2016/2017	Actual Achievement 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017	Comment on deviations
Goal 3: To promote broader formal economic participation by enhancing service delivery and extending the reach of CIPC.						
Strategic Objective 3.1: Provide easy access to credible, reliable and relevant information and advice and secure, value-added services						
Increase in the % of CIPC services with an option to file electronically compared to services which can only be filed manually	% of CIPC services with an option to file electronically compared to services which can only be filed manually	20%	20%	21%	1%	Processes were automated, changed to hybrid processes
Increased of % in the website performance for e-services 24/7	% website performance for 24/7 e-services	96%	95%	96%	1%	Infrastructure upgrades have resulted in improvements in website availability
Increase in the number of provinces where SSTs were installed and are operational	The number of provinces where SSTs were installed and are operational	3	4	6	2	The process of installing SSTs was faster than expected.
Strategic Objective 3.2: Build an enabling and intelligent work environment anchored in a governed and sustainable organisation						
Increase the % of positions of the approved structure filled	% of positions of the approved structure filled	74%	75%	75%	0%	Critical posts filled.
Increase or maintain the score of the stakeholder value index	A score between 1 – 100 of the stakeholder value index, a higher score indicating satisfaction with CIPC	6.95	To be measured in 2017/18	N/A	N/A	N/A

E-communication and Client Engagement

There was significant progress regarding the establishment of the call centre during the 2016/2017 financial year. Twelve new call centre agent positions were filled from July – September 2016, as well as a new Call Centre Team Leader, a Revenue Management Specialist as well as four Call Centre Service Desktop Staff were appointed. There is however a challenge with the retention of call centre agents, because of the stressful environment of a call centre. Three call centre agents either resigned or transferred to other positions within CIPC during the reporting period.

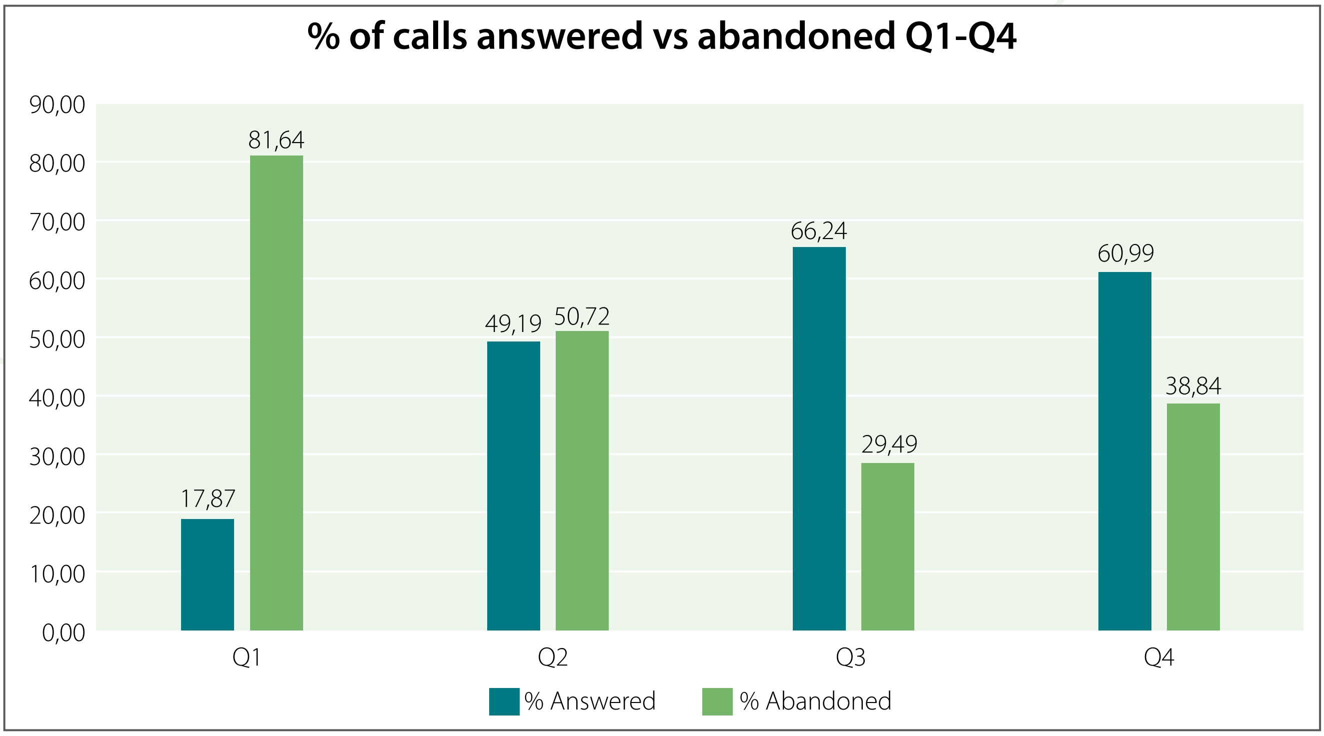
% of calls offered, answered and abandoned Apr 2016 - March 2017



The performance of the call centre increased on a quarterly basis. The call answering rate during the first quarter was very low, due to high volume of calls, and the staff component was very small. The performance picked us significantly due to capacitating and training of the call centre agents.

The CIPC call centre answered 46% of calls received during the financial year. The Service Delivery Improvement Plan (SDIP) target for the call centre call answer rate was 55%. However, the call centre could only reach an average call answer rate of 49% due to the following reasons:

1. **The dti** call centre agents, who assisted with the CIPC calls were called back to assist with **the dti** calls at the end of March 2016. This had a severe effect on the call centre, as there was only eight agents to field 60 273 calls;
2. The volume of calls during quarter one were considerably higher than calls received during the rest of the year. **60 273** calls were received during quarter 1, vs. 48 805 during Q2, 39 183 during Q3 and 49584 during Q4 while the number of call centre agents were very low, as the call centre still had to be established; and
3. If the performance are analysed on a quarterly basis, the performance in the other three quarters were considerably better than quarter one.



The summary of call centre statistics below shows that the call answer rate steadily increased over the financial year.

Table 11: Call Centre statistics 2016/2017

Quarterly Stats		Number of calls			% of calls		
	Received	Answered	Abandoned	Lost calls	Answered	Abandoned	Lost calls
Q1	60273	10771	49206	296	17.87	81.64	0.49
Q2	48805	24007	24753	41	49.19	50.72	0.08
Q3	39183	25953	11556	1674	66.24	29.49	4.27
Q4	49584	30243	19256	71	60.9	38.84	0.14

Regular informal training sessions were held throughout the year to ensure that all call centre agents are up to date and knowledgeable to be able to answer all the questions posed by the CIPC customers contacting the call centre. All relevant products and services were covered during the sessions. Formal training sessions on all products and services were arranged and all call centre agents, except one received the training on products and services co-ordinated by the Human Capital Division. The call centre agents received formal Call Centre Training provided by a service provider, namely Service Monitor, and the Call Centre Management received Call Centre Management training from Service Monitor. The training was conducted from August to December 2016.

Table 12: Call Centre staff complement as at 31 March 2017

Position	Filled Positions	Vacant Positions	Total Posts
Call Centre Manager	1	0	1
Team Leaders	3	1	4
Call Centre Agents	19	3	22
Call Centre service desk top members	4	0	4
Revenue Management Specialist	1	0	1
TOTAL	**28**	**4**	**32**

Progress has been made with regard to the establishment of the call centre, and 19 call centre agents were employed by 31 March 2017. One Team Leader was appointed with effect from 16 May 2016. Four new call centre desk top support staff members were also appointed. The appointment alleviated the backlog with regard to the manual password reset functionality. The appointment of the 12 new call centre agents had an impact on service delivery, as the calls answered increased incrementally from 18% calls answered during Q1 to 49% of calls answered during Q2 and 66% of calls answered during Q3. Due to three staff resignations during Q4, the call answering rate dropped with 5% to 61%.

Business Information and Systems Group (BISG)

In the 2016/2017 financial year, the CIPC focused on continuous improvements of the systems by modernising, upgrading, stabilising and extending the application of systems and technology infrastructure. In addition to this, there were on-going reviews and enhancement of the new customer services that support and underpin the electronic transaction bases business model that the CIPC employs. This is in line with automation and service delivery imperatives that focus on providing improved accessibility, availability, response and reliability of systems, data and information to all CIPC stakeholders.

Key highlights include:

- The successful roll-out of three SSTs, as well as expanding SST capabilities to identified business partner sites nationally;
- Extension of the e-Services functionality e.g. automated name reservation, auto-indexing and documentation upload and piloting of IPAS; and
- Extension of inter-governmental data exchange initiatives with SARS, the Department of Home Affairs (DHA), Department of Small Business Development (DSBD), National Treasury (NT) and others to contribute to improved ease and speed of doing business

Further target achievement of the CIPC plans is possible through supplementary enhancement of internal capabilities such as ICT infrastructure.

2.3.4 Strategy to overcome areas of under performance

93% of the key performance indicators (KPIs) were achieved for the year under review. Only one KPI target was not met i.e. % of companies with an active business status that have filed annual returns by the end reporting period. As a strategy to improve compliance, reminders are sent to all companies that are due to file annual returns.

2.3.5 Changes to planned targets

The Executive Authority, Minister of Trade and Industry, Dr Rob Davies, MP approved the revised Annual Performance Plan for the 2016/17 -2018-19 financial year as follows:

No.	APP before amendments	APP after amendments	Reason for amendment as per submission to the minister
1	Indicator: The average number of days to register a company from the date of receipt of a complete application **Target before amendment** Two (2)	Indicator: The average number of days to register a company from the date of receipt of a complete application **Target after amendment** Three (3)	The annual target was revised from 2 to 3 due to major server capacity problems that were experienced that resulted in major delays in the response times, and backlogs
2	Indicator: Number of workshops conducted by the CIPC in the Co-operatives Amendment Act No 6 of 2013 **Target before amendment** 9 (1 per province) The Target in the submission to the minister was reflecting as "Annual Target not measured"	Indicator: Number of workshops conducted by the CIPC in the Co-operatives Amendment Act No 6 of 2013 **Target after amendment** Three (3)	This was subject to finalization of the Co-operatives amendment regulations which did not take place as anticipated. The target had to be amended to adjust to the remaining part of the APP period.

2.3.6 Linking performance with budgets

Programme/ activity/ objective	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Compensation of employees	**328 517**	**253 103**	**7 5414**	**243 646**	**231 432**	**12 214**
Goods and services	**185 353**	**158 317**	**27 036**	**167 788**	**120 345**	**47 443**
Audit Fees	8 050	6 220	1 830	10 000	6 952	3 048
Bank Charges	2 740	3 783	-1 043	1 500	1 974	-474
Advertisements	7 914	9 482	-1 568	2 500	586	1 914
Communications	20 037	20 334	-297	12 335	5 515	6 820
Temporary Admin and Support Staff	-	-	-	-	-	-
Consultants and special services	64 011	43 334	20 667	59 291	42 035	17 256
Depreciation and Amortisation	10 420	10 647	-227	9 300	10 027	-727
Internet and Network Costs – ICT related services	5 708	5 159	549	7 743	3 938	3 805
Stationery, Printing and Publications	4 230	4 000	230	7 810	4 597	3 213
Maintenance, repair and running cost	1 500	1 066	434	2 070	1 204	866
Operating Lease	36 199	33 668	2 531	37 145	29 630	7 515
Travel and Subsistence	6 632	4 516	2 116	4087	3 970	117
Doubtful Debts and Impairment	-	-2	2	-	5	-5
Other	17 912	16 264	1 648	14 007	9 932	4 075
(Gains) loss on disposal of assets	-	-154	154	-	10	10
Impairment loss: Property, plant and equipment	-	-	-	-	-	-
Total Expenditure	**513 870**	**411 574**	**102 450**	**411 434**	**351 777**	**59 657**

2.4 Revenue collection

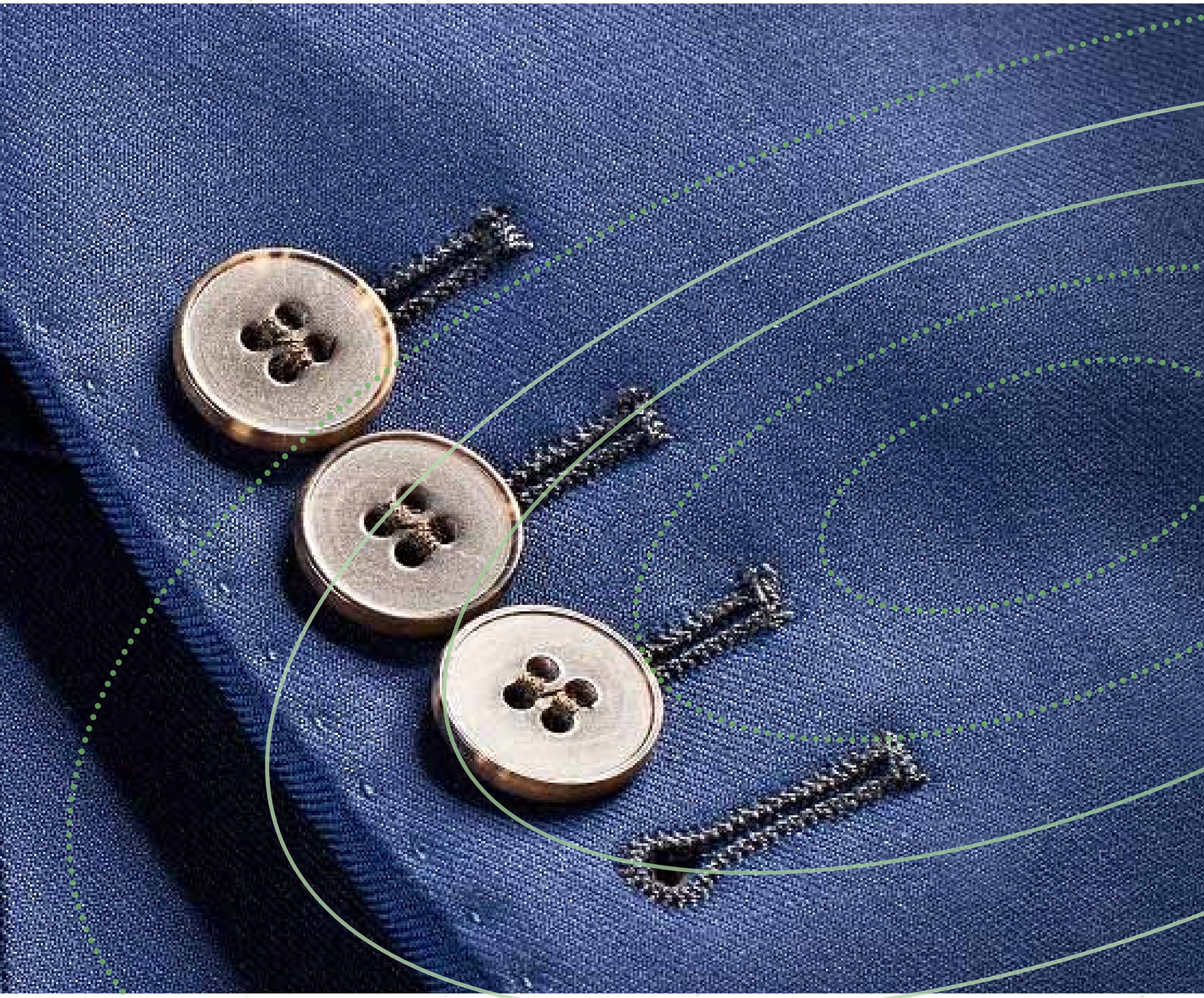
Sources of revenue	2016/2017			2015/2016		
	Budget	Actual Revenue	(Over)/ Under Collection	Budget	Actual Revenue	(Over)/ Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Annual Returns: Companies	220 000	211 011	8 989	170 811	176 452	-21351
Annual Returns: CCs	120 000	104 297	15 703	83 516	106 327	-22 811
Companies	100 000	85 747	14 253	68 355	79 409	-11 054
Cooperatives	3 056	2 731	325	6 111	3 057	3 054
Data Sales/ Disclosure	23 010	15 281	7 729	1 900	20 683	-18 783
Trade marks	30 000	28 805	1 195	49 170	29 062	20 108
Patents and designs	25 000	23 858	1 142	43 600	23 961	19 639
Copyright in film	1 000	20	980	500	36	464
Total	**522 066**	**471 750**	**50 316**	**423 963**	**438 987**	**-30 734**

2.5 Capital investment

Infrastructure projects	2016/2017			2015/2016		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Capital Investment	-	-	-	-	-	-
Computer hardware	21 050	10 491	10 559	8 849	5 523	3 326
Computer software	9 200	15 676	-6 476	3 095	187	2 908
Furniture and equipment	150	291	-141	500	370	130
Leasehold improvements	800	674	126	1 300	-	-
Total Expenditure	**31 200**	**27 132**	**4 068**	**13 744**	**6 080**	**7 664**

PART C: Governance

"I learned that courage was not the absence of fear, but the triumph over it. The brave man is not he who does not feel afraid, but he who conquers that fear."
Nelson Mandela



Part C: Governance

3.1 Introduction

Corporate governance forms the foundation of the conduct of operations of the Commission. Management is complaint to and guided by, inter alia the Companies Act, PFMA and other legislative requirements and governance principles. The Commissioner is designated as the Accounting Authority of the Companies and Intellectual Property Commission.

3.2 Portfolio Committee

Date	Agenda	Officials
7 Sept 2016	Briefing on the CIPC 2015/2016 Annual Report and 2016/2017 1st quarter financial and non- financial performance report	R Voller, F Malaza, L Dukwana

3.3 Executive Authority

The Executive Authority, Minister of Trade and Industry, Dr Rob Davies, gave the following feedback to CIPC on submission of quarterly performance reports:

- Approved reports
- Noted achievement of the planned quarterly targets (Q1: 80% (revised figures), Q2: 67%, Q3: 87% and Q4: 87%)

3.4 Committees

3.4.1 Audit Committee and Risk Committee

Committee	No. of meetings held	No. of members	Workshop	Name of members
Audit Committee	6	11	1	Mr AN Mhlongo – Chairperson Mr AC Bischof – Independent Member Mr YN Gordhan - Independent Member Ms R Kenosi – Independent Member Adv R Voller – Commissioner *Mr M Sass – Chairperson *Ms A Badimo – Independent Member *Mr M Shabalala – Independent Member *Mr S Maharaj – Independent Member *Ms Z Monnakgotla – Independent Member ***Ms K Singh – **the dti** proxy
Risk and IT Committee	4	5	0	Ms R Kenosi- Chairperson Mr YN Gordhan – Independent Member Adv R Voller Commissioner **Ms A Badimo – Chairperson **Mr P Phili – Independent Member

*Newly appointed Audit Committee members commenced in October 2016 and January 2017 respectively
**Newly appointed Risk and IT Committee members commenced in October 2016 and January 2017
***the dti proxy commenced in January 2017

3.4.2 Remuneration of Audit Committee members

Name	Remuneration	Other allowance	Other re-imbursements	Total
Mr AN Mhlongo	R 210,450.00		R 5,428.50	R 215,878.50
Mr AC Bischof	R 175,560.00		R 4,241.20	R 179,801.20
Mr YN Gordhan	R 202,920.00		R 5,020.40	R 207,940.40
Ms R Kenosi	R 206,594		R 2,165.30	R 208,759.30
Adv R Voller	N/A	N/A	N/A	N/A
*Ms A Badimo	R 101,718.00		R 1,645.00	R 103,363.00
*Mr M Sass	R 78,568.00		R 322.42	R 78,890.42
*Ms Z Monnakgotla	R 35,340.00		R 987.00	R 36,327.00
*Mr M Shabalala	R 35,340.00		R 855.40	R 36,195.40
*Mr S Maharaj	R 14,820		R 329.00	R 15,149.00
*Mr P Phili	R 33,060.00		R 723.80	R 33,783.80
**Ms K Sing	N/A	N/A	N/A	N/A

3.5 Risk Management

The CIPC has a Risk Management Framework and Policy that guide the approach and processes of managing risks in the organization. The Risk Management Framework and Policy are reviewed annually to ensure that they are relevant and suitable for the organization in line with emerging trends and risks. Effective risk management entails having a culture, structures and activities that enable proper management of risks and exploration of opportunities in order to assist the organization to achieve its objectives. Risks are monitored and reviewed regularly in line with the organization's risk management implementation plans. The organization has the Internal Fraud and Risk Committee (IFR) which is an internal structure aimed at proactively monitoring and evaluating the effectiveness of the organisation's risk management activities that could impact the organisation's ability to achieve its objectives. Issues that are discussed at the IFR are sometimes escalated to EXCO and the Independent Risk Committee depending on their impact to the strategic objectives of the organization. The Risk Management Committee is a sub-committee of the Audit committee. It oversees and monitors the implementation of the Risk Management Framework, Policy and Plans of the organization. The Risk Committee interlinks with the Audit Committee to provide independent advice to ensure that the risk and fraud frameworks, policies and strategies are effectively implemented by the organization.

The following achievements can be highlighted amongst others: The review of the risk policy, framework and methodology, the organization's risk maturity assessment was conducted, the update and monitoring of the strategic risk register, Enterprise Risk Management (ERM) training was provided for about 200 CIPC employees, risk champions were appointed and the facilitation of the determination of the risk Appetite and Tolerance levels for the organization. Plans are underway to further implement and embed ERM throughout the organization in order to fully reap its benefits.

3.5.1 Internal Audit and Audit Committee

The primary function of Internal Audit is to give objective assurance to the Accounting Authority and Audit Committee that adequate management processes are in place to identify and monitor risks, and that effective internal controls are in place to manage those risks. Internal Audit independently audits and evaluates the effectiveness of the Commission's risk management, internal controls and governance processes. In addition, Internal Audit provides consulting services to add value and improve the Commission's operations.

During the year 2016/17, Internal Audit performed audits in the following areas per the approved annual plan:

- IT follow up review
- Performance information (Q2)
- Liquidations and deregistrations
- IP Enforcement
- Payroll
- Expenditure (non-payroll)
- Investigation into the late payment of salaries for the month of November 2016 (Adhoc management request)
- Removal of Printers from CIPC premises (Adhoc management request)
- Long service awards audit 2016 (Adhoc management request)

The Audit Committee members' profile.

Name	Qualifications	Internal/ External	Position	Date Appointed	Date Resigned	Meetings attended
Mr N Mhlongo	CA (SA)	External	N/A	01 Nov 2013	Dec 2016	6/6
Mr AC Bischof	CA (SA)	External	N/A	01 April 2014	Mar 2017	6/6
Mr YN Gordhan	CA (SA)	External	N/A	01 April 2014	Mar 2017	4/6
Ms R Kenosi	CA (SA)	External	N/A	01 Nov 2013	Dec 2016	6/6
Adv R Voller	LLM	Internal	Commissioner	01 Sep 2016	N/A	6/6
*Mr M Sass	CA (SA);CIA; M Com	External	N/A	01 Oct 2016	N/A	2/6
*Ms Zanele Monnakgotla	Dip in Corporate Law; LLB; LLM; Masters in Finance	External	N/A	01 Jan 2017	N/A	1/6
*Mr Mavuso Shabalala	BSoc. Sc; MBL	External	N/A	01 Jan 2017	N/A	1/6
*Mr S Maharaj	BCom; CA (SA)	External	N/A	01 Jan 2017	N/A	1/6
*Ms A Badimo	B.Sc. Hon Computer Science; MSc Applied Science; MBA, CISM; CGEIT; CISA;CRISC;ITIL and COBIT Foundation Certificate	External	N/A	01 Oct 2016	N/A	2/6
Ms K Singh	B Com; B Compt; B Compt Honours; Executive Development Programme PALAMA; CIA, Associate Member of IIA					

Adv R Voller was Acting Commissioner since May 2015 and Commissioner since 01 September 2016.

3.6 Compliance with laws and regulations

CIPC conducted a compliance audit of the laws that fall under it and a report was compiled with clear prioritises of where we will pay more attention.

3.7 Fraud and Corruption

The CIPC has a Fraud Prevention Policy and Strategy that guide its fraud risk management. The organization is committed to effectively detect, prevent and manage fraud and corruption. It has zero tolerance to fraud. As part of effectively implementing the fraud prevention plan, a service provider was contracted in November 2016 to manage the whistle – blowing hotline for a period of 3 years. The purpose of the hotline is to protect internal and external persons who report fraud and corruption as well as to streamline all reported instances of fraud and corruption.

For the period under review the organization has undertaken initiatives such as the introduction of an independently managed mechanism for fraud reporting (the whistle blowing hotline), the fraud awareness day and hotline launch, a presentation session to all staff members about fraud, corruption and ethics, a review of the case database and finalizing the majority of cases that were outstanding in the case database. Currently cases that are reported to the organization through the hotline or other means are sent to the GRC division for investigation. Ideally the hotline should be the only way of reporting fraud however there are still fraud complaints that are received through client walk-ins and emails.

The organization intends to have more education and awareness initiatives for clients in the next reporting period. Plans are underway to review and map fraud processes in order to ensure the efficient and effective way of investigating complaints lodged. The organization is committed to regularly reviewing its fraud detection, prevention and response mechanisms to ensure that all incidences of fraud and corruption are minimized.

3.8 Minimising Conflict of Interest

In line with requirements of the Fraud Prevention Policy and Plan, senior management and staff are required to make declarations by disclosing financial interests annually. All external governance committee members also make annual declarations and are expected to declare their interests at all Risk and Audit Committee meetings.

3.9 Code of Conduct

The Commission adopted a code of conduct and ethics and a declaration framework which provides a set of guidelines and key obligations of CIPC employees and external committee members to uphold CIPC core values of integrity, accountability and passion for service in executing its mandate. It provides for standards of conduct that CIPC employees should demonstrate in exercising their respective functions and duties and how to act in the best interest of the organisation. Any breach of the code of conduct and ethics is dealt with as misconduct and disciplinary measures are taken against responsible officials. The code of ethics includes provision on whistleblowing arrangements, reporting of breaches of code of ethics and protecting the confidentiality of such reporting.

3.10 Health, Safety and Environmental Issues

The organisation adhered to the Occupational Health and Safety Act, 1993 (Act 85 of 1993) requirements in respect of the physical appointments of representatives, training of functionaries, safety inspections within the working environment and meetings conducted to ensure a safe and conducive working environment. No major incidents or injuries were reported during the reporting period.

3.11 Company Secretary

This is not applicable to CIPC.

3.12 Social Responsibility

The following social responsibility projects were implemented during the 2016/17 financial year:

a. Clothes, Blankets and Grocery Items were donated to the Leamogetswe Home for Destitute Children in Atteridgeville towards the Mandela Day initiative;
b. CIPC officials participated in a minimum of Six Blood Donation initiatives to the South African Blood Donation Services; and
c. CIPC officials participated in the Casual Day initiative. This campaign is targeted at supporting people living with disabilities.

Audit Committee

Standing: Ms Z Monnakgotla – Independent Member, Mr S Maharaj – Independent Member,
Mr M Shabalala – Independent Member, Advocate Rory Voller - Commissioner CIPC
Seated: Mr M Sass – Chairperson

Not in photo: Ms A Badimo – Independent Member - Chairperson Risk and ICT Committee,
Mr P Phili - Independent Member - Risk and ICT Committee Member

3.13 Audit Committee Report

COMPANIES AND INTELLECTUAL PROPERTY COMMISSION
REPORT OF THE AUDIT COMMITTEE
for the year ended 31 March 2017

We are pleased to present our report for the financial year ended 31 March 2017.

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from Section of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

THE EFFECTIVENESS OF INTERNAL CONTROL

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the CIPC, revealed certain weaknesses, which were then raised with the CIPC.

The following internal audit work was completed during the year under review:

No	Project Name	Status	Planned hours	Used
1	Cyber Security Review	Postponed to 2017/2018	300	n/a
2	Windows AD – Re Implementation	When the audit was about to be conducted, ICT management indicated that the AD project was not yet completed. The audit has been postponed to 2017/2018	250	n/a
3	POPI Review	Replaced with IT follow up review (Completed)	200	315
4	Performance information (Q2)	Completed	347	449
5	Performance information (Q3)	In progress	200	n/a
6	Liquidations and deregistrations	Completed	500	606
7	Corporate Compliance and Enforcement (IP)	Completed	500	401
8	Payroll	Completed	500	513
9	Expenditure (non-payroll)	Completed	500	415
10	Supply Chain Management	In progress	500	n/a
11	Control Environment	Completed	40	40
12	Human Capital follow up	Cancelled.	200	n/a
13	Annual Returns follow up	Cancelled.	200	n/a
14	Cooperatives follow up	In progress	200	n/a
15	Non-IT Adhoc/Management requests	Columbus clean-up project	1000	120

THE FOLLOWING WERE AREAS OF CONCERN:

In order to function effectively and efficiently, an internal audit division needs to have skilled and experienced auditors who will ensure that audit projects are performed diligently and timeously. One of the major challenges confronting the CIPC internal audit division is that three out of the four staff members on the general assurance side ended up within Internal Audit after the restructuring (matching and placing) in 2013. For these staff members, being in Internal Audit was not their first option. Furthermore, two of these staff members do not have any real internal audit experience. As a result of this, audit projects take time to be completed and the quality is sometimes compromised. Thus, the CAE is required to spend a lot of time coaching and mentoring these staff members.

In the last financial year, audit projects were mainly performed by external service providers even though there were employees within the division. There was an effort to change this situation by allocating projects to staff members and closely monitoring them. Unfortunately more time than desired is spent on the projects. However, the positive side is that the staff members are busy and are doing the work themselves instead of coming to the office and doing nothing and relying on consultants to do the work. Initially, there was resistance towards taking instructions owing to the long period of lull in the division and the highly unionised environment, however, this situation is slowly changing. These challenges might lead to the Internal Audit plan not being completed in the current financial year.

IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

The public entity has submitted monthly and quarterly reports to the Executive Authority.

EVALUATION OF FINANCIAL STATEMENTS

We have reviewed the annual financial statements prepared by the public entity.

AUDITOR'S REPORT

We have reviewed the public CIPCs implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved except for the following:

- Declaration of interest
- Information Technology service continuity

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.

Michael Sass
Chairperson of the Audit Committee
CIPC
31 July 2017

PART D:
Human Resource Management

"It always seems impossible until its done."

Nelson Mandela

Part D: Human Resource Management

4.1 Introduction

4.1.1 Overview of HR matters at the public entity

The CIPC continues to implement the changes brought by the new Companies Act No. 71 of 2008. The new approved organisational structure implementation resulted in a number of challenges related to matching and placing of employees. Recruitment of capable candidates is unfolding smoothly but the vacancy rate is at 24.7% due to natural attrition. A Bargaining Forum has been established and all key Human Capital Policies have been developed. The CIPC will continue to consult with the trade unions.

4.1.2 Set HR priorities for the year under review and the impact of these priorities

The CIPC People Strategy and HR Plan are currently under development and approval.

The People strategy - will focus more on changing the culture of the organisation so that it is desired by management and staff of the CIPC.

Recruitment and Selection – the recruitment unit has been capacitated to efficiently recruit the identified critical vacant positions within the time frames set by the organisation. Experienced Call Centre Agents have been recruited to assist the CIPC Customers on challenges their experiencing when doing business with the CIPC.

An Internship Strategy has been approved and this will afford unemployed graduates opportunities with practical work experience.

4.1.3 Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce

The plan will provide for the following:

- **Organisational culture, values and ethics** - the organisation still strives to establish a culture which encompasses the CIPC values and encourages team work and collaboration. Management remain committed to the management of the change and create a new culture that enables efficient service for excellent customer experience.
- **Training and Development** - The competency framework in its current form will be shared with all the CIPC staff and it is important that communication strategies are designed and executed, explaining the framework, the competencies required per specific job and the competencies required for future growth. The remuneration framework sets out details for movement within bands, and promotion from one band to another. Competency assessments will be conducted for all staff and feedback on their strengths and areas of development will be incorporated into personal development plans.

The CIPC Training and Development plan will address the identified skills gap and design programmes to meet the need for new competencies to enable employees to reach their potential. This has implications in terms of planning and prioritisation. Employees were matched and placed without skills gap analysis. All future recruitment will include assessments. A proper gap analysis is important as part of planning for competency development.

In terms of priority, the following main areas of competence development represent a focus for the CIPC:

- Technical (or regulatory competence)
- Management and Leadership competencies
- Service competencies
- Job family specific technical competencies (typing, basic accountancy, etc.)

4.1.4 Employee performance management framework

Implementation of the approved CIPC Employee Performance Management Policy is in full swing for the 2016/17 financial year.

4.1.5 Employee Relations and Wellness

Employee wellness is intrinsic to the employee value proposition in terms of optimising wellness within the CIPC. In line with the global trends, CIPC is shifting towards a holistic preventative approach to wellness. This encompasses the provision of support and guidance to healthy employees, as well as the traditional health and wellness provided by organisations.

This comprehensive wellness programme is an integral part of the overall strategy and will incorporate multiple new capabilities, such as:

- Employee Relations services
- Education on wellness
- Occupational Health Clinic and advisory services
- HIV programmes
- Anti-abuse programmes
- Debt management, etc.

4.1.6 Policy development

A number of HR policies have gone through CIPC governance processes and are to be consulted on with organised labour in the CIPC Bargaining Forum.

4.1.7 Highlight achievements

The Commissioner continued to provide leadership. The following achievements were noted:

- CIPC Bargaining forum has been established
- 56 Appointments have been made to CIPC staff establishment (30 new appointments and 26 internal appointments)
- Performance Management policy has been implemented

The following critical appointments have been made in the financial year:

- Commissioner: CIPC
- Divisional Manager: Human Capital
- Divisional Manager: Application and Architect
- Chief Audit Executive

4.1.8 Challenges faced by the public entity

The matching and placing issues emanated from the 2013 transition from CIPRO to CIPC is still being raised by employees on different platforms including CCMA. **The dti**/Public Service HR policies or prescripts are still being sited due to lack of approved CIPC policies.

The vacancy rate remains a challenge and is currently standing at 24.7%.

4.1.9 Future HR plans /goals

The HR Plan seeks to achieve the following goals for the 2017/18 financial year:

- Have all HR policies approved and in place
- Focus on leadership and management capabilities.

4.2 Human Resource Oversight Statistics

Personnel Cost by programme

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees
Business Regulation and Reputation	60 726	37 345	61%	230
Innovation and Creativity	35 471	21 813	61%	71
Service Delivery and Access	315 377	193 945	61%	181

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	6 922	2,73%	4	1 730
Senior Management	28 650	11,32%	27	1 061
Professional qualified	62 620	24,75%	79	793
Skilled	69 636	27,50%	131	532
Semi-skilled	85 275	33,70%	241	352
Unskilled	-	-	-	-
TOTAL	**253 103**	**100%**	**482**	

Performance Rewards

Programme/activity/objective	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	245	6 922	3,53%
Senior Management	1 012	28 650	3,53%
Professionally qualified	2 213	62 620	3,53%
Skilled	2 461	69 636	3,53%
Semi-skilled	3 013	85 275	3,53%
Unskilled	-	-	
TOTAL	**8 944**	**253 103**	**3,53%**

Training Costs

Programme//activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee (R'000)
Business Regulation and Reputation	37 345	566	2%	65	565.99
Innovation and Creativity Promotion	21 813	331	2%	69	330.60
Service Delivery and Access	193 945	2 939	2%	78	2 939.41

Employment and vacancies

1 April 2016 to 31 March 2017					
Programme	**Employment at Beginning of Period**	**Number of Approved Posts**	**Employment at End of Period**	**Vacancies**	**Vacancy Rate %**
Commissioner's Office	43	69	51	18	26.1%
Corporate Service	80	120	96	24	20.0%
Business Intelligence and Systems	30	57	33	24	42.1%
Innovation and Creativity Promotion	75	103	73	30	29.1%
Business Regulation and Reputation	241	291	229	62	21.3%
TOTAL	**469**	**640**	**482**	**158**	**24.7%**

1 April 2016 to 31 March 2017						
Occupational Bands	**Peromnes Grade**	**Employment at Beginning of Period**	**Number of Approved Posts**	**Employment at End of Period**	**Vacancies**	**Vacancy Rate %**
Top Management / Executives	**2**	0	1	1	0	0.0%
	3	5	5	3	2	40.0%
Senior Management and advanced Specialists	**4**	7	14	8	6	42.9%
Professionally qualified and experienced specialists and mid-management	**5**	13	19	15	4	21.1%
	6	16	24	17	7	29.2%
	7	32	52	35	17	32.7%
Skilled technical and academically qualified employees, junior management, supervisors, foremen Superintendents, Specialists	**8**	81	122	81	41	33.6%
	9	42	62	49	13	21.0%
	10	37	79	44	35	44.3%
Semi-Skilled and Discretionary decision making	**11**	211	234	209	25	10.7%
	12	25	28	20	8	28.6%
TOTAL		**469**	**640**	**482**	**158**	**24.7%**

Employment changes

1 April 2016 to 31 March 2017						
Occupational Bands	**Peromnes Grade**	**Employment at Beginning of Period**	**Appoint-ments**	**Terminations**	**Turnover Rate %**	**Employment at End of Period**
Top Management / Executives	**2**	0	0	0	0.0%	1
	3	5	0	1	33.3%	3
Senior Management and advanced Specialists	**4**	7	3	2	25.0%	8
Professionally qualified and experienced specialists and mid-management	**5**	13	2	1	6.7%	15
	6	16	0	2	11.8%	17
	7	32	4	2	5.7%	35
Skilled technical and academically qualified employees, junior management, supervisors, foremen Superintendents, Specialists	**8**	81	4	2	2.5%	81
	9	42	3	1	2.0%	49
	10	37	1	1	2.3%	44
Semi-Skilled and Discretionary decision making	**11**	211	13	5	2.4%	209
	12	25	0	0	0.0%	20
TOTAL		**469**	**30**	**17**	**3.5%**	**482**

Reasons for staff leaving

1 April 2016 to 31 March 2017		
Reason	**Number**	**Percentage of Total Staff Leaving**
Death	1	5.9%
Resignation	10	58.8%
Dismissal	0	0.0%
Retirement	4	23.5%
Ill health	0	0.0%
Expiry of contract	2	11.8%
TOTAL	17	100.0%

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary action	Number
Verbal warning	0
Written warning	1
Final written warning	0
Dismissal	0

Equity Target and Employment Equity Status

1 April 2016 to 31 March 2017		MALE							
Staff Total	482	African		Coloured		Indian		White	
Occupational Bands	Peromnes Grade	Current	Target	Current	Target	Current	Target	Current	Target
Top Management / Executives	**2**	0		1		0		0	
	3	0		0		0		1	
Senior Management and advanced Specialists	**4**	5		0		0		0	
Professionally qualified and experienced specialists and mid-management	**5**	7		0		1		0	
	6	8		1		0		2	
	7	9		2		3		2	
Skilled technical and academically qualified employees, junior management, supervisors, foremen Superintendents, Specialists	**8**	35		2		1		6	
	9	19		0		0		1	
	10	17		1		0		2	
Semi-Skilled and Discretionary decision making	**11**	55		1		1		2	
	12	10	**38,9%**	0	**4,4%**	0	**1,3%**	0	**4,2%**
TOTAL	**195**	**165**	**187**	**8**	**21**	**6**	**6**	**16**	**20**
	TOTAL	**34.2%**		**1.7%**		**1.2%**		**3.3%**	**40.5%**

Equity Target and Employment Equity Status

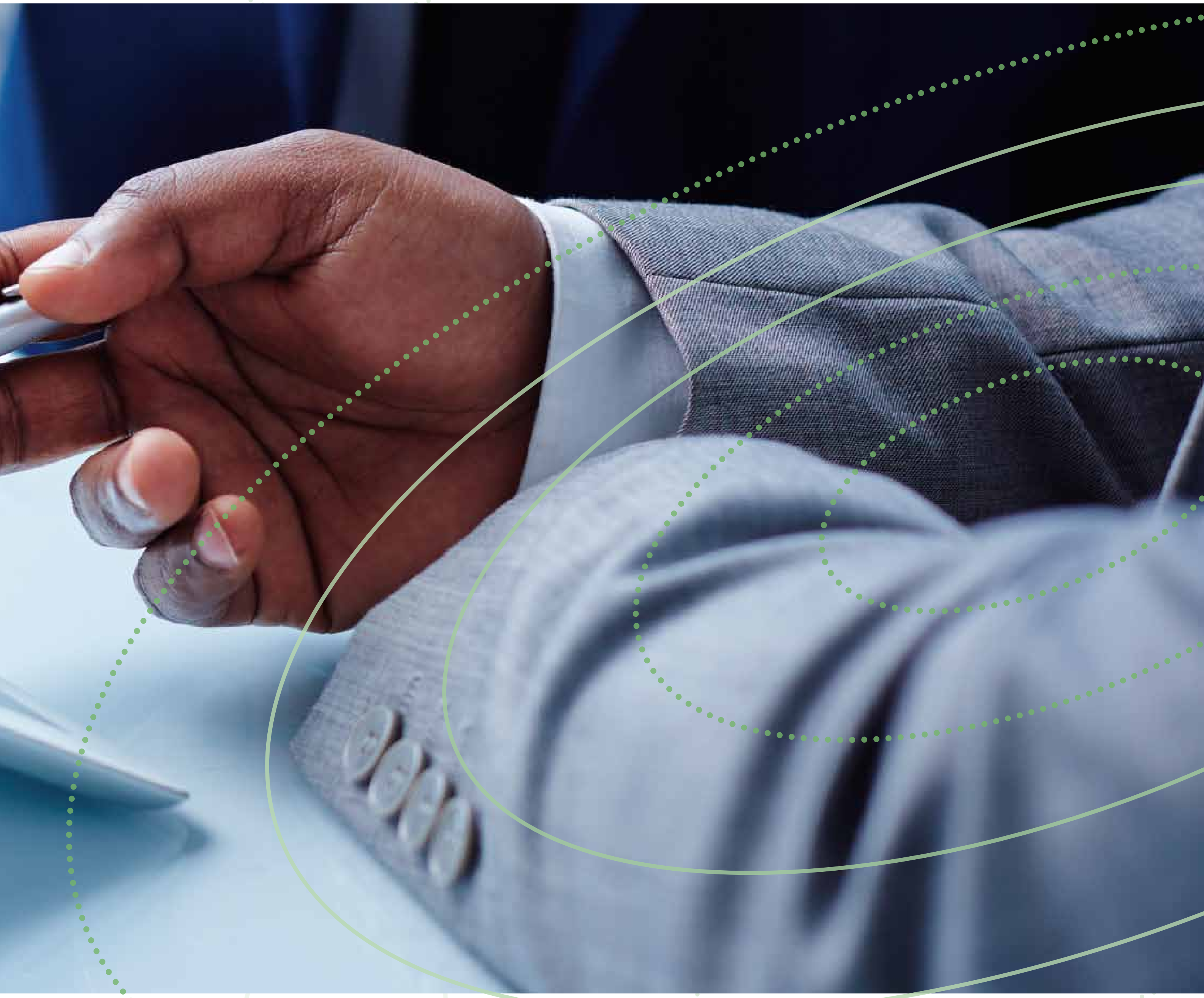
1 April 2016 to 31 March 2017		FEMALE							
Staff Total	482	African		Coloured		Indian		White	
Occupational Bands	Peromnes Grade	Current	Target	Current	Target	Current	Target	Current	Target
Top Management / Executives	2	0		0		0		0	
	3	1		0		1		0	
Senior Management and advanced Specialists	4	3		0		0		0	
Professionally qualified and experienced specialists and mid-management	5	2		1		0		4	
	6	3		1		0		2	
	7	12		1		2		4	
Skilled technical and academically qualified employees, junior management, supervisors, foremen Superintendents, Specialists	8	30		0		4		3	
	9	21		3		0		5	
	10	19		2		1		2	
Semi-Skilled and Discretionary decision making	11	123		5		0		22	
	12	6	**41%**	3	**4,6%**	0	**1,2%**	1	**4,5%**
TOTAL	**287**	**220**	**198**	**16**	**22**	**8**	**6**	**43**	**22**
	TOTAL	**45.6%**		**3.3%**		**1.7%**		**8.9%**	**59.5%**

1 April 2016 to 31 March 2017			Disabled Staff			
Staff Total		482	MALE		FEMALE	
Occupational Bands	Peromnes Grade		Current	Target	Current	Target
Top Management / Executives	2	0	0		0	
	3	0	0		0	
Senior Management and advanced Specialists	4	0	0		0	
Professionally qualified and experienced specialists and mid-management	5	0	0		0	
	6	0	0		0	
	7	0	0		0	
Skilled technical and academically qualified employees, junior management, supervisors, foremen Superintendents, Specialists	8	2	2		0	
	9	1	1		0	
	10	1	1		0	
Semi-Skilled and Discretionary decision making	11	5	3		2	
	12	0	0	8	0	12
TOTAL		**9**	**7**		**2**	**1.9%**
	TOTAL		**1.5%**	**1.7%**	**0.4%**	**2.5%**

PART E:
Financial Information

"Isn't it amazing that we are all made in God's image, and yet there is so much diversity among his people."

Desmond Tutu



Part E: Financial Information

5.1 Report of the External Auditor

Report of the auditor-general to Parliament on The Companies and Intellectual Property Commission

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Companies and Intellectual Property Commission set out on pages 99 to140, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Companies and Intellectual Property Commission as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

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

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Responsibilities of the accounting authority for the financial statements

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

7. In preparing the financial statements, the accounting authority is responsible for assessing the Companies and Intellectual Property Commission's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

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

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

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

Report on the audit of the annual performance report

Introduction and scope

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

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

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 1 – Business regulation and reputation	47 - 49
Programme 2 – Innovation and creativity promotion	55
Programme 3 – Service delivery and access	61

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

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
    - Programme 1 - Business Regulation and Reputation
    - Programme 2 - Innovation and Creativity Promotion
    - Programme 3 - Service Delivery and Access

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 47 - 49, 55 and 61 for information on the achievement of planned targets for the year and explanations provided for the under/ overachievement of a number of targets.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Business Regulation and Reputation and Innovation and Creativity Promotion. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on audit of compliance with legislation

Introduction and scope

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

19. We did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Other information

20. The Companies and Intellectual Property Commission's accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.

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

22. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

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

Auditor-General

Pretoria
31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Annexure

Auditor-general's responsibility for the audit

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

Financial statements

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

   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.

   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.

   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Companies and Intellectual Property ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

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

Annual Financial Statements

for the year ended 31 March 2017

"Isn't it amazing that we are all made in God's image, and yet there is so much diversity among his people."

Desmond Tutu

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	National Public Entity in terms of Schedule 3A of the PFMA
Nature of business and principal activities	Regulator of Companies and Intellectual Property in South Africa
Registered office	**the DTI** Campus (Block F - Entfutfukweni) 77 Meintjies Street Sunnyside Pretoria
Postal address	PO Box 4210 Sunnyside Pretoria 0001
Bankers	ABSA
Auditors	Auditor-General South Africa

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

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Accounting Authority's Responsibilities and Approval

The annual financial statements for the year ended 31 March 2017, are prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) and incorporate disclosure in line with the accounting policies of the entity and the requirements of the Public Finance Management Act 1999 (Act No. 1 of 1999) (PFMA).

The Accounting Authority is responsible for the preparation and integrity of the annual financial statements and related information included in the annual report. In order for the Accounting Authority to discharge these responsibilities, as well as those imposed in terms of the PFMA and other applicable legislation, a system of internal controls has been developed, and maintained.

The internal controls include a risk-based system approach of internal auditing and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions executed and recorded in accordance with generally accepted business practices, as well as the entity's policies and procedures. Trained and skilled personnel, with an appropriate segregation of duties, implement these controls. Monitoring of these controls include a regular review of their operations by the Accounting Authority and independent oversight by the Audit Committee.

The Auditor-General South Africa, as an external auditor, is responsible for expressing an opinion on the annual financial statements. The annual financial statements which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 July 2017 and were signed on its behalf by:

Rory Voller, Adv
Commissioner (Accounting Authority)

Pretoria
Date: 31 July 2017

Statement of Financial Position as at 31 March 2017

R'000	Note(s)	2017	2016
Assets			
Current Assets			
Inventories		81	-
Receivables from exchange transactions	3	3 396	545
Prepayments	4	4 885	4 003
Cash and cash equivalents	5	1 551 849	1 593 875
		1 560 211	**1 598 423**
Non-Current Assets			
Property, plant and equipment	6	32 001	29 454
Intangible assets	7	23 342	9 743
Prepayments	4	48	46
		55 391	**39 243**
Total Assets		**1 615 602**	**1 637 666**
Liabilities			
Current Liabilities			
Operating lease liability	9	120	2
Payables from exchange transactions	10	18 908	19 322
Payables from customer deposits received	11	95 326	82 615
Provisions	12	29 251	26 604
Transfers to National Revenue Fund payable	22	209 848	-
		353 453	**128 543**
Non-Current Liabilities			
Operating lease liability	9	6 644	3 252
Total Liabilities		**360 097**	**131 795**
Net Assets		**1 255 505**	**1 505 871**
Accumulated surplus		1 255 505	1 505 871

Statement of Financial Performance

R'000	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Fees	13.1	152 717	156 208
Interest income	13.2	121 810	103 288
Other income	13.3	6 164	5 631
Total Revenue from exchange transactions		**280 691**	**265 127**
Revenue from non-exchange transactions			
Annual return fees	13.4	315 308	282 779
Total revenue	**13**	**595 999**	**547 906**
Expenditure			
Advertising		(9 482)	(586)
Audit fees	14	(6 220)	(6 952)
Bad debts recovered	10	2	5
Bank charges		(3 783)	(1 974)
Consulting and professional fees	15	(43 334)	(42 035)
Depreciation and amortisation	16	(10 647)	(10 028)
Employee related costs	17	(253 103)	(231 432)
Internet and network costs		(5 159)	(3 938)
Maintenance and repairs		(1 066)	(1 204)
Operating lease charges	18	(33 668)	(29 629)
Communication and postage		(20 334)	(5 511)
Other operating expenses	20	(16 264)	(9 932)
Publications, printing and stationery	19	(4 000)	(4 597)
Travelling and subsistence		(4 516)	(3 970)
Total Expenditure		**(411 574)**	**(351 783)**
Gain (loss) on disposal of assets		154	10
Surplus for the year		**184 579**	**196 133**

Statement of Changes in Net Assets

R'000	Accumulated Surplus	Total net assets
Balance at 01 April 2015	**1 500 490**	**1 500 490**
Change in net Assets		
Surplus for the year	196 133	196 133
Transfer to National Revenue Fund	(190 752)	(190 752)
Total changes	5 381	5 381
Balance at 01 April 2016	**1 505 871**	**1 505 871**
Change in net Assets		
Surplus for the year	184 579	184 579
Transfer to National Revenue Fund	(434 945)	(434 945)
Total changes	(250 366)	(250 366)
Balance at 31 March 2017	**1 255 505**	**1 255 505**
Note	22	

Cash Flow Statement

R'000	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Fees		152 717	156 208
Annual return fees		328 019	285 166
Other income		6 164	5 631
Interest income		121 810	103 288
		608 710	**550 293**
Payments			
Employee costs		(249 678)	(231 433)
Suppliers		(149 183)	(93 752)
		398 861	(325 185)
Net cash flows from operating activities	23	**209 849**	**225 108**
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	(11 456)	(5 893)
Proceeds on disposal of property, plant and equipment	6	354	10
Acquisition of intangible assets	7	(15 676)	(187)
Net cash flows from investing activities		**(26 778)**	**(6 070)**
Cash flows from financing activities			
Transfer to National revenue fund	22	(225 097)	(190 752)
Net increase (decrease) in cash and cash equivalents		**(42 026)**	**28 286**
Cash and cash equivalents at the beginning of the year		1 593 875	1 565 589
Cash and cash equivalents at the end of the year	5	**1 551 849**	**1 593 875**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions	153 297	28 769	**182 066**	152 717	**(29 349)**	**N1**
Revenue from non exchange transactions	277 430	62 570	**340 000**	315 308	**(24 692)**	**N2**
Other income	1 249	(99)	**1 150**	6 164	**5 014**	**N3**
Interest received from exchange transaction	88 832	31 998	**120 830**	121 810	**980**	
Total revenue	**520 808**	**123 238**	**644 046**	**595 999**	**(48 047)**	
Expenses						
Employee cost	(328 517)	-	**(328 517)**	(253 103)	**75 414**	**N4**
Operational expenditure	(145 531)	11 846	**(133 685)**	(109 644)	**24 041**	**N5**
Other administrative expenditure	(56 396)	15 148	**(41 248)**	(38 182)	**3 066**	
Depreciation and amortisation	(9 120)	(1 300)	**(10 420)**	(10 647)	**(227)**	
Bad debts recovered	-	-	**-**	(2)	**(2)**	
Total expenditure	**(539 564)**	**25 694**	**(513 870)**	**(411 578)**	**102 292**	
Operating surplus	**(18 756)**	**148 932**	**130 176**	**184 421**	**54 245**	
Gain on disposal of assets	-	-	**-**	154	**154**	
Surplus for the year	**(18 756)**	**148 932**	**130 176**	**184 575**	**54 399**	
Actual Amount on Comparable Basis as Presented in theBudget and Actual Comparative Statement - Refernote 36	**(18 756)**	**148 932**	**130 176**	**184 575**	**54 399**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Assets						
Non-Current Assets						
Property, plant and equipment	7 550	14 450	**22 000**	11 456	**(10 544)**	**N6**
Intangible assets	12 500	(3 300)	**9 200**	15 676	**6 476**	**N6**
Total Assets	**20 050**	**11 150**	**31 200**	**27 132**	**(4 068)**	
Net Assets						
Reserves						
Accumulated surplus	**20 050**	**11 150**	**31 200**	**27 132**	**(4 068)**	

Budget narrations are included for all income variances and other variances above 15%

N1 - Revenue from exchange transactions
The variance of R29.3 mil (2016: R29.1 mil), translated to 16% (2016: 16%) below budget relates mainly to the decline in the demand for disclosure information. Trademark and co-operative applications also decreased by 9% compared to the budget.

N2 - Revenue from non exchange transactions
The variance of R24.6 mil (2016: R44.1 mil), translated to 7.2% below budget (2016:19% above budget) relates mainly to the upward adjustment of budgeted annual return revenue during the mid term budget adjustment. The expected adjusted revenue did not materialise.

N3 - Other income
The variance of R5.1 mil (2016: R4.5 mil), translated to 436% (2016: 440%) over the budgeted revenue relates mainly to the prescription of receipts older than three years. The CIPC does not budget for such due to the uncertainty of the amount which will be unutilised during each financial year.

N4 - Employee costs
The variance of R75.4 mil (2016: R12.2 mil), translated to 23% (2016: 5%) below the budgeted expenditure is due to the budget being prepared on the basis that vacancies were to be filled. The recruitment process was delayed due to vacancies within the recruitment unit. The recruitment unit has subsequently been capacitated to efficiently recruit the identified critical vacant positions within the time frames set by the organisation.

N5 - Operational expenditure
The variance of R24 mil (2016: R32.6 mil), translated to 18% (2016: 28%) savings in the budgeted expenditure relates mainly to the following:

*Savings of approximately R2.5 mil in the budgeted office rental lease costs due to the fact that the CIPC has collaborated with strategic partners in the public sector to operate its Self-Serve terminals (sst's) rather than having stand alone CIPC offices.

*Savings of approximately R20 mil in the budgeted consultancy fees for Information Communication and Technology (ICT) services as the CIPC is still in the implementation phase of the ICT infrastructure revamp project. The entity has also implemented cost containment measures regarding the utilisation of consultants, where possible.

N6 - Capital expenditure
The variance of R4.0 mil (2016: R7.6 mil) translated to 13% (2016: 56%) below the budgeted capital expenditure is mainly to the fact that the CIPC is still in the process of the modernisation of the current ICT systems which is taking place in stages.

Accounting Policies

1. Basis of preparation

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Property, plant and equipment

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

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

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

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

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefits or the service potential of items of property, plant and equipment are expensed as incurred.

Depreciation commences when the assets are available for use. Management expects to dispose assets at the end of their useful lives and therefore the residual values are estimated to be negligable. The useful lives and residual values are assessed on an annual basis. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Accounting Policies

1.3 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Computer equipment	Straight line	3 - 10 years
Office furniture and equipment	Straight line	5 - 15 years
Leasehold improvements	Straight line	Lease period

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

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

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

1.4 Intangible assets

Intangible assets represent directly attributable costs associated with the acquisition, development and installation of computer software. Software which is not an intergral part of related computer hardware, is classified as intangible assets.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

Item	Depreciation method	Average useful life
Capitalised Computer software	Straight line	5 - 12 years

Impairment losses are determined as the excess of the carrying amount of intangible assets over the recoverable service amount and are charged to surplus or deficit.

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

Accounting Policies

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Financial assets

A financial asset is:
- cash;
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Financial liabilities

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financiall iabilities that are settled by delivering cash or another financial asset.

Classification

The classification of financial instruments depends on the purpose for which the financial instruments were obtained and is determined by management at initial recognition.

Financial assets

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and deposits with original maturities of three months or less.

Accounting Policies

1.5 Financial instruments (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They comprise prepayments and receivables from exchange transactions. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method, less any impairment loss. The entity classifies it's financial assets as reflected on the face of the statement of financial position as follows:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Loans and receivables	Financial asset measured at amortised cost

Financial liabilities

Payables from deposits received in advance: Deferred income

Deferred income represents advance payments received from customers for future transactions. Deferred income that has not been utilised for a period of 36 months from receipt date, is recognised as revenue.

Trade and other payables

Trade and other payables are non-derivative financial liabilities. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

The entity classifies its financial liabilities as reflected on the face of the statement of financial position as follows:

Class	Category
Trade and other payables	Financial liability measured at amortised cost
Payables from customer deposits	Financial liability measured at amortised cost

Initial measurement of financial assets and financial liabilities

The entity recognises a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Fair value measurement considerations

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Accounting Policies

1.5 Financial instruments (continued)

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The entity removes a financial liability from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Gains and losses

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

Offsetting

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Accounting Policies

1.6 Leases

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

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are recognised as an asset if,

(a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
(b) the cost of the inventories can be measured reliably.

Inventories that qualify for recognition as assets are initially measured at cost. Inventories comprise stationery and consumables and are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method.

Obsolete, redundant, damaged and slow-moving inventory and any write-down of inventory to net realisable value are charged to surplus or deficit.

1.8 Impairment of cash-generating assets

The carrying amounts of the entity’s non-financial (cash generating) assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use, and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time, value for money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets(the “cash-generating unit”, or “CGU”).

An impairment loss is recognised if the carrying amount of an asset or its CGU, exceeds its estimated recoverable amount. Impairment losses are recognised in surplus and deficit.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 Impairment of non-cash-generating assets

The carrying amounts of the entity's non-financial (non-cash generating) assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the entity will estimate the recoverable service amount of the asset. The recoverable service amount of an asset is the greater of its value in use, and its fair value less costs to sell. In assessing value in use, the present value of the asset's remaining service potential must be determined. The present value of the remaining service potential of the asset is determined by using the depreciated replacement cost approach. Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition.

When the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in surplus and deficit. An impairment loss recognised in prior years for an asset is reversed if, and only if, there has been a change in the estimates used todetermine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. That increase is a reversal of an impairment loss.

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

Accounting Policies

1.11 Revenue from exchange transactions

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

Interest income

Interest income comprises interest income on funds invested. Interest income is recognised on a time proportion basis using the effective interest rate method.

Revenue from fees

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

(a) the amount of revenue can be measured reliably;
(b) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
(c) the stage of completion of the transaction at the reporting date can be measured reliably; and
(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from fees is measured at the fair value of the consideration received or receivable.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Advance payments on customer accounts are only recognised as revenue on the rendering of services. Customer accounts that have insufficient funds are raised as receivables.

Trade receivables from exchange transactions

Exchange revenue is measured at the fair value of the consideration received or receivable. Exchange revenue comprises finance income and other operating income, and is recognised when it is probable that future economic benefits will flow tothe CIPC, and these benefits can be measured reliably. Accounts receivable arising from these transactions are categorised as financial instruments at amortised cost.

1.12 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Non-exchange revenue comprises annual return revenue.

Revenue from annual return fees

Non-exchange revenue comprises annual return revenue. Revenue from annual return fees is measured at fair value. Fair value is deemed to be the transaction cost an is based on the annual return fee as prescribed in the annual return table as set out in annexure 2 of the Companies Regulations, 2011.

Trade receivables from non-exchange transactions

Annual return fees are recognised only when an entity filed an annual return, since this is when the initial recognition criteria are met. The filing and payment of the annual return constitutes a single transaction, as these transactions must happen simultaneously to file a successful annual return and is measured at fair value.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as salaries, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Post-employment benefit: Defined contribution plan

The entity makes contributions to the Government Employees' Pension Fund along with its employees to provide for retirement benefits. The obligation of the entity for any shortfall in the fund is limited to the contributions already made. Contributions are charged to surplus or deficit when made.

1.14 Fruitless and wasteful expenditure

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

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

Accounting Policies

1.15 Revenue from exchange transactions

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

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

Irregular expenditure is accounted for as expenditure in the statement of financial performance and where relevant a receivableis raised in the statement of financial position.

1.16 Budget information

The approved and final budget amounts and variances between the actual and budget amounts are presented and explained. The approved budget is prepared on a cash basis and is presented by functional classification.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements.

1.17 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

Notes to the Annual Financial Statements

R '000	2017	2016

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	There is no impact on the financial results and disclosure

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	Unlikely there will be a material impact
GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	Unlikely there will be a material impact

Notes to the Annual Financial Statements

R '000	2017	2016

3. Receivables from exchange transactions

Trade receivables	1 308	123
Staff receivables	763	302
Patent Corporation Treaty (PCT) receivables	9	14
Other receivables	1 374	173
Provision for doubtful debts	(58)	(67)
	3 396	**545**

4. Prepayments

Prepaid expenses:		
Computer warranty	7	25
Insurance assets	107	48
Renewal of software licence	1 276	2 912
Rental expense	223	200
Software maintenance agreement	3 237	815
Training	83	49
	4 933	**4 049**

Reconciliation of prepayments

March 2017	Less than one year	Longer than one year	Total
Prepayments	4 885	48	4 933

March 2016	Less than one year	Longer than one year	Total
Prepayments	4 003	46	4 049

5. Cash and cash equivalents

Cash and cash equivalents consist of:		
Bank balances	3 493	4 294
Collection accounts	799	1 045
Call account-Corporation for Public Deposits (CPD)	1 547 557	1 588 536
	1 551 849	**1 593 875**

Call account: Interest was earned at an average rate during of 7.3% (2016: 6.5%) during the financial year.

Notes to the Annual Financial Statements

6. Property, plant and equipment

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer equipment	53 060	(29 324)	23 736	47 192	(26 560)	20 632
Office furniture and equipment	10 477	(3 946)	6 531	10 287	(3 064)	7 223
Leasehold improvements	3 081	(1 347)	1 734	2 406	(807)	1 599
Total	**66 618**	**(34 617)**	**32 001**	**59 885**	**(30 431)**	**29 454**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Derecognition	Depreciation	Total
Computer equipment	20 632	10 491	(182)	(51)	(7 154)	23 736
Office furniture and equipment	7 223	291	(18)	(1)	(964)	6 531
Leasehold improvements	1 599	674	-	-	(539)	1 734
	29 454	**11 456**	**(200)**	**(52)**	**(8 657)**	**32 001**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Computer equipment	21 550	5 523	(6 441)	20 632
Office furniture and equipment	7 761	370	(908)	7 223
Leasehold improvements	2 051	-	(452)	1 599
	31 362	**5 893**	**(7 801)**	**29 454**

7. Intangible assets

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Capitalised computer software	31 070	(7 728)	23 342	24 525	(14 782)	9 743

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Derecognition	Amortisation	Total
Capitalised computer software	9 743	15 676	(88)	(1 989)	23 342

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Capitalised computer software	11 781	187	(2 225)	9 743

Notes to the Annual Financial Statements

R '000	2017	2016

8. Changes in accounting estimates

Property, plant and equipment

Management reviewed the estimated useful lives of property, plant and equipment at the end of the annual reporting year as required by GRAP 17 (Property, plant and equipment). The useful lives of certain assets were deemed to be longer and the effect of the reassessment, assuming the assets are held until the end of their useful lives, was to decrease the depreciation expense by:

Reassessmet of property plant and equipment useul lives	**444**	**63**

Intangible assets

Management reviewed the estimated useful lives of intangible assets at the end of the annual reporting year as required per GRAP 31. The useful lives of certain assets were deemed to be longer and the effect of the reassessment, assuming the assets are held until the end of their useful lives is a decrease in the amortisation expense by:

Reassessment of intangible assets useful lives	**56**	**-**

9. Operating lease liability

Current liability	120	2
Non-current liability*	6 644	3 252
	6 764	**3 254**

*Prior year figures have been re-classified from current to non-current liabilities.

10. Payables from exchange transactions

Trade payables	6 289	8 929
Accrual: Remuneration related	4 923	4 801
Accrual: Trade payables	7 696	5 592
	18 908	**19 322**

11. Payables from customer deposits received

Deposits of advance receipts*	95 326	82 615

*Deposits received from customers for future transactions. These are non-interest bearing and are recognised as revenue on the date of registration of a transaction. Deposits received that have not been utilised for a period of 3 years from receipt date,are recognised as revenue.

Notes to the Annual Financial Statements

R '000	2017	2016

12. Provisions

Reconciliation of provisions - 2017

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Leave pay benefits	15 518	2 392	-	-	17 910
Performance bonuses	11 086	11 341	(8 944)	(2 142)	11 341
	26 604	**13 733**	**(8 944)**	**(2 142)**	**29 251**

Reconciliation of provisions - 2016

	Opening balance	Additions	Utilised during the year	Total
Leave pay benefits	13 331	2 187	-	15 518
Performance bonuses	8 572	11 086	(8 572)	11 086
	21 903	**13 273**	**(8 572**	**26 604**

Leave pay benefits:

In terms of the CIPC leave pay policy, employees are entitled to accumulated leave pay benefits not taken within a leave cycle,provided that any leave benefits, excluding capped leave (R7,6 million) accrued before 1 July 2000, not taken within a period ofsix months after the end of the leave cycle are forfeited.

Performance bonuses:

Merit awards are based on the results of staff performance evaulations and may be adjusted based on the actual audited percentage of organisational performance against key performance indicators.

The actual expense paid during the 2016/2017 financial year relating to the 2016 provision amounted to R8,944 million. The over-provision was accepted as immaterial and therefore the comparatives were not restated.

Notes to the Annual Financial Statements

R '000	2017	2016

13. Revenues

Fees	152 717	156 208
Other income	6 164	5 631
Interest income	121 810	103 288
Annual return fees	315 308	282 779
	595 999	**547 906**

The amounts included in revenue arising from exchange transactions are as follows:

Fees	152 717	156 208
Other income	6 164	5 631
Interest income	121 810	103 288
	280 691	**265 127**

13.1 Fees

Corporate information	13 196	18 582
Company registration and maintenance	85 793	79 409
Data sales	2 084	2 101
Intellectual property registration and maintenance	48 908	53 059
Cooperatives registration and maintenance	2 736	3 057
	152 717	**156 208**

13.2 Interest income

Interest received	121 810	103 288

13.3 Other income

Other exchange transactions	250	591
Patent Corporation Treaty (PCT) income	63	69
Recognition of unallocated deposit as revenue	5 851	4 971
	6 164	**5 631**

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

13.4 Annual return fees

Annual return fees	315 308	282 779

*Included in annual return fees are penalties.

14. Audit fees

External audit fees - Regularity audit	3 669	4 146
External audit fees - Computer audit	650	654
Internal audit fees (Co-sourced portion)	1 901	2 152
	6 220	**6 952**

15. Consulting and professional fees

Specialist information technology consultants,licences and services	33 398	37 068
Management consultants	9 936	4 967
	43 334	**42 035**

Notes to the Annual Financial Statements

R '000	2017	2016
16. Depreciation and amortisation		
Computer equipment	7 154	6 443
Office furniture and equipment	964	908
Leasehold Improvements	540	452
Amortisation of intangible assets	1 989	2 225
	10 647	**10 028**
17. Employee costs		
Salary	192 554	170 478
Pension contributions	19 135	16 474
Medical contributions	12 185	10 650
Service bonus	9 810	8 919
Performance bonus	9 199	12 358
Other benefits	5 993	7 471
SDL	2 166	1 976
Overtime and production bonus	496	1 590
Long-service bonus	1 220	1 516
Lumpsum settlement	345	-
	253 103	**231 432**
18. Operating lease charges		
Motor vehicles - Contractual amounts	280	271
Lease rentals on operating lease - Other - Contractual amounts	11 635	11 165
Premises - Contractual amounts	20 684	18 181
Equipment - Contractual amounts	1 069	12
	33 668	**29 629**
19. Publications, printing and stationery		
Publications and printing	885	557
Stationery	3 115	4 040
	4 000	**4 597**
20. Other operating expenses		
Audit and risk committee fees	1 187	956
Bursaries	554	512
Conferences and venues	3 600	1 611
Derecognition of assets - Refer note 21	141	-
Entertainment and refreshments	390	212
Insurance and courier services	178	96
Legal fees	4 138	2 850
Membership fees	111	92
Resettlement costs	46	19
Security and cleaning	2 083	1 455
Training	3 836	1 988
Uniforms	-	141
	16 264	**9 932**

Notes to the Annual Financial Statements

R '000	2017	2016

21. Derecognition of assets

Computer equipment	21	-
Office equipment	1	-
Computer equipment: Laptops	31	-
Computer software	88	-
	141	**-**

Computer and Office equipment
Relates to old unused computer and Office equipment. The assets could not be located during the verification process. These assets will be investigated.

Computer equipment: Laptops

Relates to three laptops which were stolen from the cars of employees. The employees reported the theft and insurance claims were submitted for the assets. The insurance receipts are recognised in other income.

Computer software

Relates to the derecognition of computer software that was no longer in use.

22. Transfer to National Revenue Fund

Transfers to the National Revenue Fund declared	(434 945)	(190 752)
Balance at end of the year	209 848	-
	(225 097)	**(190 752)**

March 2017:

Surplus for 2016/17
The CIPC did not request approval to retain its cash surplus for the 2016/2017 financial year as management intended to surrender the cash surplus to the National revenue Fund. A payable equal to the cash flows from operating activities for the 2016/2017 year was therefore recognised in line with paragraph 3.2 of the National Treasury Instruction No 3 of 2015/2016. This amounted to R209,849 million. The cash surplus will be paid into the National Revenue Fund in line with paragraph 7.2 of the National Treasury Instruction No 3 of 2015/2016.

Surplus for 2015/16
The CIPC submitted an application to the National Treasury to retain the surplus for the 2015/2016 financial year in terms of section 53(3) of the PFMA. The National Treasury did not grant the approval. The National Treasury did not grant the approval. The cash surplus was paid into the National Revenue Fund in line with paragraph 7.2 of the National Treasury Instruction No 3 of 2015/2016. This amounted to R225,097 million.

March 2016:

Surplus for 2014/15
The CIPC submitted an application to the National Treasury to retain the surplus for the 2014/2015 financial year in terms of section 53(3) of the PFMA. The National Treasury did not grant the approval. The cash surplus was paid into the National Revenue Fund in line with paragraph 7.2 of the National Treasury Instruction No 3 of 2015/2016. This amounted to R190,752 million.

Notes to the Annual Financial Statements

23. Cash generated from operations

R '000	2017	2016
Surplus	184 579	196 133
Adjustments for:		
Depreciation and amortisation	10 647	10 028
Profit on sale of assets	(154)	(10)
Bad debt recovered	(2)	(5)
Movements in operating lease assets and accruals	3 510	2 534
Movements in provisions	2 647	4 701
Derecognition of assets	141	-
Changes in working capital:		
Inventories	(81)	-
Receivables from exchange transactions	(2 851)	309
Prepayments	(884)	3 997
Payables from exchange transactions	(414)	5 034
Payables from customer deposits	12 711	2 387
	209 849	**225 108**

Notes to the Annual Financial Statements

R '000	2017	2016

24. Key Management emoluments

Executive - 2017

Name	Designation	Emoluments	Acting allowance	Travel and subistence allowance	Performance bonus	Total
Adv Rory Voller	Commissioner - appointed 01 October 2016	996	-	24	-	1 020
Adv Rory Voller	Deputy Commissioner promoted to commissioner - appointed 01 October 2016	736	125	49	62	972
Mr Renier du Toit	Chief Financial Officer- on special leave from 31 May 2015 and resigned on 31 January 2017	1 717	-	-	66	1 783
Ms Fundisiwe Malaza	Acting Chief Financial Officer - contract ended 31 January 2017	906	-	1	34	941
Mr Themba Lusenga	Acting Chief Financial Officer - From 01 February 2017 to 31 March 2017	153	28	-	-	181
Ms Hamida Fakira-du Toit	Executive Manager: Corporate Services	1 523	-	-	-	1 523
Mr Andre Kritzinger	Executive Manager - Business Intelligence	1 708	-	-	72	1 780
Mr Lungile Dukwana	Chief Strategy Executive	1 424	-	23	60	1 507
Mr Mpho Mathose	Chief Audit Executive - appointed 01 June 2016	890	-	1	-	891
Ms Nomonde Maimela	Executive Manager: Innovation and creativity	1 684	-	84	71	1 839
Ms Bathabile Kapumha	Divisional Manager: Risk, Governance and Compliance	1 266	-	1	-	1 267
		13 003	**153**	**183**	**365**	**13 704**

Notes to the Annual Financial Statements

R '000	2017	2016

24. Key Management emoluments (continued)

2016

Name	Designation	Emolu-ments	Acting allowance	Travel and subistence allowance	Performance bonus	Total
Ms Astrid Ludin	Commissioner	355	-	-	26	381
Adv Rory Voller	Deputy Commissioner	1 435	368	65	26	1 894
Mr Renier du Toit	Chief Financial Officer - on special leave from 31 May 2015	1 535	-	-	26	1 561
Ms Fundisiwe Malaza	Acting Chief Financial Officer - appointed 01 June 2015	773	-	-	-	773
Ms Hamida Fakira-du Toit	Executive Manager: Corporate Services - appointed 01 February 2016	189	-	-	-	189
Mr Andre Kritzinger	Executive Manager - Business Intelligence	1 938	-	1	26	1 965
Mr Lungile Dukwana	Chief Strategy Executive	1 381	-	8	26	1 415
Mr William Chingate	Chief Audit Executive - resigned 31 January 2016	889	-	-	26	915
Ms Nomonde Maimela	Executive Manager: Innovation and creativity	1 592	-	84	8	1 684
Ms Bathabile Kapumha	Divisional Manager: Risk, Governance and Compliance - appointed 01 March 2016	49	-	-	-	49
		10 136	**368**	**158**	**164**	**10 826**

25. Pension

The CIPC provides a defined benefit scheme for its employees which is the Government Employees Pension Fund (GEPF). Contributions to the pension plan in respect of service in a particular year are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate, as part of the cost of employment.

The CIPC has no legal or constructive obligation in respect of normal retirements to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not the financial statements of CIPC.

	2017	2016
The total entity contribution to the scheme	19 170	16 474

Notes to the Annual Financial Statements

R '000	2017	2016

26. Operating lease commitments

March 2017	0-1 Years	2-5 Years	Total
The dti Campus	15 222	35 163	50 385
Johannesburg Stock Exchange	77	227	304
Sunny Park Mall	1 765	2 227	3 992
Katanga parking	73	-	73
Carlton Centre: Transnet	730	2 285	3 015
Picbel Parkade: Cape Town	272	934	1 206
Docufile - Backup storage facility	85	182	267
Iron Mountain - Off-site file storage	9 038	28 632	37 670
Coffee Machines	26	20	46
Bytes - Printers	950	950	1 900
	28 238	**70 620**	**98 858**

March 2016	0-1 Years	2-5 Years	Total
The dti Campus	14 248	51 876	66 124
Johannesburg Stock Exchange	71	304	375
Sunny Park Mall	1 634	3 994	5 628
Katanga parking	70	-	70
Carlton Centre: Transnet	410	1 614	2 024
Docufile - Backup storage facility	47	-	47
Metrofile - Off-site file storage	3 105	-	3 105
Coffee Machines	35	63	98
	19 620	**57 851**	**77 471**

The dti Campus - Office
The offices are based at 77 Mentjies street, in Sunnyside Pretoria. The lease term is five years, from 01 April 2015 to 31 March 2020. The lease rental escalates at 10% per annum.

Johannesburg Stock Exchange (JSE) - Office
The offices are based in Sandton at the Johannesburg Stock Exchange. The lease term is 3 years from 01 November 2014 to 31 October 2017. The lease rental escalates at 8.25% per annum. The CIPC Office will exercise the option to extend the lease up to the year 2020 and the extension is included in the commitments.

Sunny Park Mall - Offices and parking
The offices are based at Sunny Park Mall, Pretoria. The lease term is 3 years, from 01 December 2015 to 30 November 2018 and 01 September 2016 to 31 August 2019. The lease rental escalates at 8% annually. The lease includes leases for parking which expires on 31 August 2019 and escalates at 8% per annum.

Katanga Parking
The lease is for the renting of parking bays at **the dti** campus. There is no annual escalation applicable. The lease was subsequently extended for 12 months from 01 August 2016 to 31 July 2017.

Carlton Centre: Transnet - Office
The offices are based in Johannesburg at the Carlton Centre. The lease term is 3 years from 01 August 2014 to 31 July 2017. The lease rental escalates at 8% per annum. The CIPC exercised the option to extend the lease up to the year 2020. The new lease term is 3 years from 01 August 2017 to 31 July 2020. The extension is included in the commitments.

Notes to the Annual Financial Statements

R '000	2017	2016

26. Operating lease commitments (continued)

Picbel Parkade: Cape Town - Offices and parking
The offices are based at Picbel Parkade, Cape Town. The lease term is 5 years, from 01 May 2016 to 30 April 2021. The lease rental escalates at 5.5% annually. The commitment includes a lease for parking which expires on 30 August 2021 and escalates at 5.5% per annum.

Docufile - Backup storage facility
The lease is for the backup storage facilities. The lease period is 3 years, from 01 March 2017 to 28 February 2020. The lease escalates at 4.7% per annum.

Iron Mountain - Off-site file storage
The lease is for an off-site file storage facility. The lease term 4,5 years, from 01 September 2016 to 28 February 2021. The lease escalates at 5% per annum.

Metrofile - Off-site file storage
The lease was for an off-site file storage facility. The lease term was 5 years, from 01 January 2011 to 31 December 2015. The lease was subsequently extended by six months from 01 January 2016 to 30 June 2016. The lease ended on 30 June 2016.

Coffee machines
The lease is for coffee machines at the Self-Service Centres. The period of the lease is 3 years, from 01 November 2015 to 31 October 2018. There is no escalation clause applicable.

Bytes - Printers
Relates to a lease for printers at the CIPC offices in Pretoria. The period of the lease is 3 years from 01 April 2016 to 31 March 2019. There is no escalation clause applicable.

27. Taxation

Income tax

The entity is not liable for income tax in terms of section 10(1)(a) of the Income Tax Act, as amended.

Value-added tax

The entity is exempt from value-added taxation in terms of a Tax Authorities' directive.

Notes to the Annual Financial Statements

R '000	2017	2016

28. Contingencies

The dti Campus - Office

Housing guarantees	-	23

March 2017
The guarantee expired during the 2016/17 year. CIPC no longer provides housing guarantees.

March 2016
Contingent liabilities are in respect of guarantees given in terms of public service assistance for staff housing loans. Housing guarantees are secured by the pension fund of the relevant employee and the current value of the individual's pension fund is sufficient to cover the guarantee amount. History indicated that no expenditure was realised in this regard. The likelihood of a possible outflow of resources was remote and no liability was recognised in the annual financial statements.

Accumulated surplus	1 342 001	1 593 874

In terms of section 53(3) of the PFMA the entity at the end of the financial year needs to declare any surplus to the National Treasury. The National Treasury may apply such surplus to reduce any proposed allocation to the entity; or require that all or part of it be deposited in the Exchequer bank account.

Surplus for 2016/17
A declaration of the cash surplus as at 31 March 2017 was submitted to the National Treasury on 31 May 2017. An application to retain such surplus was submitted to the National Treasury in terms of section 53(3) of the PFMA.

Surplus for 2015/16
A declaration of the cash surplus for the year was submitted to the National Treasury on 31 May 2016. An application to retain such surplus was submitted to the National Treasury in terms of section 53(3) of the PFMA.

Enterprise Content Management System (ECM)	10 090	10 090

Legal proceedings have been instituted by the service provider challenging the legal validity of the termination of the contract, and seeking payment of certain fees rendered in terms of the contract prior to its termination. The litigation is in process and the outcome is uncertain. The value of the contingent liability was assessed based on the latest correspondence in the matter.

Contingent asset

Docex	505	444

The cashier function was outsourced to a service provider for the period May 2004 to July 2008. In terms of the contractual arrangements the service provider recovered the transaction fees from the cash collections and only transferred the net collections to the CIPC. Based on an investigation, it was found that the service provider overcharged on the transaction fees and litigation against the service provider is in process and the outcome is uncertain. The value of the contingent asset was revised based on the latest developments in the matter.

Notes to the Annual Financial Statements

R '000	2017	2016

29. Planned capital programmes

The following capital programmes were approved but not yet contracted:.

The dti Campus - Office

Details		
Furniture	500	2 500
Establishment of self service terminals	1 700	1 000
Continuous invest in ICT systems for improved service delivery	32 120	10 000
Invest SA centre for international investors	-	2 000
	34 320	15 500

30. Patent Corporation Treaty (PCT) Trust Account

Funds held in trust to which the entity is not entitled, are accounted for separately and deposited into a separate bank account.

PCT creditors	333	525

Funds received from South African clients to be paid to the World Intellectual Property Organisation (WIPO) and the International Searching Authority (ISA).

Balance in the PCT Bank account	333	525

31. Risk management

Financial risk management

The main risks arising from the CIPC's financial instruments are credit risk, market risk and liquidity risk.

Financial assets which potentially subject the CIPC to concentrations of credit risk consist mainly of cash and cash equivalents. The entity's cash and short-term deposits are placed with high quality financial institutions as well as the South African Reserve Bank. Credit risk with respect to trade receivables is limited, due to the fact that most of the entity's revenue transactions are carried out on a pre-paid basis. The entity's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of the receivables. Accordingly the entity has no significant concentration of credit risk.

Liquidity risk

The CIPC's risk to liquidity is a result of the funds available to cover future commitments. Taking into consideration the CIPC's current funding structures and availability of cash resources, the CIPC regards this risk to be low.

Notes to the Annual Financial Statements

R '000	2017	2016

31. Risk management (continued)

March 2017	Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
Payables from exchange transactions	25 672	25 672	25 672	-
Payables from deposits received in advance	95 326	95 326	95 326	-
	120 998	**120 998**	**120 998**	**-**

March 2016	Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
Payables from exchange transactions	25 576	25 576	25 576	-
Payables from deposits received in advance	82 615	82 615	82 615	-
	105 191	**105 191**	**105 191**	**-**

Credit risk

Reputable financial institutions are used for investing and cash handling purposes. At reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after taking into account that receivable services payable advance.

Financial assets exposed to credit risk at year end were as follows:

Exposure to credit risk		
Cash and cash equivalents*	1 551 849	1 593 874
Receivables from exchange transactions	8 329	4 595
	1 560 178	**1 598 469**

* Included is an amount of R1 548 million (2016: R1 588 million) invested in a call account at the South African Reserve Bank.

Concentration of credit risk

Notes to the Annual Financial Statements

R '000	2017	2016

31. Risk management (continued)

The maximum exposure to credit risk for financial assets at the reporting date by credit rating category was as follows:

March 2017	*Baa3 and Government	Unrated
Cash and cash equivalents	1 551 849	-
Prepayments	-	4 933
Receivables from exchange transactions	-	3 396
	1 551 849	**8 329**

March 2016	*Baa3 and Government	Unrated
Cash and cash equivalents	1 593 874	-
Prepayments	-	4 050
Receivables from exchange transactions	-	545
	1 593 874	**4 595**

Ageing of financial assets

The following table provides information regarding the credit quality of assets, which may expose the CIPC to credit risk:

March 2017	Neither past due nor impaired	Past due but not impaired less than 12 months	Past due but not impaired more than 12 months	Carrying value
Cash and cash equivalents	1 551 849	-	-	1 551 849
Receivables from exchange transactions	-	3 396	-	3 396
	1 551 849	**3 396**	**-**	**1 555 245**

March 2016	Neither past due nor impaired	Past due but not impaired less than 12 months	Past due but not impaired more than 12 months	Carrying value
Cash and cash equivalents	1 593 874	-	-	1 593 874
Receivables from exchange transactions	-	545	-	545
	1 593 874	**545**	**-**	**1 594 419**

Notes to the Annual Financial Statements

R '000	2017	2016

31. Risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as the interest rate, will affect the value of the financial assets of the entity.

Interest rate risk

The CIPC's exposure to interest risk is managed by investing, on a short term basis, in current accounts and the Corporation for Public Deposits (CPD), to ensure maximum interest on surplus funds within the prescribed legislation. The risk arises when there are interest rate changes downward, as this will reduce the interest income on invested funds. The entity manages its interest rate risk by only investing its funds in accounts at financial institutions where in the accounts accrue interest at market related interest rates. In terms of National Treasury Regulation (section 31.3.3), all surplus funds are deposited in the call account – Corporation for Public Deposits (CPD).

The CIPC is exposed to interest rate changes in respect of returns on its investments with financial institutions.

A change in the market interest rate would have increased / (decreased) the surplus for the year by the amounts below:

March 2017	Change in interest rate	Increase in the surplus for the year upward change	Decrease in the surplus for the year downward change
Cash and cash equivalents	1 %	17 708	(16 458)

March 2016	Change in interest rate	Increase in the surplus for the year upward change	Decrease in the surplus for the year downward change
Cash and cash equivalents	1 %	17 271	(17 271)

R '000	2017	2016

32. Related party transactions

Related parties are identified as being those parties that control or have significant influence over the CIPC and those parties that are controlled or significantly influenced by the CIPC.

Department of Trade and Industry (the dti)	Transactions 31 March 2017	Balance due as at 31 March 2017	Transactions 31 March 2016	Balance due as at 31 March 2016
Expenses				
Lease of building	14 043	(205)	12 952	-
Telephone costs	981	85	902	72
Internet costs	229	-	229	19
	15 253	**(120)**	**14 083**	**91**
National Consumer Tribunal (NCT)				
Expenses				
Contribution to conference	100	-	-	-
	15 353	**(120)**	**14 083**	**91**

The dti group

The CIPC forms part of **the dti** portfolio and the related entities are included in the table below. The CIPC did not transact with any of **the dti** group entities during the current year, except as disclosed below.

The CIPC contributed R100 thousand towards expenditure incurred by the National Consumer Tribunal for hosting the African Dialogue Conference.

Income (Dislosure of information)

The CIPC services are rendered free of charge to other National and Provincial government departments and entities. The total amount for such services cannot be quantified. The CIPC is in the process of establishing a mechanism to quantify the value of such transactions.

Name	**Relationship**
Department of Trade and Industry	Member of **the dti** group
Companies Tribunal	Member of **the dti** group
National Consumer Commission (NCC)	Member of **the dti** group
National Consumer Tribunal (NCT)	Member of **the dti** group
National Credit Regulator (NCR)	Member of **the dti** group
National Gambling Board (NGB)	Member of **the dti** group
National Lotteries Commission (NLC)	Member of **the dti** group
National Regulator for Compulsory Specifications (NRCS)	Member of **the dti** group
South African Bureau of Standards (SABS)	Member of **the dti** group
Export Credit Insurance Corporation of South Africa	Member of **the dti** group
National Empowerment Fund (NEF)	Member of **the dti** group
National Metrology Institute of South Africa	Member of **the dti** group
South African National Accreditation System (SANAS)	Member of **the dti** group

Notes to the Annual Financial Statements

R '000	2017	2016

32. Related party transactions (continue)

Department of Labour	National sphere of government
Department of Agriculture, Forestry and Fisheries	National sphere of government
Department of Basic Education	National sphere of government
Department of Community Safety	National sphere of government
Department of Co-operative Governance	National sphere of government
Department of Correctional Services	National sphere of government
Department of Cultural Affairs and Sport	National sphere of government
Department of Defence	National sphere of government
Department of Environmental Affairs	National sphere of government
Department of Economic Development	National sphere of government
Department of Tourism	National sphere of government
Department of Finance	National sphere of government
Department of Justice	National sphere of government
Department of Public Enterprises	National sphere of government
Department of Water Affairs	National sphere of government
Department of Home Affairs	National sphere of government
Department of Public Service and Administration	National sphere of government
Department of Public Works	National sphere of government
Department of Roads and Transport	National sphere of government
Department of Rural Development and Land Reform	National sphere of government
Parliament	National sphere of government
Department of Infrastructure Development	National sphere of government
Department of Science and Technology	National sphere of government
Financial Intelligence Centre	National sphere of government
Independent Regulatory Board for Auditors	National sphere of government
National Department of Social Development	National sphere of government
National Prosecuting Authority	National sphere of government
National Treasury	National sphere of government
Office of the President	National sphere of government
Public Protector	National sphere of government
South African Police Services	National sphere of government
Competition Commission	Government institution
Community Schemes Ombud Services	Government institution
International Trade Administration Commission	Government institution
National Energy Regulator	Government institution
National Nuclear Regulator	Government institution
Office of Ombud for Financial Services Providers	Government institution
Office of the Public Service Commission	Government institution
Public Service Sector Education and Training	Government institution
South African Revenue Services	Government institution
South African Social Security Agency	Government institution
Special Investigation Unit	Government institution
State Security Agency	Government institution
Western Cape Liquor Authority	Government institution

Transactions with key management

The total remuneration of key management is included in employees' remuneration (refer to note 24 for Executive Management's remuneration).

Expenditure

The entity, as a Schedule 3A Public Entity under the Public Finance Management Act (PFMA), operates in an economic environment currently dominated by entities directly or indirectly owned by the South African Government. The CIPC discloses related party transactions and the nature of its relationship with the other party where the other party has significant influence through the participation in the financial and operating policy decisions, and/or where significant transactions occurred with such an entity.

Notes to the Annual Financial Statements

33. Fruitless and wasteful expenditure

R '000	2017	2016
Supplier overpayment	-	27
Opening balance	27	-
Add: Fruitless and wasteful expenditure - current year	-	27
Less: Amounts recovered	-	-
Less: Amounts written off	-	-
	27	**27**

No losses have occurred during the current and previous financial year due to criminal conduct, irregular expenditure and fruitless or wasteful expenditure, except as indicated above.

34. Irregular expenditure

Expenditure where the prescribed approval process for the procurement process was not followed. Confirmation that value for money was received,was performed.

R '000	2017	2016
ICT data connection services - Contract period expired	-	128
ICT maintenance contract - Contract period expired	21	281
Printing - Outside contract scope	-	44
Printing - Contract period expired	-	30
Mailing service	-	118
Catering - Quotes received after closing date	22	30
Staff uniforms - Local content procurement not followed	-	150
Medical and housing adjustments - Not in line with remuneration framework	-	6 054
Placement fees - Procurement process not followed	152	-
ICT data connection services - Contract value exceeded	115	-
Recruitment adverts - Contract value exceeded	245	-
ICT licence renewal - Late payment of annual licence	33	-
Exhibition costs - Procurement process not completed adequately	15	-
	603	**6 835**
Opening balance	104 470	98 736
Add: Irregular Expenditure - current year	603	6 835
Less: Amounts condoned	(338)	(601)
Less: Amounts condoned for prior year balances	(6 204)	(500)
	98 531	**104 470**

Analysis of expenditure awaiting condonation per age classification

	2017	2016
Current year	265	6 234
Prior years	98 266	98 236
	98 531	**104 470**

Notes to the Annual Financial Statements

R '000	2017	2016

34. Irregular expenditure (continued)

Details of irregular expenditure not yet condoned

Incurred in the current year	
Catering costs	5
Exhibition costs	15
Recruitment adverts	245
Incurred in prior years	
Enterprise Content Management System (ECM)	98 236
Catering	30
	98 531

Enterprise Content Management System (ECM)

The Enterprise Content Management System (ECM) cannot be condoned as litigation is still in process. Refer to note 27 for details on the contingent liability disclosure.

35. Gifts and donations

The acceptance or granting of a gift, donation or sponsorship is managed in terms of Section 76 of the Public Finance Management Act, 1999 (Act 1of 1999). Gifts and donations received by employees during the year under review were:

Smaller gifts (less than R300) to various staff members	2	1
Granting of sponsorships and gifts by the CIPC:		
Smaller gifts	4	-

36. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus with the net cash generated from operating, investing and financing activities:

Operating activities		
Actual amount as presented in the budget statement	184 575	196 130
Basis differences	25 274	28 977
Net cash flows from operating activities	**209 849**	**225 107**
Investing activities		
Actual amount as presented in the budget statemen	(27 132)	(6 080)
Basis differences	354	10
Net cash flows from investing activities	**(26 778)**	**(6 070)**
Financing activities		
Basis differences	(225 097)	(190 752)
Net cash generated from operating, investing and financing activities	**(42 026)**	**28 285**

37. Comparative figures

Certain comparative figures have been reclassified. Refer to note 9.

Notes

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