



Companies and Intellectual  
Property Commission

a member of **the dti** group

# COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

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**Annual Report  
2018/19**



A close-up photograph of a hand with a fingerprint scanner overlay. The scanner is a semi-transparent grey rectangle on the right side of the hand. The background is dark and out of focus, with a small green leaf visible on the left. A dotted white line curves across the left side of the hand.

# CIPC Annual Report 2018/2019

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statements or Financial  
Sustainability Supplements online.



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# PART A: GENERAL INFORMATION

## 1.1 PUBLIC ENTITY'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 - Entfutukweni)

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](http://www.cipc.co.za)

### External Auditors information

Auditor-General South Africa (AGSA)

PO Box 446

Pretoria

0001

### Bankers information

ABSA

PO Box 4210

Pretoria

0001

### Company Secretary

The CIPC does not have a Company Secretary



## 1.2 LIST OF ABBREVIATIONS/ACRONYMS

Adv	Advocate	JSE	Johannesburg Stock Exchange
AG	Auditor General	Mol	Memorandum of Incorporation
APP	Annual Performance Plan	MoU	Memorandum of Understanding
ACR	African Corporate Registries	MP	Member of Parliament
BRICS	Brazil, Russia, India, China and South Africa	MTREF	Medium Term Revenue and Expenditure Framework
CFO	Chief Financial Officer	NEHAWU	National Health Education & Allied Workers Union
CIPC	Companies and Intellectual Property Commission	NIPMO	National Intellectual Property Management Office
CLC	Client Liaison Committee	NIS	National Innovation System
CPD	Corporation for Public Deposits	NT	National Treasury
CRF	Corporate Registers Forum	PCT	Patent Co-operation Treaty
CSR	Corporate Sustainability Responsibility	PESTEL	Political, Economic, Social/ Cultural, Technological, Environmental, and Legal
DPSA	Department of Public Service and Administration	PFMA	Public Finance Management Act
EPO	European Patent Office	POC	Proof of Concept
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group	PPP	Purchasing Power Parity
EXCO	Executive Committee	QRS	Query Resolution System
FATF	Financial Action Task Force	RiskIT	Risk and ICT Management Committee
G20	Group of Twenty	SACCL	Standing Advisory Committee in Company Law
GCEO	Group Chief Executive Officer	SAPS	South African Police Services
GDP	Gross Domestic Product	SARB	South Africa Reserve Bank
GEM	Global Entrepreneurship Monitor	SARS	South African Revenue Services
GNI	Gross National Income	SCM	Supply Chain Management
GRAP	Generally Recognised Accounting Practice	SMEs	Small Medium Enterprises
HDI	Human Development Index	SMMEs	Small, Medium and Micro Enterprises
IAP	Investor Assistance Programme	SOC	State Owned Company
IASB	International Accounting Standards Board	SSC	Self-service Centre
ICT	Information and Communication Technology	SSE	Substantive Search and Examination
IFR	Internal Fraud and Risk Committee	SST	Self-Service Terminals
IFRS	International Financial Reporting Standards	<b>the dti</b>	The Department of Trade and Industry
IKS	Indigenous Knowledge Systems	TISC	Technology Innovation Support Centres
IMCIP	Inter-Ministerial Committee on Intellectual Property	TRIPs	Trade-related Aspects of Intellectual Property Rights
IMF	International Monetary Fund	WIPO	World Intellectual Property Organisation
IP	Intellectual Property	WTO	World Trade Organisation
IPAP	Industrial Policy Action Plan	XBRL	eXtensible Business Reporting Language
IPAS	Industrial Property Automation System	ZADNA .za	Domain Name Authority
IRBA	Independent Regulatory Board for Auditors		
IT	Information Technology		

## 1.3 FOREWORD BY THE MINISTER



**Mr Ebrahim Patel**  
Minister of Trade and Industry

### Financial Year Ending 31 March 2019

It is my pleasure to present the Annual Report of the Companies and Intellectual Property Commission (CIPC) for the 2018/19 financial year.

The results contained in this report coincide with the beginning of the 6th administration of the democratic South Africa.

The focus of the new administration is to boost economic growth and enable deeper levels of economic inclusion and transformation.

A new Department of Trade, Industry and Competition has been established, through a merger of **the dti** and Economic Development Department, and will drive the implementation of a more focused, high-impact industrial strategy.

Over the next five years, the focus will be on practical actions and improved governance, to pull our economy onto the higher growth levels we require to create decent work and entrepreneurial opportunities for many more South Africans, particularly young people. There are no quick fixes if we want to build this high-growth, high-employment, high-inclusion economy.

Using the resources and mandate of the trade, industry and competition portfolio, we will support efforts to unleash private investment and energise the state to boost economic growth and inclusion. This is an essential part of building confidence and the platform for job-creation.

The CIPC in carrying out its mandate, will have a critical role to play in this new industrial strategy.

As priorities for the new Administration we have outlined six focus areas in the trade, industry and competition portfolio, within which the CIPC falls:

**First, to support improved industrial performance, dynamism and competitiveness of local companies.**

These include developing Master Plans in priority sectors to help create conducive conditions for industries to grow, improve their industrial capacities and sophistication, focus more on export orientation and reclaim domestic market space lost to imports.

The Master Plans will be action-oriented, developed and carried out in partnership with business and labour and implemented in stages, so that we can move expeditiously.

**Second, to improve the levels of fixed investment in the economy**

Over the five-year period from 2018/19, Government set a target of R1.4 trillion in new investment in the economy. The vast bulk of this must come from the private sector.

The state's role will be to enable higher levels of fixed investment (both domestic and foreign), through addressing infrastructure and skills gaps; and by partnering with the private sector through a range of incentives and financial packages.

**Third, to expand markets for our products and facilitate entry to those markets.**

The single biggest initiative is the African Continental Free Trade Area (AfCFTA) which will connect 1.2 billion people into a single bloc where local products will be traded between countries, with minimal tariffs. These agreements lay the basis for increased intra-African trade and can cement the continent's position as the next growth frontier.

The implementation phase was launched on 07 July 2019, at a Special African Union Summit meeting in Niger, with the intention to come into effect on 01 July 2020.

The Agreement will fundamentally change and reshape the South African economy. Already, exports to other African countries support about 250 000 South African jobs and it is the fastest-growing market for our manufactured exports.

**Fourth, to promote economic inclusion.**

This means opening up and changing our market structure, to bring more young people, women and Black Industrialists into the economy.

To enhance the growth of black industrialists, we will combine the efforts of the Department and its agencies into a seamless and coordinated programme. Over the next 5 years, we will support an additional 400 Black Industrialists' projects with financial

support of R40 billion, through identifying sustainable businesses and promoting both industrialists, new enterprise formation and worker involvement in the enterprises, using a combination of private and public sector resources.

**Fifth, to promote more equitable spatial and industrial development.**

A pillar of our industrial policy is to develop new investment clusters through special economic zones, revitalisation of industrial sites and support for business and digital hubs.

**Sixth, to improve the capability of the state.**

This means being more responsive to the needs of South Africa's entrepreneurs, moving faster in making decisions and carrying out functions, coordinating better between departments and agencies and creating a business-encouraging environment in which more investment and more job creation can take place.

The CIPC is an illustration of what can be done, speeding up the registration of companies from weeks to 1 day, and integrating systems across the Department of Home Affairs and SARS. I congratulate the CIPC for receiving the Global Award in London in July 2019, for the most innovative service delivery framework in Africa and the Middle East.

Part of a smart state is partnering with domestic businesses to invest more in innovation and R&D, as new techniques, new products and new distribution platforms can move South Africa up the value-chain and enhance job creation.

All public entities, including the CIPC will have to work with a greater sense of urgency to support government in achieving its ambitions for the new administration. This is what the President has called the spirit of Khawuleza, and it must define our approach both within Government and the SOEs to addressing the structures in the economy which impede growth, economic inclusion and job creation.

I wish to thank the Commissioner, Adv Rory Voller for his leadership of the Commission, supported by the CIPC Executive and all staff who have shown a passion for service and dedication to the people of South Africa and wish them success in the year ahead to help build an economy that creates more jobs and grows faster and more inclusively.

A handwritten signature in black ink, appearing to read 'Ebrahim Patel', written over a horizontal line.

**Mr Ebrahim Patel**  
Minister of Trade and Industry

## 1.4 COMMISSIONER'S OVERVIEW

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**Adv. Rory Voller**  
CIPC Commissioner

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It is my pleasure to present the Annual Report of the Companies and Intellectual Property Commission (CIPC) for the 2018/19 financial year.

In the past year, the focus of the organisation shifted to its regulatory role. This was primarily because the investment the organisation made over the past seven years in process improvements and emphasis on simplifying registration and related services in the companies and IP space, started yielding results.

CIPC consistently registers companies within an average turnaround time of one day; co-operatives in two days. Related company maintenance services are equally efficient with most services being available through multiple channels.

The introduction of an electronic financial reporting language, extensible Business Reporting Language (XBRL), was a highlight for the organisation and the country. The main purpose of this tool (which enables the electronic submission of financial statements), is to allow for greater transparency into corporate conduct as outlined in the Companies Act, 71 of 2008 (as amended).

The market response to this technology was positive with over 7500 eligible companies having submitted its financial statements since the launch of XBRL. This also resulted in CIPC introducing measures to encourage businesses to submit annual financial statements (AFS) and Financial Accountability Supplements (FAS) before filing annual returns. The latter is a measure to monitor economic activity and have a relevant updated registry.

CIPC participates as a member of an Inter-Departmental Committee on Anti-Money Laundering and Counter-Terrorist Financing, chaired by Treasury. One of the primary objectives being protection of the finance system in South Africa from criminal abuse. CIPC as a repository of legal entities and regulator thereof, our systems and processes will be evaluated as part of a peer-to-peer assessment by IMF, FATF and Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). From 01 October 2019, the assessors will be on site to evaluate effectiveness of processes and systems in general, together with related departments and agencies in the country.

In the enforcement environment CIPC placed significant emphasis on the conduct of state-owned enterprises as well as listed entities to ensure greater compliance through governance. The necessary action was taken as and when required.

The organisation plays an active role in a number of international forums related to corporate registers and in the Intellectual Property Space. To this end, CIPC serves on the executive of the Global Corporate Registers Forum and has been elected to serve on the International Trade Marks Association (INTA). It provides an opportunity for South Africa to make relevant input into the protection of IP rights, particularly of trade mark holders at an international stage.

CIPC successfully hosted the International Conference on IP with the theme **“Respect for IP growing from the tip of Africa”** in November 2018. The conference was attended by 380 delegates. The purpose was to promote respect for Intellectual Property across international borders and this conference brought together the best minds on the topic.

In line with international best practice, and as a member of WIPO, CIPC is actively pursuing automating the IP regime using systems that are made available to WIPO members. CIPC co-hosted the BRICS Examiner training in February this year where trainees for substantive examination of patents received further training. This was well received by all concerned. A focal point meeting was held in March in preparation for the BRICS Heads of IP meeting that was held in April 2019.

The Inter-Governmental Enforcement Committee's (IGEC) meeting was hosted by CIPC. The objective of the meeting was to discuss strategic approaches to IP rights enforcement in South Africa. A number of workshops and meetings were held with all the enforcement agencies on IP enforcement including copyright enforcement.

Cabinet approved the first phase of the draft IP Policy of the Republic of South Africa, which seeks to provide a national IP system that is cognisant of other government priorities and to provide a co-ordinated approach on IP matters by government departments and other organs of state. The IP Policy additionally aims to provide a balanced approach between preserving the rights of creators of IP on the one hand, and providing access to knowledge, technology transfer and safe affordable medicines for the benefit of all South Africans.

One of the key policy instruments emanating from the IP Policy is the envisaged introduction of Substantive Search and Examination (SSE) of patent applications in South Africa. The IP Policy provides for a phased approach to the introduction of SSE, where the Inter-Ministerial Committee on Intellectual Property (IMCIP) established under the IP Policy, will determine the priority sectors in which patent applications will be examined. In terms of the CIPC SSE strategy roll-out, twenty(20) patent searchers were recruited and trained as part of Phase one. Phase two (2) has commenced with the recruitment of thirty (30) interns to train on substantive examination of Patents.

Digitisation remains key for CIPC and in preparation for the Fourth(4th) Industrial Revolution a mobile application was launched with basic services as the first phase. Similarly, work is continuing to ensure appropriate IT technology is procured as the organisation is embracing the opportunities of a digital society. In terms of aligning its workforce behind its strategy to become a relevant regulator in the future, the organisation is embarking on an organisational design process.

#### 1.4.1 General financial review of the public entity

For the year under review, the CIPC received revenue totalling ZAR 566.9 million, of which ZAR 332.8 million was derived from Annual Returns paid.

For the period 01 April 2018 to 31 March 2019, a total revenue of ZAR 508.4 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 amounted to ZAR 7.8 million. This is comprised mainly of recognition as revenue of customer deposit balances older than three years, amounting to ZAR 6 million, and other sundry income. Interest of ZAR 50.7 million was earned on the Corporation for Public Deposits (CPD) investment at the South Africa Reserve Bank (SARB) 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, 2008 (No. 71 of 2008). If the 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. 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.

The focus on the submission of financial data and other regulatory prescripts has the CIPC working hard during the year in the rollout of the organisational IT system. In May 2019, the entity transferred ZAR 245 million accumulated surplus to NT, resulting in a substantial decrease in interest revenue. This will have an impact on revenue going forward and it is therefore necessary for the entity to implement fee increases to remain financially sustainable. The entity envisages implementing these increases within the next financial year.

#### 1.4.2 Spending trends of the Public Entity

The 2018/2019 - 2023/2024 Medium Term Revenue and Expenditure Framework (MTREF) for the CIPC was submitted to **the dti** and NT, in accordance with the Public Finance Management Act (PFMA), 1999 (No. 1 of 1999).

The main cost drivers for CIPC as a service organisation relate to employee remuneration, Information Technology (IT) services, office accommodation and service delivery enhancement projects. The remuneration of staff remains the most substantial expense, amounting to ZAR 325 million (67%) of total operating expenditure in the 2018/2019 financial year.

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

### **1.4.3 Capacity constraints and challenges facing the Public Entity**

CIPC has limited capability to monitor the effects of modernisation. A number of ICT interventions are put in place to address this. The ripple effect of modernisation is staff uncertainty in that their roles have changed and are continually changing as the organisation is preparing for a Fourth Industrial Revolution Organisation. The organisation is addressing these issues through a detailed organisational design process which commenced with extensive staff engagement sessions with all staff, organised labour and the Executive. Internal policies will be updated and where outstanding, drafted, once the organisational design process is completed.

Operational challenges in the business rescue space has resulted in CIPC seeking legal opinion from the State Attorney's Office which will give clarity on certain provisions of Chapter 6, Section 138 of the Companies Act.

CIPC is migrating the patent system to a system provided by WIPO to member organisations, and the migration of data has operational challenges which the organisation is mitigating. In this instance the current patent system service provider is uncooperative and CIPC is working with WIPO to address this issue.

CIPC invests significantly in the patent examiners and runs the risk of these highly qualified individuals being absorbed in the broader patent market.

The processes in trade marks, patents and design registration sections remains largely manual. There is an urgent need to automate all workflow processes to ensure an efficient and seamless operational system that supports implementation of substantial examination in patent applications. There is also a need to ensure examiners are provided with a conducive environment in which to work. The open plan office environment is not favourable for the type of work examiners will undertake, as they require a quiet environment where they can concentrate and focus on their work.

There has been low uptake of the use of Independent Review as a form of assurance, and the low levels of reporting by recognised Independent Review professionals/practitioners. All Accounting and Auditing Professional Bodies throughout the country were visited to explore ways to address these challenges. Webinar events will be organised to meet targeted audiences and address this challenge

### **1.4.4 Discontinued activities/ activities to be discontinued**

None.

### **1.4.5 New or proposed activities**

The official pilot phase of the XBRL was in July 2018. By end of the 4th quarter 7519 had been filed, which proves that the XBRL platform was deployed successfully.

### **1.4.6 Requests for roll-over of funds**

No rollover was reported or requested during this period, as the entity is self-funded and applies zero-based budgeting.

### **1.4.7 Supply Chain Management (SCM)**

The SCM Unit is located within the Office of the Chief Financial Officer (CFO), in line with Treasury Regulations and the Public Finance Management Act (PFMA). It is responsible for procurement of goods and services for the CIPC in a fair, equitable, transparent, cost-effective and competitive manner. All bids are subject 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 the SCM practitioners was adopted and signed by all relevant officials for the period under review. An approved SCM policy and Delegations of Authority are in place, and reviewed as necessary.

### **1.4.8 All concluded unsolicited bid proposals for the year under review**

The CIPC had no unsolicited bid proposals for the year under review.

#### 1.4.9 SCM processes and systems

The SCM processes and systems are in place. They are reviewed as and when necessary, as per the PFMA and Treasury Regulations.

#### 1.4.10 Audit Report matters in the previous year and how these were addressed

There are currently no Audit Report matters, as the CIPC achieved a clean audit in the 2018/2019 financial year.

#### 1.4.11 Outlook/ Plans for the future to address financial challenges

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

#### 1.4.12 Events after the reporting date

No critical events after the reporting date.

#### 1.4.13 Economic Viability

As National Treasury has approved CIPC fee structure, this will make a significant contribution towards the long-term sustainability of the organisation. We are in the process of implementing the structure in the organisation.

The digitisation of the organisation will assist in improving efficiencies, while addressing equitable allocation of human resources. Improvement in compliance with prescriptions for Annual Returns will be an added advantage for the organisation.

#### 1.4.14 Acknowledgement/s or Appreciation

I appreciate the commitment and dedication of the CIPC executive, senior management, and all staff of the CIPC who perform their jobs admirably, thereby contributing to the delivery of services to CIPC clients and 100% achievement of targets set on the Annual Performance Plan (APP). I would also like to thank organised labour for their contribution to the organisation's effectiveness. Appreciation also goes to the Audit and Risk Committees for their value-add and commitment to governance within the organisation.

I thank 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 the CIPC.

Finally, let me extend my appreciation to the Minister of Trade and Industry, Honourable Dr Rob Davies; the Deputy Minister of Trade and Industry, Honourable Bulelani Gratitude Magwanishe; and the Director General of **the dti**, Mr Lionel October, together with all of the dti for their support.

#### 1.4.15 Other (information to be communicated to users of Annual Financial Statements)

The Annual Financial Statements for the year ending 31 March 2019, 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.



**Adv. Rory Voller**  
**CIPC Commissioner**  
**Date: 31 July 2019**

## 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 (Part E) have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the Annual Financial Statements, and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information, and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the annual report fairly reflects the operations, performance information, human resources information, and financial affairs of the public entity for the financial year ended 31 March 2019.

Yours faithfully



**Adv. Rory Voller**  
**CIPC Commissioner (Accounting Authority)**  
**Date: 31 July 2019**

## 1.6 STRATEGIC OVERVIEW

### 1.6.1 VISION

To be a reputable world-class regulator of business entities and intellectual property.

### 1.6.2 MISSION

In partnership with others, we make it easy and attractive to do business in South Africa.

### 1.6.3 VALUES

Value	What it means
<b>Passion for service</b>	We work as one to seamlessly serve our customers with passion, commitment and dedication.
<b>Integrity</b>	We live out fairness, impartiality and respect in all of our actions, as individuals and as an organisation.
<b>Empowerment</b>	We recognise the value of our employees and partners and provide them with the discretion and tools to effectively deliver on their responsibilities.
<b>Accountability</b>	We hold one another accountable for our commitments. We are responsible, and responsive, in the execution of our duties.
<b>Collaboration</b>	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 entity in terms of the PFMA, which falls within the public service but outside public administration.

The CIPC is responsible for implementing the following legislation:

Legislation	Mandate
<b>Companies Act, No 71 of 2008</b>	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. Enforce the Companies Act, 2008 to promote voluntary resolution of disputes arising this Act between companies and directors or shareholders as contemplated in Part C of Chapter 7; monitor proper compliance with the Act, receiving or initiating complaints concerning alleged contravention of this Act, evaluating such complaints, and initiating investigations into complaints.
<b>Close Corporations Act, No 69 of 1984</b>	Maintain data; regulate governance of and disclosure by close corporations.
<b>Co-operatives Act, No 14 of 2005</b>	Register co-operatives; maintain data and regulate governance of and disclosure by co-operatives.
<b>Share Block Control Act, No 59 of 1980</b>	Regulate conduct and disclosure by share block schemes.
<b>Consumer Protection Act, No 68 of 2008</b>	Register business names.
<b>Trade Marks Act, No 194 of 1993</b>	Register trade marks; maintain data and resolve disputes.
<b>Merchandise Marks Act, No 17 of 1941</b>	Prevent and enforce the unauthorised use of state emblems.
<b>Unauthorised Use of State Emblems Act, No 37 of 1961</b>	Prevent and enforce the unauthorised use of state emblems.
<b>Patents Act, No 57 of 1978</b>	Register patents; maintain data; publish patent journal and administer Court of Commissioner of Patents.
<b>Designs Act, No 195 of 1993</b>	Register designs; maintain data and resolve disputes.
<b>Copyright Act, No 98 of 1978</b>	Provide non-binding advice to the public.
<b>Registration of Cinematography Films Act, No 62 of 1977</b>	Register films; maintain data.
<b>Performers Protection Act, No 11 of 1967</b>	Accredit Collecting Societies; regulate their governance, conduct and disclosure.
<b>Counterfeit Goods Act, No 37 of 1997</b>	Conduct and co-ordinate search and seizure operations; oversee depots.

The CIPC also contributes to the implementation of the following policies and strategies:

the dti policies relevant to CIPC	Summary of Policy
<b>the dti</b> Medium Term Strategic Plan 2015 – 2020	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 (IPAP) 2017/18 - 2019/20	To facilitate diversification by promoting increased 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 create 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, and confidence in the South African business environment, as well as increase international competitiveness.
Co-operatives Development Policy for South Africa	Create an enabling environment for co-operative enterprises to reduce disparities between urban and rural businesses, being conducive to entrepreneurship, and promoting 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.

## International Treaties and Agreements

South Africa (SA) is a member of various international treaties and agreements in a number of important areas of the economy. These include trade, development, environment and many more. The CIPC is responsible for ensuring compliance with SA's obligations in terms of these treaties or agreements for several of these, as summarised in the table below:

Treaties and Agreements	Summary of Treaty/Agreement
Paris Convention for the Protection of Industrial Property	The Paris Convention, adopted in 1883, applies to industrial property in the widest sense and includes patents, trade marks, industrial designs, utility models, service marks, trade names, geographical indications, and the repression of unfair competition. This international agreement was the first major step taken to help creators ensure their intellectual works were protected in other countries. South Africa's accession to the Paris Convention was in October 1947.
Patent Co-operation Treaty (PCT)	The Patent Co-operation treaty makes it possible to seek patent protection for an invention simultaneously in each of a large number of countries, by filing an "international" patent application. Such an application may be filed by anyone who is a national or resident of a PCT Contracting State. It may generally be filed with the national patent office of the Contracting State of which the applicant is a national or resident, or at the applicant's option, with the International Bureau of WIPO in Geneva. South Africa's accession to the treaty was in December 1998.

Treaties and Agreements	Summary of Treaty/Agreement
<p>Berne Convention for the Protection of Literary and Artistic Works</p>	<p>Adopted in 1886, this deals with the protection of works and the rights of authors. It provides creators such as authors, musicians, poets, painters etc. with the means to control how their works are used, by whom, and on what terms. It is based on three basic principles and contains a series of provisions determining the minimum protection to be granted, as well as special provisions available to developing countries that wish to make use of them. South Africa's accession to the treaty was in October 1928.</p>
<p>Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure</p>	<p>Adopted in 1977, the Budapest Treaty concerns a specific topic in the international patent process: microorganisms. All states party to the Treaty are obliged to recognise microorganisms deposited as a part of the patent procedure, irrespective of where the depository authority is located. In practice, this means the requirement to submit microorganisms to each and every national authority in which patent protection is sought, no longer exists.</p>
<p>Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement</p>	<p>The Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement is an international legal agreement between all member nations of the World Trade Organisation (WTO). It sets down minimum standards for regulation by national governments of many forms of intellectual property (IP), as applied to nationals of other WTO member nations. It stems from the desire to reduce distortions and impediments to international trade, taking into account the need to promote effective and adequate protection of Intellectual Property rights, and ensuring that measures and procedures to enforce Intellectual Property rights do not themselves become barriers to legitimate trade. South Africa deposited its instrument of acceptance for the 2005 protocol, amending the WTO's Agreement on TRIPs, on 23 February 2016.</p>

## 1.8 ORGANISATIONAL STRUCTURE



**Adv. Rory Voller**  
CIPC Commissioner



**Vacant**  
Deputy Commissioner



**Mr. Lungile Dukwana**  
Chief Strategy Executive



**Mr. Mpho Mathose**  
Chief Audit Executive



**Ms. Bathabile Kapumha**  
Divisional Manager: Compliance,  
Risk and Governance



**Vacant**  
Executive Manager: Business  
Regulation and Reputation



**Ms. Nomonde Maimela**  
Executive Manager:  
Innovations  
and Creativity



**Mr. Andre Kritzinger**  
Executive Manager:  
Business Intelligence  
and Systems



**Ms. Hamida Fakira**  
Executive Manager:  
Corporate Services



**Mr. Muhammed Jasat**  
Chief Financial  
Officer

## EXECUTIVE COMMITTEE



**From Top Left to Right:** Mr Lungile Dukwana, Mr Andre Kritzinger, Ms Bathabile Kapumha, Mr Mpho Mathose and Mr Muhammed Jasat

**From bottom Left to Right:** Ms Nomonde Maimela, Adv. Rory Voller and Ms Hamida Fakira

*"It always seems impossible until it's done"*

*Nelson Mandela*





## PART B:

# PERFORMANCE INFORMATION

## 2.1 SITUATIONAL ANALYSIS

In order to conduct a comprehensive situational analysis for the CIPC, a robust framework is used to dissect the status quo. The five Cs framework (Climate, Company, Customers, Competitors and Collaborators) is used to develop an understanding of internal and external environments.

### 2.1.1 SERVICE DELIVERY ENVIRONMENT

According to Statistics South Africa (Stats SA) during the period under review the South African economy grew by 0.8%. This was mainly due to the fact that the economy drifted into a recession in the 1st two quarters of the year shrinking by 2.7% in the 1st quarter and a further 0.5% in the 2nd. However, the good showing during the 3rd and the 4th quarters of 1.1% and 1.4% respectively bolstered the 2018 economic growth to the 0.8%.

The South African growth forecast for the year 2019 is expected to be at 1.5%, mainly due to moderation in global trade and investment.

Despite the uncertainty in the economic climate, there

were a number of key achievements in service delivery for the 2018/19 reporting period. These included:

- CIPC hosted an International Conference themed “Respect for IP” in Sandton Convention Centre;
- Inventor Assistance Program (IAP) launched to assist the inventors;
- Record number of local patent applications recorded;
- CIPC took over the Chair of the BRICS Heads of IP Offices;
- Call centre performance continues to improve maintaining a call answer rate of above 80%;
- The second leg of the Media Campaign named “Your Business, our Focus” was rolled out in all 9 provinces with a specific focus on CIPC brand awareness and taking CIPC to the people; and
- All the 9 provinces now have a CIPC access point in the form SSTs.

### Companies

During the year under review, the CIPC registered 395 320 companies, 12 270 co-operatives and processed 39 702 trade mark applications.

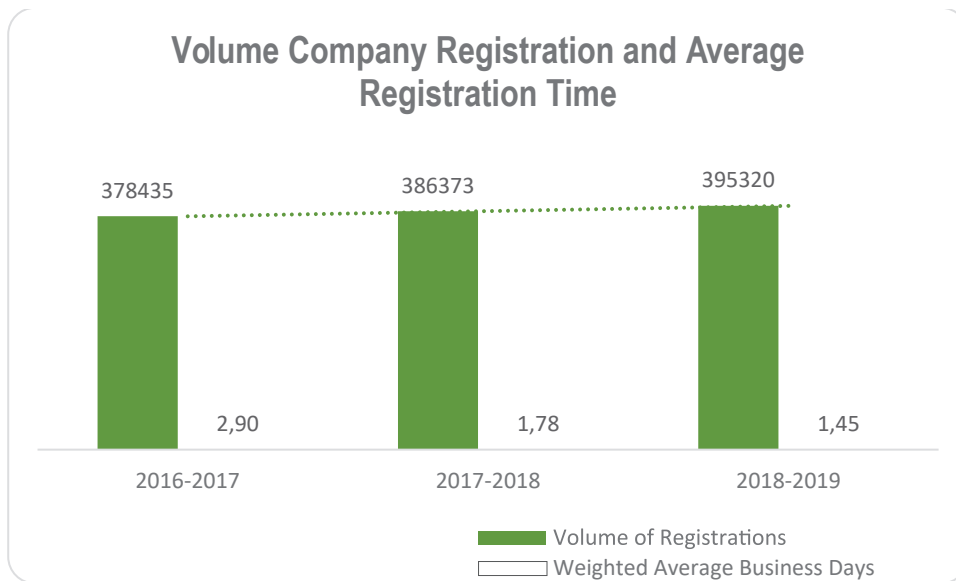


Figure 1: Volume of Company Registrations and Weighted Average Registration Period

The volume of company registrations continued to increase year on year while the average period to register a company decreased. The volume of company registrations increased by 2% (or 8 947 registrations) compared with 2017-2018 financial year.

Automated services greatly assisted in absorbing impact of such growth. Although the CIPC has a high new company registration rate, newly registered companies continued to fail on post-registration compliance with basic provisions of the Companies Act, 2008, particularly

on Annual Returns, provision of electronic contact details and updating of basic information.

The filing of annual returns is crucial to CIPC for various reasons including that, on the one hand, it serves as the indication of the livelihood of registered companies and, on the other, as an indication of the companies’ awareness of the Companies Act - and their willingness to comply. This year 44% of companies (entities with an active business status) filled their Annual Returns by the end reporting period (year to date).



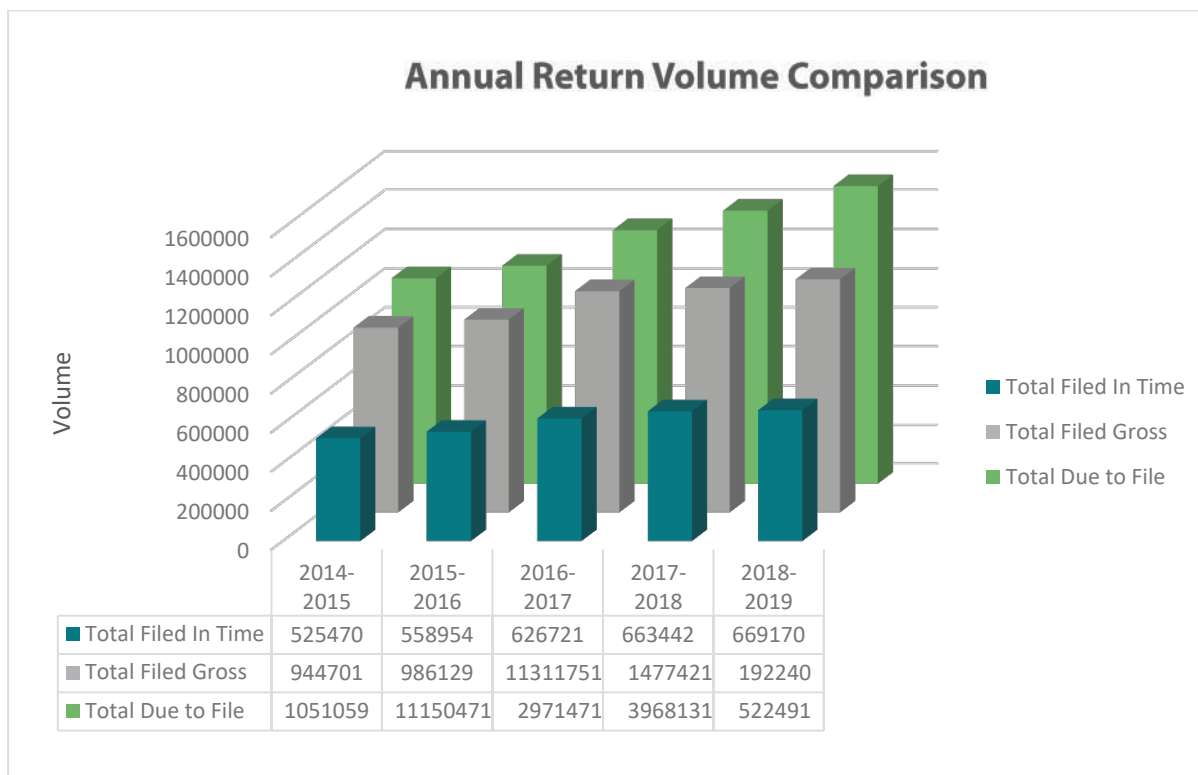


Figure 2: Annual Return Volume Comparison

Year on year the volume of companies that becomes due to file Annual Return increases, and such increase is more than the growth rate of companies filing or filing "in-time". "In-time" refers to companies and close corporations who became due for filing in a particular financial year and also filed Annual Returns in the same year.

#### Corporate Registers Forum

CIPC actively participated in the annual CRF Conference which was hosted by the Companies and Intellectual Property Authority of Botswana from 21-25 May 2018. A number of agenda topics from financial reporting to enforcement and collaboration through innovation were presented by CIPC.

#### Business Rescue

The status of commenced business rescue proceedings ( from inception of business rescue on 01 May 2011 to 31st March 2019 ), indicate that for the 3 217 cases for which business rescue proceedings commenced:

- 217 proceedings were declared a nullity;
- 721 proceedings were terminated by way of filing a Notice of Termination (CoR125.2);
- 548 proceedings were substantially implemented by way of filing a Notice of Substantial Implementation (CoR125.3);
- 392 proceedings ended up directly in liquidation;
- 22 proceedings the court set aside the business rescue proceedings; and
- 1263 proceedings are still in business rescue.

NB: Invalid filings are not included since proceedings are still to commence.

#### Co-operatives

The volume of co-operative transaction registration decreased slightly from 12 748 to 12 270. Stagnation of new registrations is in line with the general South African low-growth cycle economic climate.

## Trade marks

The table below shows the trend of trade mark applications:

TREND IN NEW APPLICATIONS (calendar year)		RESIDENTS	NON-RESIDENTS
<b>2003</b>	<b>22 738</b>	14 676	8 092
<b>2004</b>	<b>23 227</b>	14 982	8 844
<b>2005</b>	<b>27 748</b>	16 985	10 850
<b>2006</b>	<b>31 851</b>	20 017	11 778
<b>2007</b>	<b>30 053</b>	17 080	12 921
<b>2008</b>	<b>29 891</b>	16 032	13 875
<b>2009</b>	<b>26 458</b>	16 007	10 475
<b>2010</b>	<b>30 310</b>	17 573	12 136
<b>2011</b>	<b>33 452</b>	19 793	13 659
<b>2012</b>	<b>35 201</b>	21 091	14 110
<b>2013</b>	<b>36 101</b>	20 936	15 165
<b>2014</b>	<b>35 542</b>	20 586	14 956
<b>2015</b>	<b>37 129</b>	20 816	16 313
<b>2016</b>	<b>38 169</b>	21 289	16 880
<b>2017</b>	<b>38 283</b>	22 740	15 543
<b>2018</b>	<b>39 136</b>	22 948	16 188
<b>2019 (March.)</b>	<b>9 338</b>	5 288	4 050

## Patents

Patent Applications Lodged	2015/2016	2016/2017	2017/2018	2018/2019
Local applications	644	700	683	1129
Provisional applications	1 880	1 902	1 807	1914
<b>International applications</b>	6 800	6 503	6 231	5 528
<b>Total</b>	9 325	9 325	9 325	9 325

There was a spike in local patent applications, while provisional patent applications increased slightly. This could perhaps be attributed to the increased knowledge on patents through CIPC's awareness campaigns.

## Designs

Designs Applications	2015/2016	2016/2017	2017/2018	2018/2019
Local applications	818	1 040	974	914
International applications	1 048	1 045	1 044	1 088
<b>TOTAL</b>	1 866	2 085	2 023	2 002

The design filings have remained steady as compared to patents.

## Investor Assistance Programme (IAP)

Subsequent to the launch of the IAP, the local screening committee to review applications for the Program, has been appointed, and the eligibility criteria for the Program have been determined. The IP for SMMEs training sessions are used to raise awareness on the IAP. A Steering Committee meeting was held on the 14th of September 2018 to discuss the developments of the program in the different countries. There are currently 12 patent attorneys involved in the program. Program email has been set up for interested individuals to send through their applications. Information about the program is now accessible through the CIPC website.

## TISCS

The implementation of Technology Innovation Support Centres (TISCs), and WIPO Summer School, in collaboration with the National Intellectual Property Management Office (NIPMO) and other relevant offices, has contributed to improving IP system access and technology transfer. This has strengthened the National Innovation System's (NSI) ability to improve inclusive growth and the patent system in particular. The CIPC works closely with WIPO to ensure global IP standards are implemented in South Africa, and that global best practice is reflected in the changing IP legislative and policy environment.

The CIPC is also collaborating with our BRICS counterparts, and the WIPO, in the Intellectual Property arena. In November of this year WIPO, the CIPC, and other stakeholders, launched a programme to grow innovation in the country.

## WIPO

WIPO conducted a weeklong mission to CIPC to develop workflows and business processes for IPAS. This was to assess the challenges faced by SMMEs in IP in order to establish a practical IP support framework for Small Medium and Micro Enterprises (SMME) in South Africa. This was completed in April 2018. The study is one of the deliverables of the broader IP for SMME Project to assist SMMEs in South Africa to effectively use and manage IP to enhance their competitiveness.

## European Patent Office (EPO)

CIPC participated in a study tour at the EPO offices in Munich and Vienna to learn about the administration of patent examination with Substantive Search and Examination (SSE). The CIPC team also visited the IP office in Serbia to learn about the implementation of the Search tool interface EPOQUE Net, and the implementation of the Industrial Property Automation Tool (IPAS), which CIPC will consider procuring.

## MoU between CIPC and the Abu Dhabi Registration Authority

The Registration Authority of Abu Dhabi Global Market (ADGM) has signed a Memorandum of Understanding (MoU) with the Companies and Intellectual Property Commission (CIPC) of South Africa. As part of the MoU, ADGM will work collaboratively with CIPC on issues of mutual interest in the registries sector by incorporating each organisation's appropriate resources and technical capacity. It is aimed at working towards strengthening mutual understanding of the legislative, procedural and information technology frameworks in each party's respective jurisdictions in the area of registering companies and other legal entities.

## BRICS Heads of Intellectual Property Offices (BRICS HIPO)

South Africa took over the Chairmanship of the BRICS HIPO during the year under review and will host the next HIPO in South Africa. Since the 1st Meeting of the BRICS Heads of IP Offices (BRICS HIPO) held in South Africa in May 2013, the enhanced cooperation and collaboration between the IP BRICS HIPOs continues to successfully deliver outcomes outlined in the cooperation streams in the IP BRICS Roadmap. During the period of Chairmanship the CIPC held the following events:

- **Meeting of the Heads of IP Offices (HIPO) on the side-lines of the 2018 WIPO General Assembly;** The meeting was held on 25 September 2018 following the meeting of the Focal Point Coordinators Group (CG) on 24 September 2018. The purpose of this annual meeting is to utilise the presence of the respective heads of the IP offices to engage on the progress and developments that were discussed and or agreed to at the prior HIPO meeting, as well as keep abreast of any developing areas for further collaboration and engagement. This was the first meeting of CIPC (South Africa) chairing the IP BRICS forum after taking over from China on 28 March 2018. The meeting was successfully concluded with progress being noted in the various IP areas as well as engaging on preparations to address the upcoming matters and events including the hosting arrangements for the Examiner Training, Coordination Group Meeting (February 2019) and the 11th HIPO Meeting scheduled for April 2019. In addition to the main meeting, bilateral meetings were held with the Heads of the IP offices on significant IP matters.
- **IP BRICS Examiner Training 2019;** In the IP BRICS bloc, each member country has assigned workstreams (further structured into programs and projects) to enhance the collaboration to address the overall development agenda of the IP BRICS group. The annual training programme resides under the workstream: "Training of Intellectual Property Office Staff and Examiner Exchange" currently lead by the

Russian Federal Service for Intellectual Property (Rospatent). This initiative is a training programme of patent examiners from BRICS IP offices structured to improve understanding between the BRICS IP offices, develop common approaches to IP and create favourable environments for filing of applications in BRICS countries through the sharing of best practices. The training is usually organised and hosted in the country of the Chair of the BRICS IP Office. Hence the Companies and Intellectual Property Commission was responsible for organising and hosting the inaugural training that was held in Pretoria, South Africa from 25 February to 1 March 2019.

- The initiative saw over 40 patent examiners from all the BRICS member countries collaborating on various aspects of the rigorous patent examination processes. The training was aimed at sharing knowledge and strengthening cooperation between their respective BRICS IP offices. Mr Abhijit Chakrabarty, Counsellor of Indian High Commission in Pretoria, attended the opening session of the IP BRICS Examiner Training. The intense programme not only dealt with the technical aspects of patent examination, and held expert-led discussions on approaches to technical issues faced by the respective IP office, new developments in the respective IP offices and expert-led discussions, but also exhibited South Africa's innovations, SMME initiatives and CIPC's Inventor Assistance Programme.
- **2019 IP BRICS COORDINATORS GROUP (CG) MEETING;** The IP BRICS CGM (Coordination Group) meeting was held in Pretoria, South Africa, from 28 February 2019 to 01 March 2019. The meeting was chaired by the CIPC. The CGM is a group established by the Heads of the IP offices (HIPO) for the purposes of assisting in the preparation of the main meeting of Heads of IP Offices. This group is comprised of focal point persons from each of the IP BRICS member states and usually meets approximately a month before the HIPO meeting.

**Proof-of Concept Phase for Patents SSE system:**

- The CIPC in partnership with RosPatent, Russia organised the 2019 IP-BRICS Patent Examiner Training programme, which took place on 25 February to 01 March 2019 in Pretoria;
- The Austrian Patent Office provided advanced training for the CIPC searchers on EPOQUE Net from 12 to 15 March 2018;
- EPO Examiners conducted intermediate examination training from 18 to 29 March 2019; and
- EPO and CIPC are working on the draft implementation plan for the Proof of Concept implementation envisaged for November 2019.

Recruitment of interns for training on Substantive Search and Examination (SSE) of Patents

The recruitment of 30 interns to undergo training on substantive search and examination (SSE) of patent applications for 2 years is underway, wherein shortlisting has been completed. The next process will involve technical written assessments before the face-to-face interviews.

**Copyright**

**Collecting societies**

CIPC approved the Independent Music Performance Rights Association (IMPRA) Distribution plan for 2018 and SAMPRA Distribution Plan for 2017 to ensure that beneficiaries such as performing artists continue to reap benefits accruing from their Intellectual Property (copyright works/performances). IMPRA reported that at least 38% of the distribution is done.

**Standing Committee on Copyright and Related Right (SCCR):**

CIPC continued to participate in the WIPO SCCR to ensure that as a Copyright Office, CIPC remains relevant and to learn from other offices, especially as we are in the process of revamping the copyright legislative framework. SA is one of the member states that has formed a position on "fair use" (access to copyright works material by the public) in the copyright regime.

The National Assembly has also voted in favour of South Africa joining the three WIPO Copyright Treaties, the WIPO Copyright Treaty, WIPO Performances and Phonograms Treaty and WIPO Beijing Treaty on the protection of audio performances.

**Copyright Amendment Bill:**

CIPC has been a key participant of the Parliamentary process to amend both Copyright Act, 1978 and the Performers Protection Act, 1967. The two Bills are now voted for by the two houses of Parliament and will be submitted to Presidency for signing into law.

The **"Respect for IP: Growing from the TIP of Africa"** was the first International Conference hosted in South Africa that had as its main focus a balanced approach to IP enforcement. It was a global conference that catered for participants that had English and French as their speaking languages. More than 380 delegates attended the two day conference which was officially opened by Ms Fubbs, the Chairperson of the Portfolio Committee on Trade and Industry. She emphasised that the conference provided a platform to deal with critical elements and challenges of attracting investment, encouraging innovation and positively reshaping our economies.

## Entrepreneurial Culture

The Global Entrepreneurship Monitor (GEM) provides an indication of the state of entrepreneurship within South Africa.

Evidence from the GEM report indicates South Africa is a relatively poor entrepreneurial nation. In terms of the sub-indicators on self-perception on Entrepreneurship and Entrepreneurial Activity, South Africa is positioned in the bottom 30% of benchmarked countries. South Africans do not feel there are adequate entrepreneurial opportunities, they do not have self-belief in their ability to become entrepreneurs and have a high fear of failure. All these factors contribute to a low proportion of the surveyed population becoming entrepreneurs.

We revisit the GEM in the "Competitor" section of this report, as it allows South African entrepreneurship to be benchmarked against global players, creating insights into some of the strengths and weaknesses of the local entrepreneurial environment.

## The Human Development Index (HDI) and Entrepreneurial Culture

The HDI is a summary measure used to assess progress in three basic dimensions of human development; a long and healthy life, access to knowledge and a decent standard of living.

A long and healthy life is measured by life expectancy at birth. Knowledge level is measured by mean education-years among the adult population (the average number of education-years received in a lifetime by people aged 25 years and older, together with access to learning and knowledge). The standard of living is measured by Gross National Income (GNI) per capita, expressed in constant 2011 international dollars converted using purchasing power parity (PPP) conversion rates.

South Africa's HDI value for 2017 was 0.699. This puts the country in the medium human development category, positioning us at 113 out of 189 countries and territories. There has been a year-on-year improvement in our ranking; from 123<sup>rd</sup> out of 187 in 2011/12.

Between 1990 and 2017, South Africa's life expectancy at birth increased by 1.3 years. Mean-years of schooling increased by 3.6 years and expected years of schooling increased by 1.9 years. South Africa's GNI per capita increased by 27% between 1990 and 2017.

One of the reasons the HDI is important is the significant link between level of human development of a nation and entrepreneurial activity, a high HDI means that there is a high level of entrepreneurship in the country. The steady rise in South Africa's HDI will have had an impact on the CIPC, as more individuals could participate in entrepreneurial ventures in the formal business environment, and needed to interact with the CIPC and use IP registration. To keep up with higher entrepreneurial activity, the CIPC must position itself accordingly.

## TECHNOLOGICAL

Technological factors pertain to innovations that may affect operations of the industry or the market. These include, but are not limited to, elements such as automation, research and development, as well as an organisation's technological expertise and capability.

In the past few years, South Africa has experienced rapid growth in use of and access to technological devices, more specifically mobile phones and portable devices. South Africa is among Africa's technological leaders, boasting the highest number of smartphone users in the sub-Saharan region.

Great headway has been made in increasing internet access to South Africa users. Initiatives include undersea cables that provide users with fast and efficient internet access, as well as government investment in free public Wi-Fi services.

Technological advances have led to the CIPC being well poised for the future. We have endeavoured to provide all services and products online and digital multiple channel formats have seen a significant migration from manual to electronic registration in both company and IP registrations. Since inception in 2011, the CIPC has managed to upgrade its systems - out of the 191 CIPC core processes, 26% are hybrid (offered through a combination of manual and automated processes), or fully automated services. This attests to the CIPC's commitment to align with global best practice technological advances. The organisation is moving with modern times, while still providing strong service delivery to customers. As technological transformation continues to penetrate the South Africa market, it will become increasingly important that the CIPC continues to drive progress in modernising and upgrading its systems to be fully prepared for the changing technological landscape and associated customer requirements.

## ENVIRONMENTAL

Environmental factors are defined as factors which influence and determine the surrounding environment. The rise in importance of Corporate Sustainability Responsibility (CSR) contributes to the significance of this component. Factors include climate, recycling procedures, carbon footprint, waste disposal and sustainability.

The CIPC has successfully executed its ICT-led strategy through automation and modernisation. Automation has led to the CIPC's registration systems becoming faster and more cost-effective. Systems display enhanced data integrity, information security, registration system transparency and verification of business compliance. Increased usage of the CIPC's digital platforms led to a reduction in paper, contributing to a more sustainable, green environment.

**LEGAL**

Legal factors pertain to laws and regulations with which the CIPC must comply.

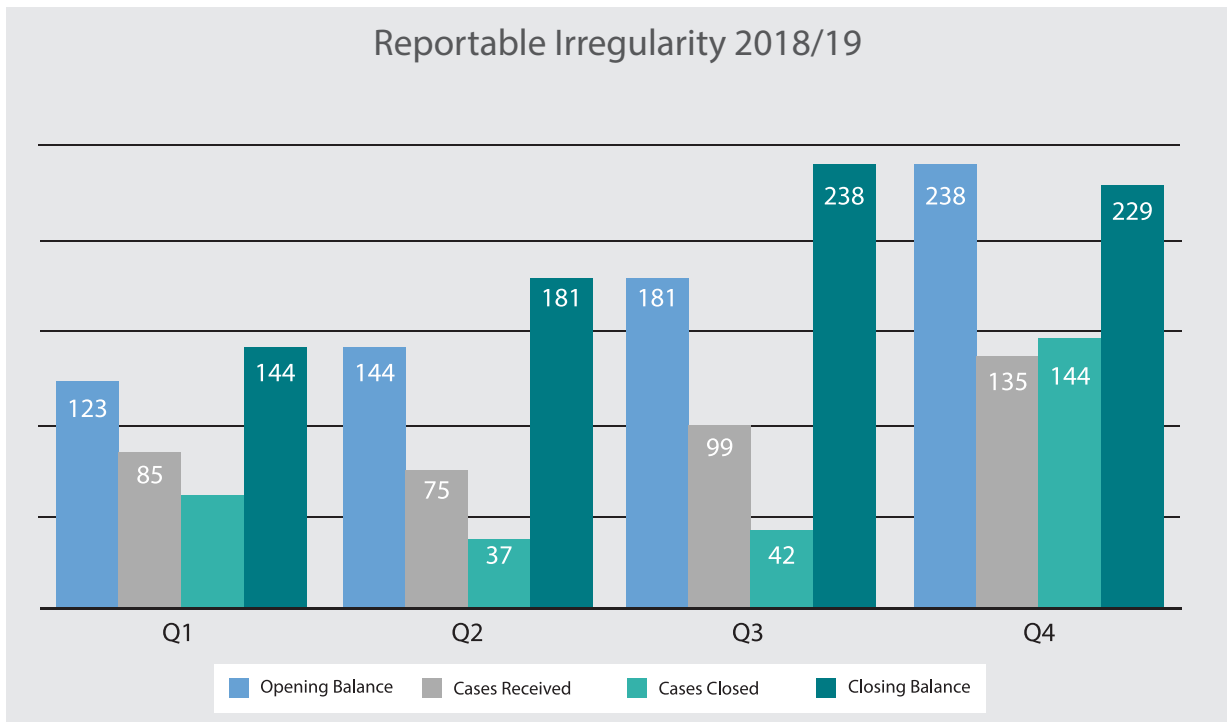
The CIPC is responsible for administering all or parts of 13 legislative components relating to corporate and Intellectual Property regulation (listed under General Information, Section 7 Legislative and other mandates). Its key mandate encompasses companies, close corporations, co-operatives, trade 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 (No. 71 of 2008), which establishes CIPC as a juristic person.

**Investigations**

Part of the CIPC’s mandate is to conduct investigations into compliance with company law. The number of closed cases increased over the four quarters; yet, due to an increasing number of new cases, the balance of outstanding cases is still high at the close of the year.

**Reportable Irregularities**

Filing of Reportable Irregularities increased during the reporting period. What is encouraging from the figures is the number of cases that have been closed over the reporting period. When one looks at the rate at which RI’s were being sent to CIPC, it can be inferred that this has a lot to do with the revelations in the marketplace about the tendency by audit firms to default, or procrastinate, on their duty to report reportable irregularities by audited entities.



Some of the entities from this register include:

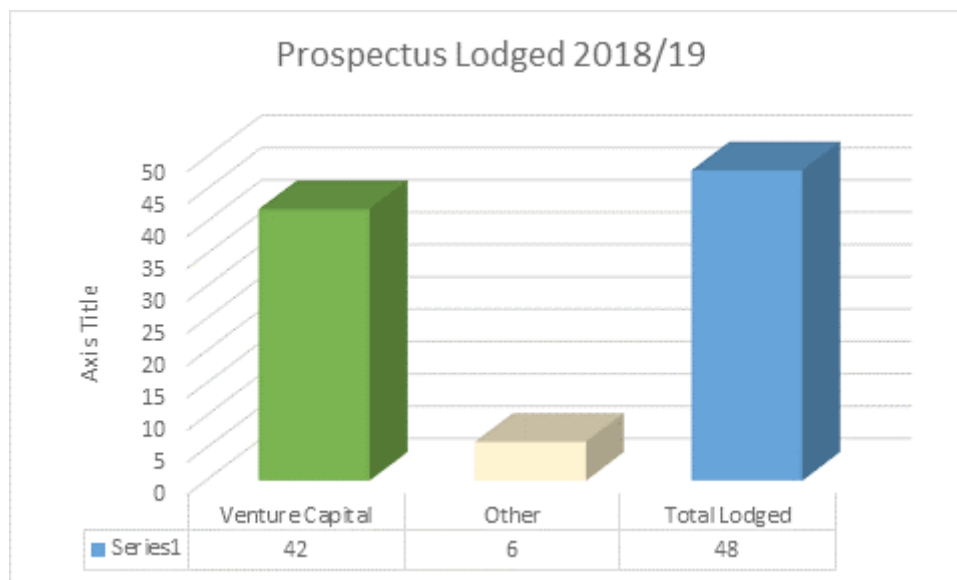
- Sagarmatha Technologies / Independent Media / Surve. Entity is now going to list on a foreign exchange to raise capital for improving its solvency and the outstanding AFSs were submitted.
- Mitsubishi Hitachi Power Systems Africa (Proprietary) Limited – AFSs not prepared within 6 Months Of Financial Year End;
- Hisense SA Manufacturing (Proprietary) Limited – AFSs not prepared within 6 months of Financial Year End; SABC
- Proactive Investigation Into Solvency;
- Eskom Holdings SOC Limited – Undeclared Conflict Of Interest and Irregular Payments;
- Ayo Technology Solutions Ltd – AFSs not prepared within 6 months of Financial Year End;
- Bombela Concession Company; As a result of the State Capture revelations African Global Operations (Proprietary) Limited – Material Misstatements for 2017 Financial Year.
- Bosasa Youth Development Centres (Proprietary) Limited - Provisional liquidation pending an appeal.

## COLD CASE REPORT

Cold Cases are matters which have been referred to the State Attorney for enforcement of administrative fines in terms of Section 175 of the Companies Act 71 of 2008. The CIPC employed an enforcement strategy with the Department of Justice through the State Attorney in order to implement recourse provided for in Section 175 of the Companies Act. The remaining cases emanated from investigations on Reportable Irregularities where the companies were found to have contravened Section 30 (1) of the Companies Act 71 of 2008.

During the reporting period 21 matters were referred to the State Attorney and three orders were granted in favour of CIPC, for which a forensic accountant is yet to be appointed in order to determine the exact administrative fine (quantum) that the company has to pay. Other three matters relates to pending settlement offers. One matter is being opposed in court. **Cold Case matters, under different stages during this court phase for the reporting period from the 21 are 14.**

## PROSPECTUSES



A total of 48 Prospectuses were lodged during the 2018/19 financial year and 42 of them are based on Section 12J of the Income Tax Act. A legal provision introduced as an incentive to enable (SMMEs) small business to diminish the capital procurement deficiency they are faced with.

### Prospectus Boardroom Visits

As part of our monitoring and oversight role, CIPC conducted a boardroom visit to public companies who registered prospectuses to validate and confirm use of capital raised. Companies included were randomly selected and included in the case study. Outstanding information that could not be provided during the visit informed further efforts to ensure compliance afterwards. Hereunder are the companies which formed part of the case study:

ENTITY	REGISTRATION NUMBER	DATE ISSUED (opening)	DATE ISSUED (closing)	NUMBER OF DIRECTORS	SHAREHOLDERS DETAILS	NUMBER OF SECURITIES	CAPITAL RAISED
MDLULI SAFARI LODGE LTD	2016/517374/06	26-01-2018	28-02-2018	6	Provided	45 0000	Yes
PERSIMMON ENERGY LTD	2017/455481/06	25-05-2018	24-09-2018	2	Provided	1 000 000	No
FRANCHISE JUNCTION	2017/009803/06	1-06-2016	28-08-2018	4	Provided	75 000	Yes
SUNSTONE CAPITAL FUND LTD	2017/418473/0	26-02-2018	28-02-2018	Not Provided	Not Provided	60 000	Not Provided

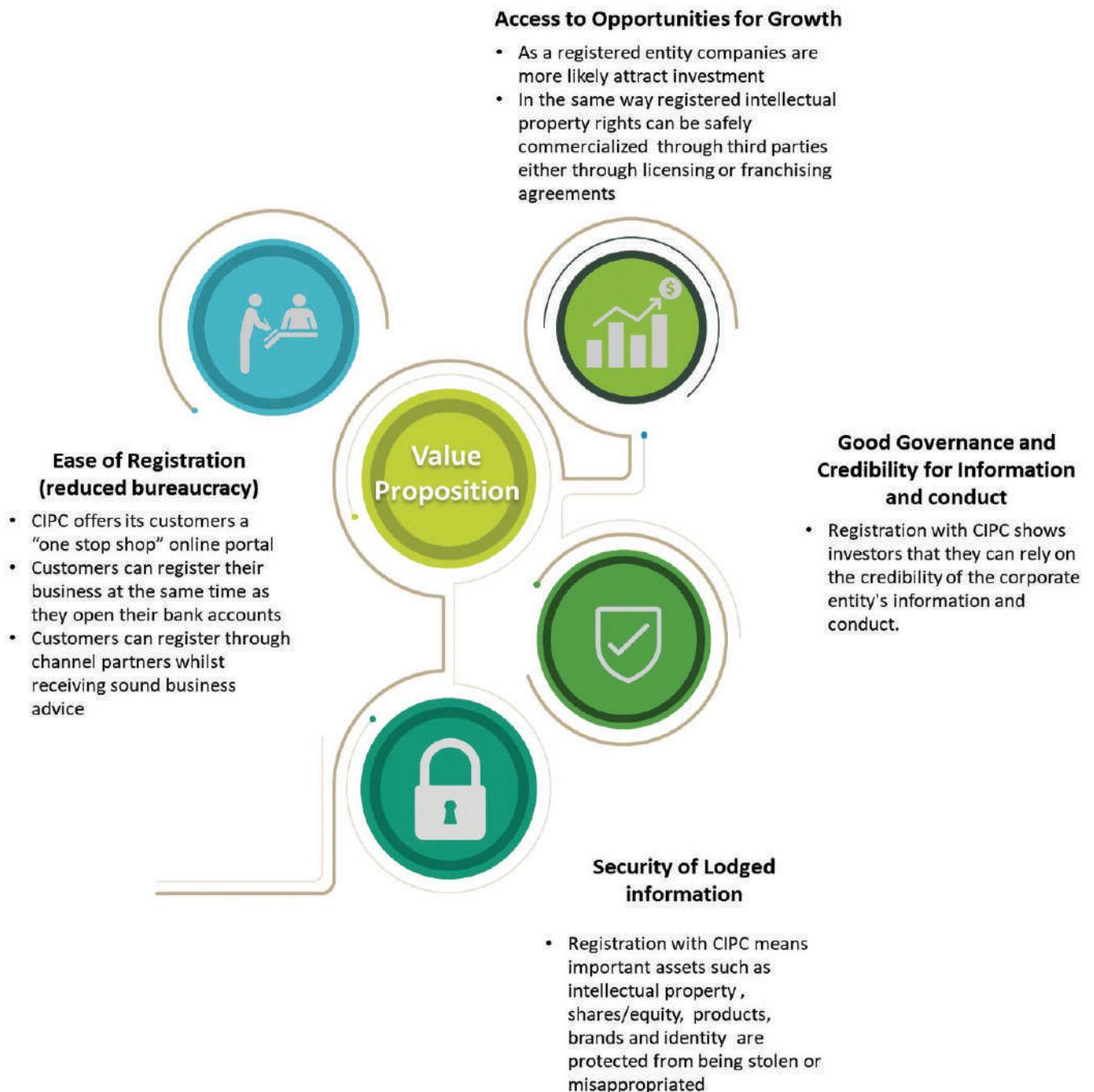
## Customers

Understanding customers is a key part of situation analysis. It involves knowing the target audience, their behaviour, market size, market growth, buying patterns, average purchase size, frequency of purchase, and preferred channels.

## VALUE PROPOSITION

The CIPC customer value proposition is aspirational: it includes benefits that customers currently enjoy, as well as future benefits to be developed and delivered by the CIPC in association with its channel and strategic partners. Living up to these aspirational value proposition requires that the CIPC builds necessary future capabilities in collaboration with its strategic partners. Therefore, achieving these aspirations is partly within its scope of control and partly under the control of the CIPC's strategic partners.

The CIPC's value proposition emphasises that dealing with the CIPC means customers have access to growth opportunities, are compliant with good corporate governance principles, and have the security of lodged information and ease of registration.





**SEGMENTATION**

The CIPC uses behavioural segmentation, dividing the market according to its needs. These segmentation categories include:

- Registration needs;
- Information and data needs;
- Compliance needs;
- Redress needs; and
- Maintenance requirements

The figure below describes how the CIPC addresses these needs.

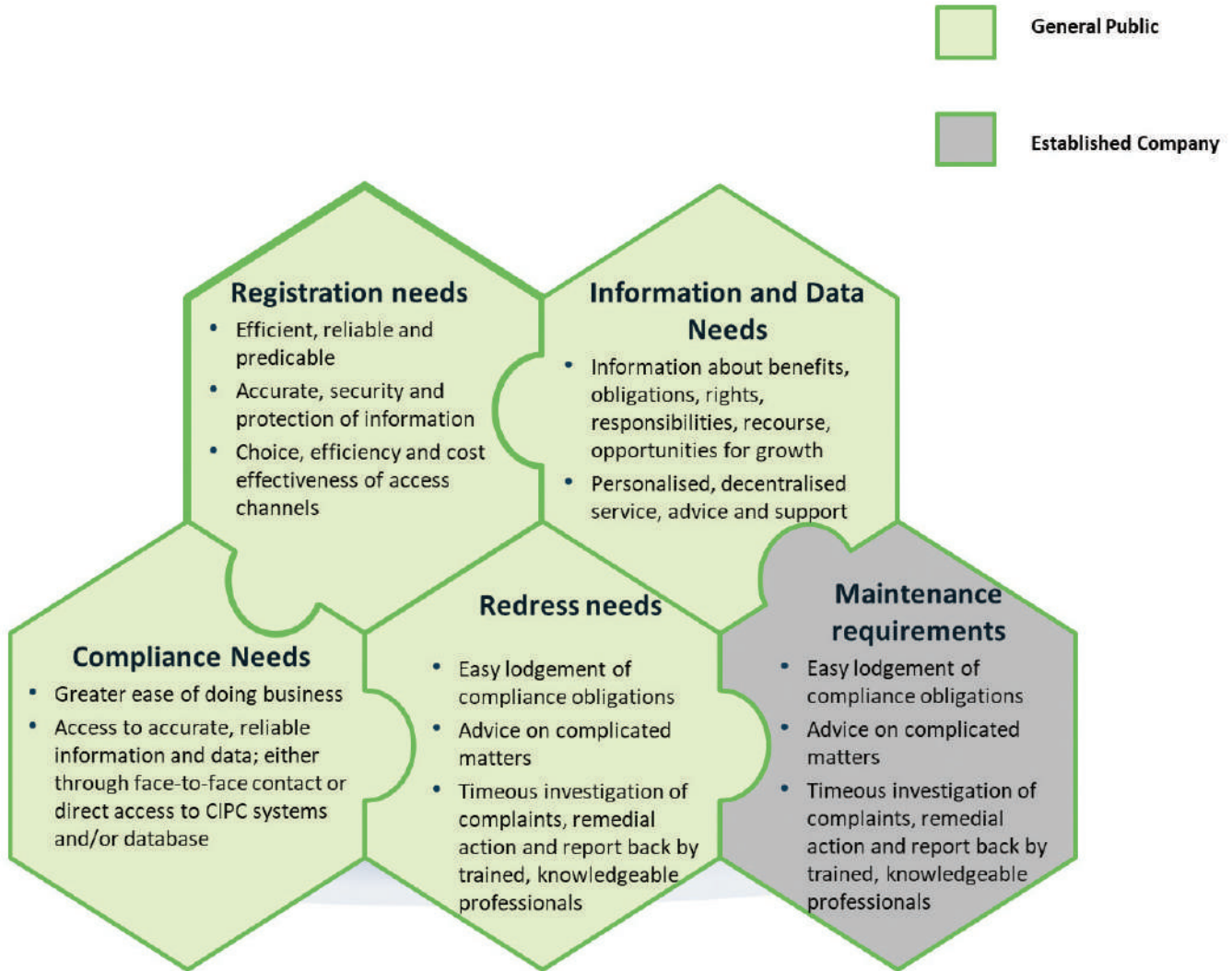


Figure 6: CIPC Customer Segmentation

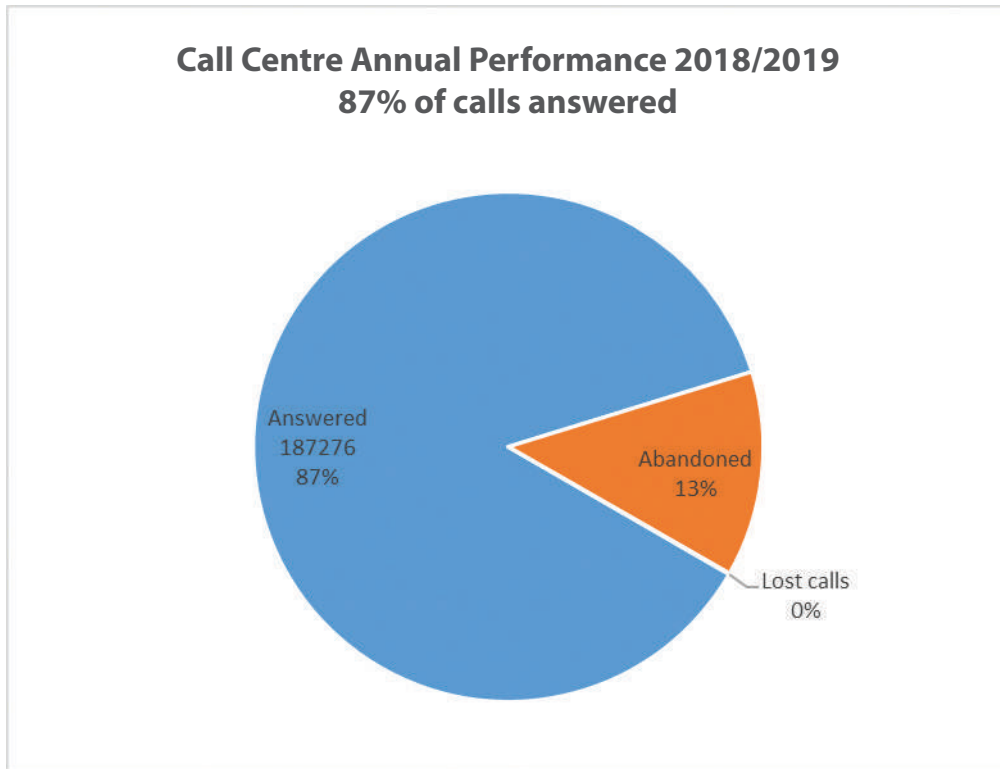
**Customer responsiveness**

In being responsive to customer requirements, the CIPC has been on a drive to:

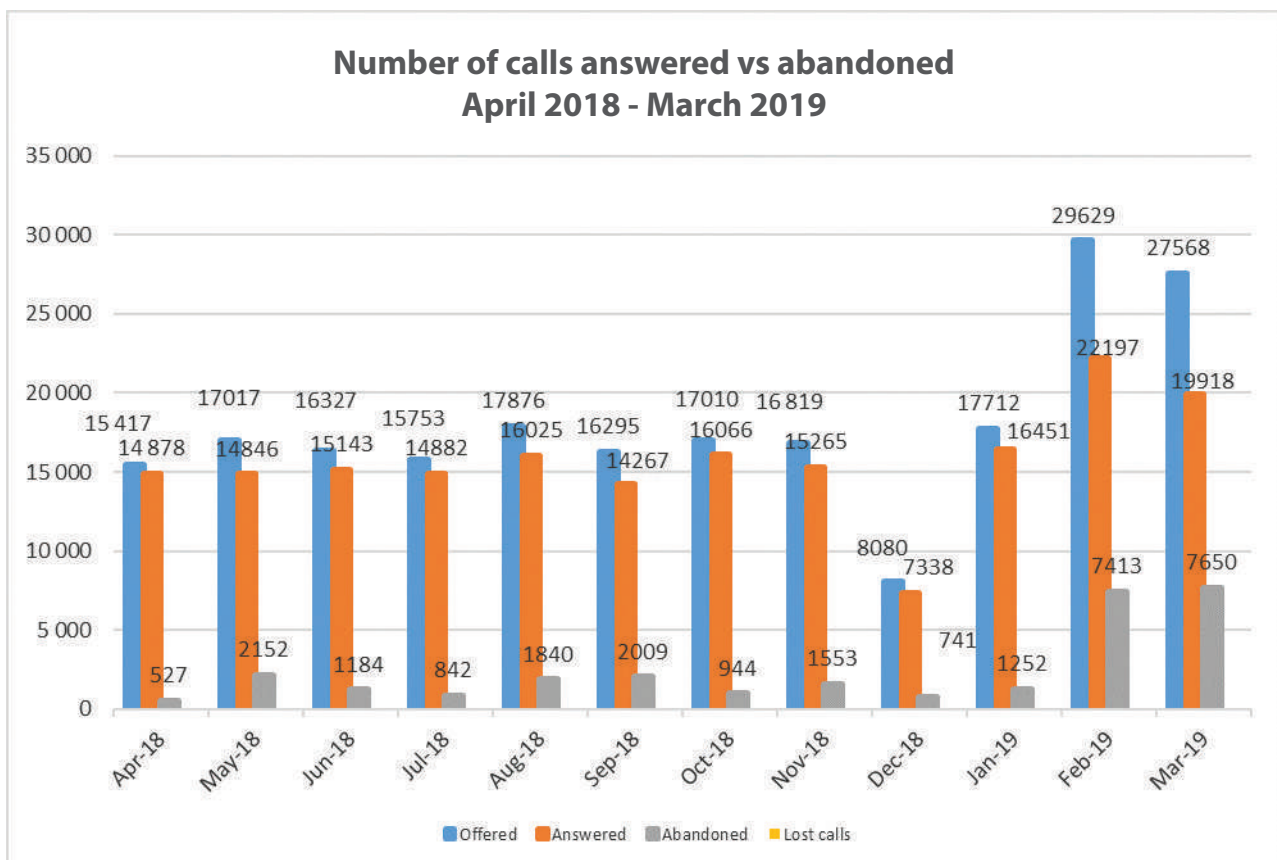
1. Automate its services:  
Available automated services are at 26%.
2. Turn-around call answer rate

The average call centre answer rate for the first three quarters of the financial year was 92%. The number of calls received increased significantly from February 2019, causing the average answering rate for Q4 to decrease to 78%. The average call centre answer rate for the financial year was 87%.

The table below illustrates improvement in the call answer rate



The number of calls attended from the call centre have increased drastically on the last two quarters of the year under review due to some IT problems experienced. The calls reached the maximum of 29 629 by February which unfortunately also led to increase in call abandoned. See the graph below:

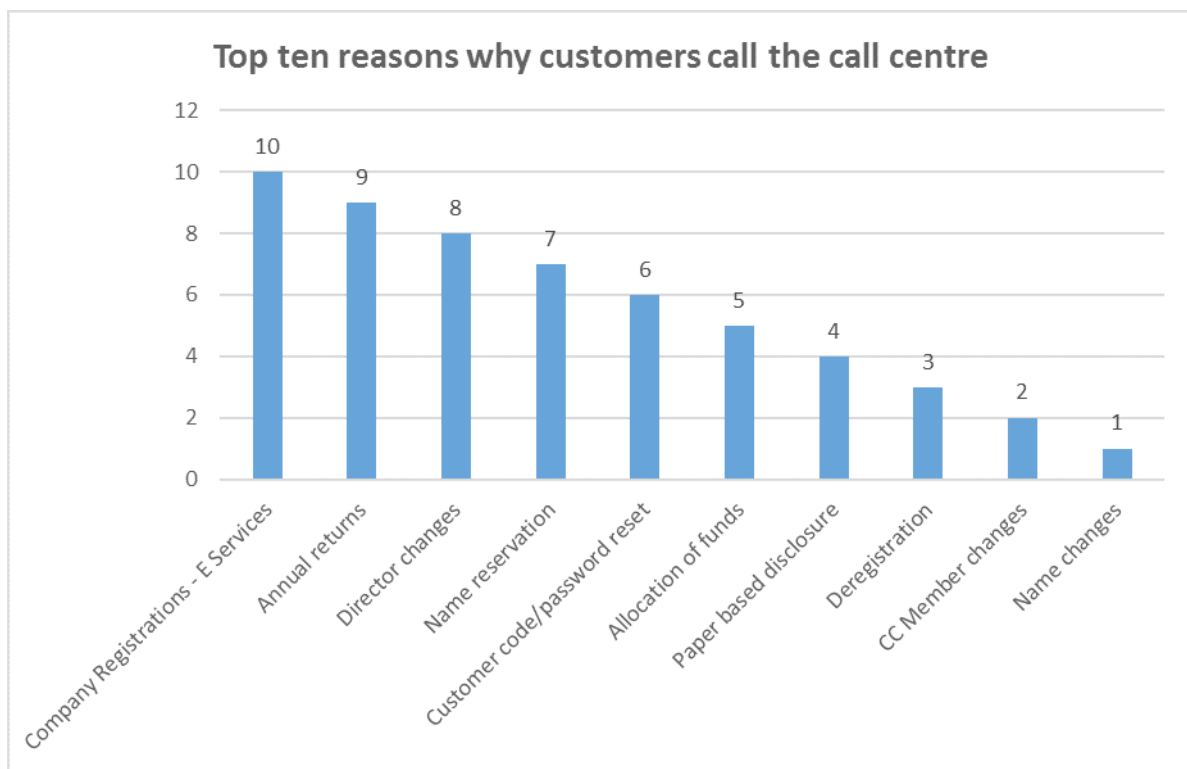


The detailed reasons for the increase in calls are as follows:

1. On 04 February 2019 there was a version release on e-services relating to:
  - Introduction of mandatory filing of Annual Financial Statements (AFSs) or Financial Accountability Supplement (FAS) when filing Annual Returns;
  - Changes made on B-BBEE certificates;
  - Real time verification of Identification Numbers via Department of Home Affairs (DHA) on e-services; and
  - Compliance status.

Subsequent to the release, customers experienced a lot of application errors, resulting in very high volumes of incoming calls.

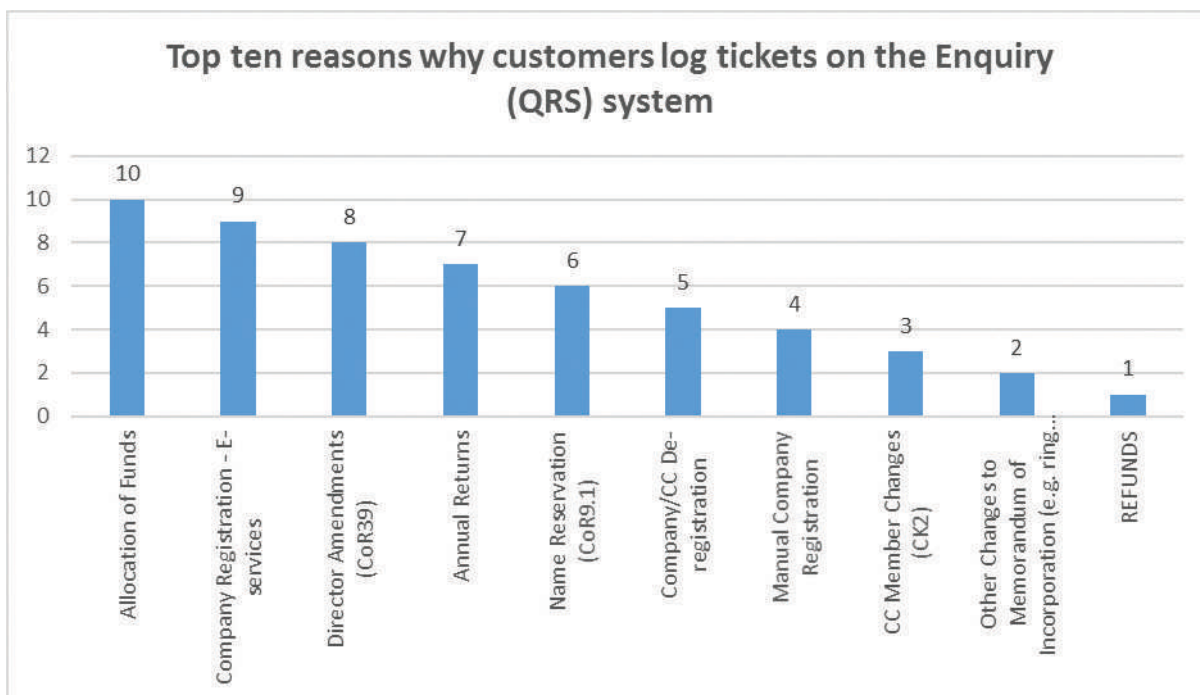
2. On 01 February 2019, the CIPC call centre introduced new, user-friendly Interactive Voice Recording (IVR) messages. This has ensured that customers could reach the call centre quicker, and has, in turn, led to an increase of calls.
3. The high influx of calls resulted in customers waiting longer to be assisted, and led to customers dropping calls, and a high volume of repeat calls.



Most of the calls received relate to the abovementioned top 10 reasons, with e-services, Annual returns, Director Changes, name reservations and customer codes/password resets. These are some of the high volume services that CIPC seeks to address efficiently all the time based on the feedback from the call centre.

3. Implement a Query Resolution System (QRS)

The Query Resolution System (QRS) project was enhanced and rolled out after information sessions were conducted for all staff members, including those stationed at the Johannesburg, Pretoria and Cape Town service centres. The top reasons for customers logging tickets with CIPC included allocation of funds, company registration, director amendments and annual returns.



#### 4. e-Communications

##### Website

The CIPC website has recorded an increase in user activity, marked by a 101% increase of website visitors for the period under review, the majority (98%) of which are new visitors. Most notable is that the average session time has increased by 6% compared to the previous financial year. The increase in the session time can be attributed to the number of new visitors who may not necessarily be familiar with the website. It is worth noting that the new website under development makes provision for different visitor profiles in which both new and frequent visitors were considered in the overall planning and development of the website.

##### Facebook and Twitter

CIPC social media followership continues to grow, as the recorded growth for the year under review is 51% across all social media platforms. A noticeable trend is that Twitter account followership growth has always been higher than that for the Facebook page, notwithstanding the high number of actual followers of Facebook Page compared to Twitter account.

##### Social Media Queries

System downtime has been the topical issue for customer queries in the 2018/19 financial year, despite the majority of queries being about clarity on company registration and Annual Return processes, status of customers' application for company registration and name reservation while a fraction of queries were complaints about delayed response to queries lodged through the query resolution system, lack of clarity in the

reasons for rejection of customers' applications and non-response on applications for registration of cooperatives.

##### Submission of AFSs

The XBRL submission platform was successfully rolled out on 01 July 2018. By the end of the fourth quarter, 7 513 Annual Financial Statements submissions had been received. Moreover, the Business Intelligence portal was also successfully launched for use by the investigators in the Corporate Disclosure and Compliance Regulation Unit and certain designated investigators in the Corporate Governance, Surveillance and Enforcement unit.

Financial Accountability Supplements (FASs) received during the quarter amounted to over 98287. Although an increase in FASs has been observed, there is a concern that entities which are obliged to submit AFSs may have opted for FASs to, inter alia, evade the XBRL requirements, either due to misconceptions about the costs, a lack of interest or knowledge to adhere to the new filing requirements. The AFS stream is in the process of assessing contraveners who filed AFSs in the previous regime who now file FAS's and necessary corrective actions will be undertaken.

Significant progress has been made on the development of a XBRL platform for digital financial reporting since 01 July 2018. By end of the 4th quarter 7 519 had been filed, this proves that the XBRL platform was deployed successfully. An additional requirement to the components mentioned above, called the "hard-stop" functionality of the AR process, entails ensuring either an AFS or FAS has been filed successfully before the Annual Returns process can be completed.

Hard-stop functionality was successfully deployed on 12 March 2019, to enable strict compliance with section 33 of the Companies Act where entities are compelled to submit Annual Returns together with Annual Financial Statements or Financial Accountability Supplements.

### Competitiveness

Competitive analysis is critical in understanding the external environment in which an organisation operates. Best practice dictates an analysis of competitor strengths, weaknesses, positioning, market share, and upcoming initiatives.

The CIPC is measured in terms of its contribution to South Africa’s competitiveness. To assess the CIPC’s contribution to the country’s competitive position, a review of its relative rankings and scores has been conducted using the Ease of Doing Business ranking, the Global Competitiveness Report, the WIPO IP indicators’ report and the Global Entrepreneurship Monitor.

### EASE OF DOING BUSINESS

The Ease of Doing Business Report evaluates how simple, or difficult, it is for a local entrepreneur to start a small-to medium-sized business when complying with relevant regulations. This received a boost with the launch of the eXtensible Business Reporting Language (XBRL) in July 2018 by the CIPC. This allows companies to file Annual Financial Statements using this mechanism and the data can be shared across the regulatory spectrum for multi purposes. In May 2018, South Africa was ranked first out of 115 countries for the transparency of its national budgeting process.








CIPC plays a vital role in the Doing Business Team of the World Bank. The CIPC is the lead organisation in the Starting a Business Technical Working Group and regular interactions between all role-players take place. The CIPC is represented at the Banking Association of South Africa where issues related to collaboration, operations and strategic matters receive dedicated attention. A technical team visited CIPC from Washington DC in June 2018 to verify the reported reforms in the company registration space. The intention is to improve the ranking in terms of starting a business by recognising the service delivery improvements that CIPC had demonstrated in recent years.

### GLOBAL COMPETITIVENESS REPORT

Competitiveness is defined as the set of institutions, policies, and factors that determine the level of productivity of an economy. South Africa is currently ranked 67 out of 140 countries [2018].

### WIPO IP INDICATORS REPORT

A comprehensive picture of IP activity around the world is based on statistics from national and regional IP offices, WIPO and the World Bank. The WIPO report covers filing, registration and renewals data for patents, utility models, trade marks, industrial designs, microorganisms and plant variety protection. According to the report, China is the largest driver of growth in the number of filed applications. South Africa has shown a strong improvement in the global rankings for the number of applications filed.

Country	Patents	Trade Marks	Designs
 South Africa	36/+100	36/+100	46/+100
 Brazil	25	13	20
 Russia	10	10	23
 India	14	6	13
 China	1	1	1
 USA	2	2	4
 UK	7	8	11

## THE GLOBAL ENTREPRENEURSHIP MONITOR (GEM)

The GEM is a benchmarking tool aimed at identifying the strengths and weaknesses of the local entrepreneurial environment. The GEM was addressed earlier in the "Climate" section as it speaks to social factors in the South African environment. The GEM is used here as a means of comparison between South Africa's entrepreneurial status and other nations.

South Africa's entrepreneurial status should be improved in the following indicators:

- **Self-perception about entrepreneurship:** South Africa is positioned in the bottom 30% of benchmarked countries;
- **Entrepreneurial activity:** South Africa is in the bottom 30% of benchmarked countries;
- **Motivational index:** South Africa is positioned in the bottom 50% of benchmarked countries; and
- **Gender equality:** South Africa is positioned in the bottom 50% of benchmarked countries;
- Societal value, with South Africa is positioned in the top 25% of surveyed countries, demonstrates a comparative strength for South Africans:

### 2.1.2 ORGANISATIONAL ENVIRONMENT

#### Company

The Company Analysis examines an organisation's strengths and weaknesses. It is useful in understanding existing and potential problems in the company's business.

#### STRENGTHS

##### Structure of the Business Registries

The CIPC offers its services through partnerships and collaborative initiatives, using multiple channels such as a third-party model, self-service terminals, self-service centres and banks. This continues to provide ease of transacting and accessing CIPC services countrywide. Increased Call Centre Efficiencies

The CIPC's call centre is an essential touchpoint for its customers. The call centre has improved service provision over the past five years. Specifically, the call centre has experienced an increase in call/ answer rates in the past five years. Key initiatives such as recruitment of experienced call agents and continuous training have contributed to the improvement in capacity building.

##### Automation and Digitisation

The CIPC has made radical improvements in the levels of

automation and modernisation within the organisation. Automation has led to the CIPC's registration systems being faster and more cost-effective, offering enhanced data integrity, information security, registration system transparency and verification of business compliance. The challenge now is to ensure that CIPC benefits from the 4th industrial revolution and block chain technology to ensure a responsive and customer focussed organization.

#### Integrated Registration System

ICT makes registration systems faster and more cost-effective. It enhances data integrity, information security, registration system transparency and verification of business compliance. The use of technologies also assists countries with limited human resource to meet customer demand and reduces administrative costs.

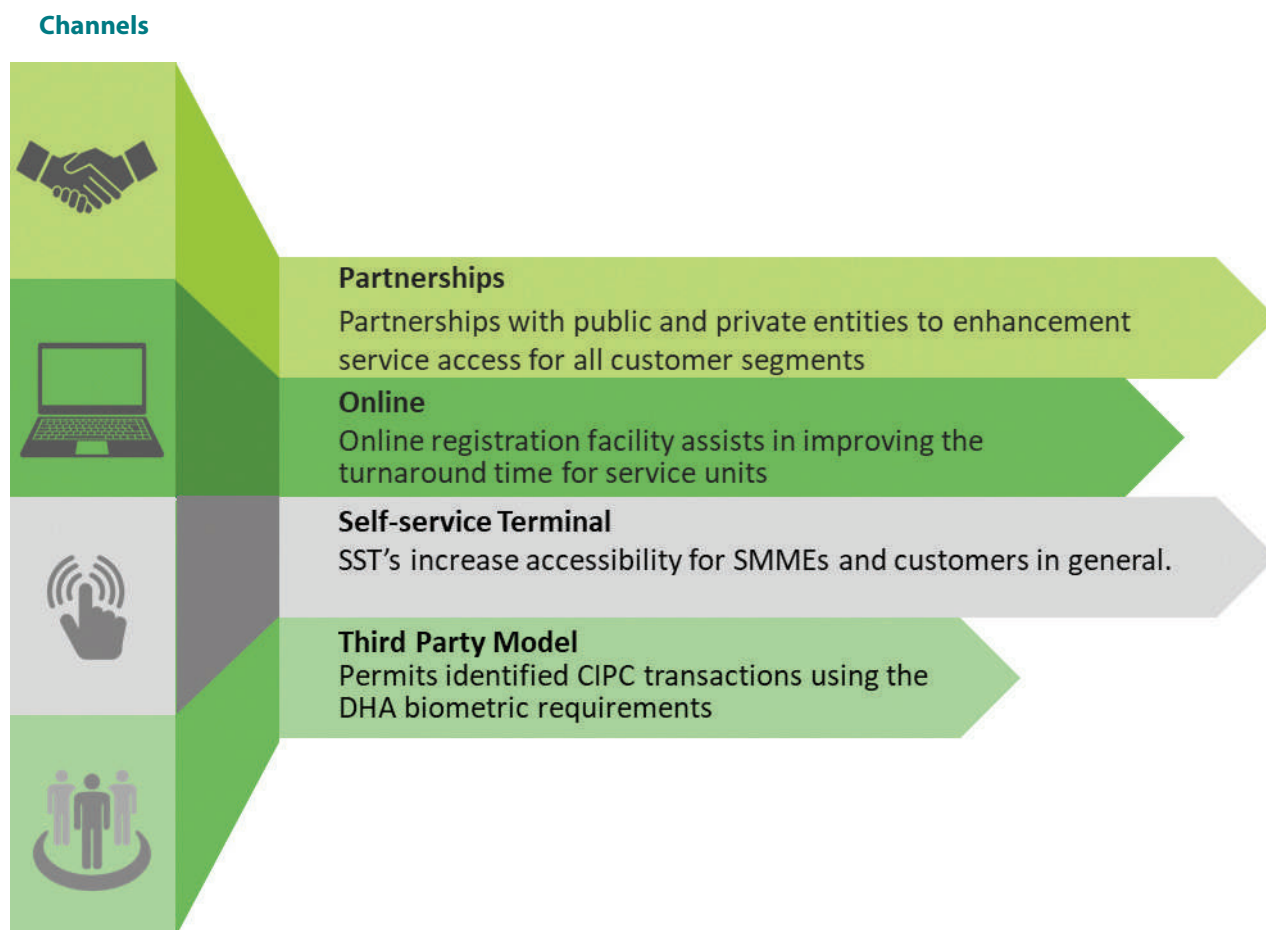
An ICT-led registration system is crucial for both the virtual and physical one-stop-shops. Physical shops can deliver services faster and more efficiently by using ICT for the back-office workflows. ICT can also play an essential role in developing integrated systems.

The CIPC has successfully automated its processes over the past five years which improved customer experience and efficiencies within CIPC. Whilst our major processes have been automated we still continue with this journey with new services coming on board from time to time.

#### Distribution Channels

The CIPC has made great strides in collaboration and its distribution channels. The figure below illustrates the CIPC's various distribution channels:

Figure 4: CIPC Service



### Standardised incorporation documents

Standard incorporation documents enable a number of key benefits. These include:

- Enabling entrepreneurs to ensure legality without resorting to notaries and lawyers;
- Decreasing the cost burden for the applicant cost when a lawyer is eliminated;
- Decreases the commissioning cost burden, as the processing of applications is more efficient;
- Easing workload at the commissions or registries; and
- Assisting in preventing errors, and expediting registration time.

The move towards a single, standardised incorporation document is one to which mature economies subscribe, and a principle the CIPC has implemented.

The Companies Act, 2008 (No. 71 of 2008), as amended, has since replaced the Memorandum and Articles of Association with a single Memorandum of Incorporation (Moi). Since inception of the CIPC, the number of company registrations has climbed annually. A contributing factor to this steady increase may be attributed to the introduction of the single, user-friendly Moi. The new Moi has simplified CIPC customers' registration process and made company registration a more accessible option.

### Registration and Administrative Process

Company registration is an administrative, not judicial, matter. Involving courts in the registration process may take an entrepreneur on average, 70% longer than if it were an administrative process. The CIPC aligns with this international practice, as in South Africa, there is no requirement to register a company using the court system or a notary. It is, and always has been, optional to involve a notary in the process; it is not a mandatory requirement by the Commission. Therefore, South Africa implements the company registration process as an administrative process, not a legal process

### Intellectual Property

The upward trend in the CIPC's IP application service turnaround time is positive. Turnaround times have improved strongly over the past five years. The CIPC's average turnaround time for patents and designs application is three days. The average turnaround time for a copyright application is one day. This demonstrates tremendous improvement, and shows the CIPC is increasingly a competitive organisation.

## Financial Sustainability

The CIPC is funded purely by fees collected from registration services and Annual Returns, and has been able to maintain financial self-sustainability. However, future financial sustainability must be assessed given the role of the CIPC within Government. Research has shown that a self-sustainable Government Entity is one of the major keys in creating economic development and social value for citizens of the country. The implementation of the revised fee structure will have a positive effect on CIPC sustainability

### Capital requirement for start-ups

Start-up capital for is frequently limited for SMEs, especially in developing nations such as South Africa. Minimum capital requirement places constraints on the growth potential of businesses, often worsened by time. Essentially, capital constraints undercut entrepreneurship in South Africa and globally.

The CIPC is aligned to best practice of eliminating minimum capital requirements. This has the potential to foster formal economic participation by small and medium enterprises.

## WEAKNESSES

### ICT services

The functioning of the ICT network and infrastructure is not optimised.

### Compliance

Although, there are several pieces of legislation with which the CIPC is 100% compliant, in some cases a gap exists between what the CIPC currently addresses, and its mandate. The organisational re-design process will establish that appropriate skills are in place.

### Registration

The CIPC has successfully implemented a hybrid registration system. There are certain inefficiencies in the registration system, including:

- System instability;
- Steps within hybrid and manual processing that are not automated, such as indexing and automatic rejection notification for applications that do not meet process and document requirements;
- A slow rate of final deregistration for non-compliant companies and close corporations; and
- Inefficient manual processing systems.

## Document Management

The CIPC must ensure its document management processes and systems maintain relevant security levels, as current arrangements pose a security risk. The CIPC works with sensitive, confidential documents and as such, requires an access-controlled environment and/or a secure area to store and work with confidential documents. This arrangement does not currently exist at the CIPC.

### Finance/ Supply Chain Management Processes

The Finance and Procurement Division comprises the finance department, supply chain management and treasury, as well as insurance. This department has not achieved optimal performance due to these inefficiencies:

- Poor demarcation between roles and responsibilities of the overall business, and the Finance and Procurement division;
- Insufficient or no budget allocation for key projects; and
- Departmental processes not aligning to business processes.

The CIPC is currently exploring ways to address these challenges.

### Legislation and Policy

Although the CIPC is currently well aligned to various items of legislation, there are a few inefficiencies with regards to legislative adherence, including:

- Delays in finalisation of the Copyright Bill; and
- A fragmented IP system.

### Stakeholder Relations and Management

Synergies between various government departments and agencies handling IP issues require improvement. The upcoming organisational design should assist in dealing with this challenge in the upcoming financial year

### Digitisation and Technology

The CIPC has made strides by increasing automation and digitisation throughout the company. There is still room for improvement in areas where small inefficiencies exist:

- Current service targets and lodgement turnaround times are negatively impacted by inadequacies in the IT system which result in large backlogs and targets not being met; and
- Current human capital skill is not aligned with technological advancement and future developments



## THREATS AND OPPORTUNITIES

A summary of CIPC's threats and opportunities is detailed in the table below.

THREATS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Generally low education and low awareness of Intellectual Property;</li> <li>• Low infrastructure for company and IP registration;</li> <li>• Limited policy influence;</li> <li>• Patent law issues;</li> <li>• Conversion of knowledge to IP, particularly in higher education;</li> <li>• Low investor confidence; and</li> <li>• Negative societal value and perception of entrepreneurship in South Africa</li> </ul>	<ul style="list-style-type: none"> <li>• Automation of co-operatives and IP registration process;</li> <li>• Growth of SMME sector;</li> <li>• CIPC signing onto international agreements;</li> <li>• Legislate patent pools;</li> <li>• Develop support programmes for entrepreneurs;</li> <li>• CIPC can improve value recovery rate of insolvency procedures;</li> <li>• 4th Industrial Revolution and Block Chain Technology; and</li> <li>• Organisational Redesign</li> </ul>

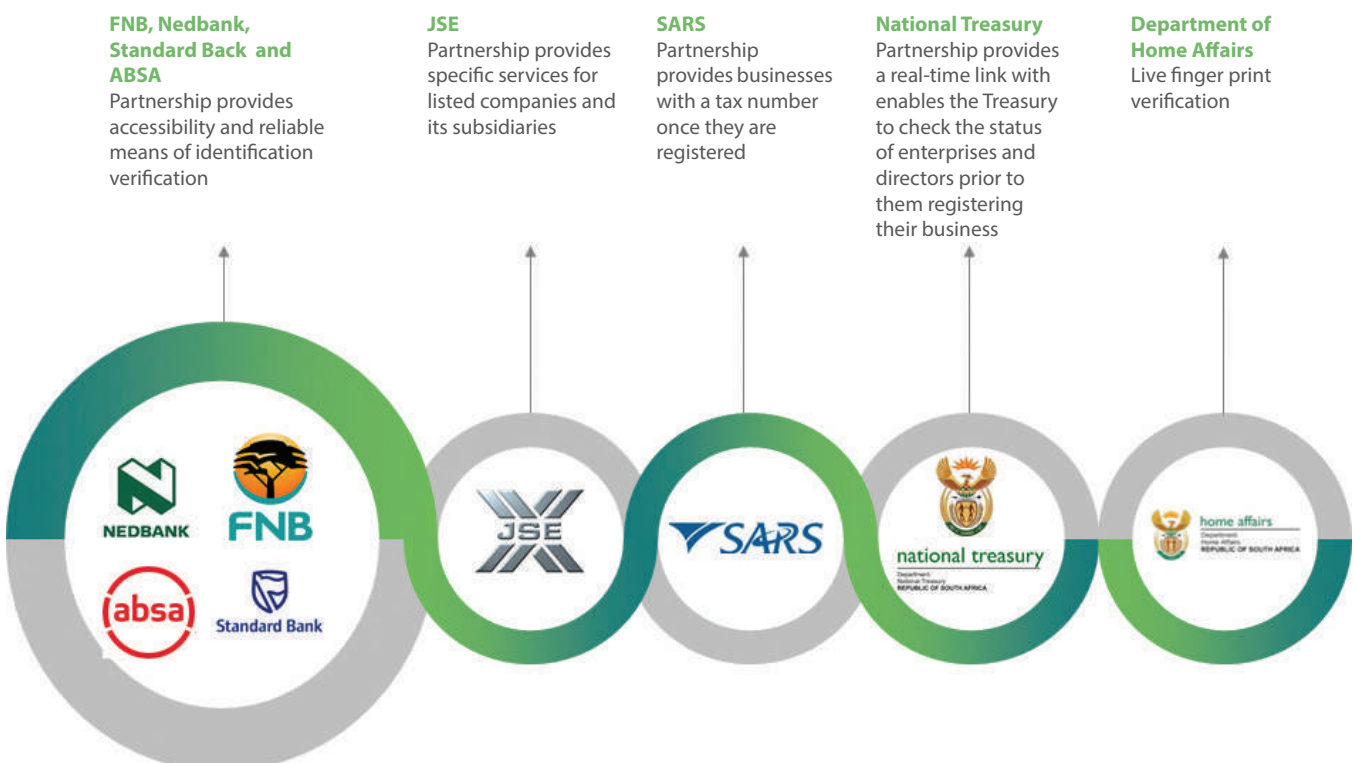
## COLLABORATORS and PARTNERSHIPS

Collaboration is one of the CIPC's core values. As a value-based organisation, every effort is made to demonstrate these new values in the organisation's activities. Over the past several years, collaborations with both public and private organisations have been a central distribution model focus and have proved to be particularly significant.

Collaboration with CIPC is not an exclusive arrangement, i.e. when CIPC works with one entity, it is its discretion to work with another:

1. CIPC is a public sector organisation and will never favour one over another;
2. Collaboration is dependent on the benefit to the mutual end user of CIPC and the partner organisation's services; and
3. CIPC does not incur costs for the sake of a collaboration partner. All work in the interest of the collaboration is for the cost of the individual organisations.

Partnerships are, on the other hand, generally relationships CIPC has with fellow regulators and public service organisations to offer mutual education and awareness campaigns, extend the CIPC footprint and to enhance the experience of the partner organisation (Provincial Economic Development Agencies, in particular).



The CIPC always aimed to reduce regulatory burdens and indirect costs for customers, while simultaneously adding value to customers' experiences. This premise encouraged the CIPC to explore alternative access channels and partners. The partnership model had a significantly positive impact on registration turnaround times, and has accelerated CIPC's pursuit of its goal to create a 'one-stop-shop' with minimum touch points.

#### *Indicative CIPC Partnerships*

CIPC aims to reduce the regulatory burden and to improve the ease of doing business for all citizens. To facilitate this process, it forged a number of partnerships with relevant organisations over the years. Some of these partnerships have yielded significant results. Effectively, a multi-channel strategy has been adopted to cater for the different customer segments.

One key achievement is the banking collaboration that accounts for 5% of private company registrations on average per annum. This channel offers a range of CIPC products and services, including company registration, name reservation, payment integration and B-BBEE certificate application. Banks were selected as a specific channel because they have an extensive branch network and online functionality that is internationally accessible. In addition, they provide reliable identification verification.

In an attempt to differentiate services for different target markets, the CIPC launched an office in partnership with the Johannesburg Stock Exchange (JSE). This office provides specific services for listed companies and subsidiaries, i.e. director and company amendments, advisory services and real-time company registration services (through a self-service terminal). In its efforts to continue providing value-added services, the CIPC also partnered with SARS, offering a tax number when an enterprise is registered.

The partnership between CIPC and the National Treasury enables the Treasury to verify enterprise and director statuses on the CIPC database before Central Supplier Database verification is concluded.

One of the flagships is the addition of Domain Names to the CIPC suite of services. A partnership with ZADNA, a fellow-regulator which reports to the Department of Communications, enables business owners to register a domain name on the CIPC platform.

All these collaborations, partnerships and channels have improved the ease of starting a business to such an extent that business owners can register a company, apply for a BEE Certificate, register a domain, obtain a tax number and open a bank account through two simple processes.

### **2.1.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES**

On 23 May 2018, Cabinet approved the Intellectual Property Policy of the Republic of South Africa – Phase I (Draft IP Policy), which seeks to provide a national IP system that is cognisant of other government priorities and to provide a co-ordinated approach on IP matters by government departments and other organs of state. The IP Policy also seeks to provide a balanced approach between preserving the rights of creators of IP, on the one hand, and, on the other, providing access to knowledge, technology transfer and safe affordable medicines for the benefit of all South Africans. One of the key policy instruments emanating from the IP Policy is the envisaged introduction of Substantive Search and Examination (SSE) of patent applications in South Africa. The IP Policy provides for a phased approach to the introduction of SSE, where the Inter-Ministerial Committee on Intellectual Property (IMCIP) established under the IP Policy, will determine the priority sectors in which patent applications will be examined. CIPC, together with the Department of Trade and Industry (**the dti**) has initiated a review of the South African Patents Act no.57 of 1978 and the Regulations promulgated to determine the amendments that would be required to give effect to the IP Policy. Another major legislative reform is the Copyright Amendment Bill and Performers Protection Bill. CIPC and the Department of Trade and Industry has thus far secured approval of the Bills from both National Assembly and National Council of Provinces. The Department of Trade and Industry, together with CIPC, are just waiting for the Presidency to sign the Bills into law before the sixth Parliament is constituted.

## 2.2 STRATEGIC OUTCOME-ORIENTED GOALS

The CIPC's two strategic outcome-oriented goals over the strategic period 2017/18 – 2021/22 and a description of each is tabled below:

Strategic Outcome Oriented Goal 1	Reduced administrative compliance burden for companies and IP owners
Goal Statement	To create ease, simplicity and flexibility in forming and maintaining companies, as well as protecting Intellectual Property to reduce the administrative compliance burden for companies and IP owners.
Description	The CIPC will develop and implement solutions that reduce the time customers spend engaging in CIPC related activities. This will reduce the administrative compliance burden so <b>“businesses and IP owners can focus on the business of doing business and creating IP”</b> . This will encourage entrepreneurship, enterprise development, and enterprise efficiency, contributing to investment, competitiveness and employment creation.
Alignment to <b>the dti</b> strategic goals	Facilitate transformation of the economy, to promote industrial development, investment, competitiveness and employment creation. Create a fair regulatory environment that enables investment, and trade and enterprise development in an equitable and socially responsible manner.
Strategic Objectives	24/7 access to all CIPC products and services. Timely delivery of all CIPC products and services. An intelligent, innovative, high-performance organisational environment.
Strategic Outcome Oriented Goal 2	A reputable Business Regulation and IP Protection environment in South Africa.
Goal Statement	CIPC will ensure implementation and compliance with Company and IP Laws to create a reputable Business Regulation and IP Protection environment in South Africa.
Description	Create a reputable Business Regulation and IP Protection environment in South Africa, which will result in investment, and improved competitiveness, leading to industrial development and employment creation.
Alignment to <b>the dti</b>	Facilitate transformation of the economy that promotes industrial development, investment, competitiveness and employment creation. Create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner.
Strategic Objectives	Increased knowledge and awareness on Company and IP Laws. Improved compliance with Company and IP Laws.

The following is a description and summary progress in achieving each strategic objective:

Strategic Objectives 1.1	
<b>24/7 access to all CIPC products and services.</b>	
<b>Objectives statement</b>	24/7 access to all CIPC products and services to provide ease, simplicity and flexibility in dealing with CIPC.
What does this mean?	Products and services to be available anytime, anywhere (globally) to provide for people with special needs. CIPC will strive to pre-empt customer expectations, and optimise capacity and performance to meet customer expectations through multiple channels.
Risks/ challenges	The CIPC will address these challenges and risks to ensure they meet the strategic objective: <ul style="list-style-type: none"> <li>- Legacy systems and processes;</li> <li>- Cyber security;</li> <li>- Customer difficulty in accessing non-automated products/ services, data integrity, managing customer expectations;</li> <li>- ICT Alignment;</li> <li>- Infrastructure; and</li> <li>- Resources.</li> </ul>
Summary progress (capability)	Website availability maintained at a monthly 95% for the year; SST are installed in all 9 Provinces with relevant partners and colcollaborators; CIPC 3 <sup>rd</sup> Party Model also continues to expand access with selected CIPC products and services on offer; and 26 % of CIPC services have an option to file electronically compared to services which may only be filed manually
Summary progress (channels)	Channels and available products and services: Self-service centres 08:00 – 15:30 (Company registration, Annual Returns, Tax Number Application, B-BBEE certificate) Partners (SSTs) 08:00 - 15:30 (Company Registration) Third Parties 08:00 – 15:30 (Company Registration) Email 24/7 (Queries, lodgements) USSD 24/7 (Queries related to company registrations and amendments) Website 24/7 (Customer Registration, Name Search, Name Reservation, Company Registration, Annual Returns Filing) Social Media - Facebook, Twitter, and YouTube (information updates)
Strategic Objectives 1.2	
<b>Timely delivery of all CIPC products and services.</b>	
<b>Objectives statement</b>	Timely delivery of all CIPC products and services, by continually reducing time spent engaged with the CIPC.
What does this mean?	Services are rendered per standards stipulated, ensuring quality is maintained, and services provided rapidly. Internal resources, processes and systems are geared to support this objective.
Risks/ challenges	CIPC will address these risks and challenges to meet this strategic objective: <ul style="list-style-type: none"> <li>- Stability of ICT systems (CIPC, partners, third-party providers)</li> <li>- Understanding customer expectations for quicker services;</li> <li>- Staff readiness and alignment – changing behaviours (staff culture);</li> <li>- Limited knowledge of technological developments;</li> <li>- Quality/ error rate of services; and</li> <li>- Infrastructure and presence</li> </ul>
Summary progress (capabilities)	See Strategic Objective 1.1

<b>Strategic Objectives 1.2</b>		<b>Timely delivery of all CIPC products and services.</b>
<b>Summary progress</b>	<b>Average turnaround times for key services:</b> Companies Registration – 1 Co-operatives Registration – 2 Trade mark Applications – 3 Patents Applications – 3 Design Applications – 3 Copyright in Film Applications – 3	
<b>Strategic Objectives 1.3</b>		<b>Intelligent, innovative, high-performance organisational environment.</b>
<b>Objectives statement</b>	An intelligent, innovative, high-performance organisational environment that provides online, automated products and services, supporting a reputable business regulation and IP protection system.	
What does this mean?	This is achieved via modernisation through: - Data analytics, organisational redesign (including reallocation of resources), training and upskilling staff to ensure continuous improvement; - Maintaining a responsive environment (IT, people, finances) where employees to act as product/ service champions and mentors; and - Fostering an innovative culture within the organisation.	
Risks and challenges	The following risks and challenges will be addressed to ensure strategic objective is achieved: - Change Management; - Low staff morale; - Employee Engagement; - Alignment of skills, functions, policies and procedures; and - Integrated planning, data and system integration	
<b>Summary progress</b>	76.6% staff complement filled, OESTT completed, remuneration framework and organisation re-design procurement for service providers is under way. 136 Employees were trained externally in line with their Performance Development Plans, School Holiday programme implemented	
Summary progress	7.4 Customer and stakeholder value index 76.6% staff complement	

Strategic Objectives 2.1		Increased knowledge and awareness on Company and IP Laws.
<b>Objectives statement</b>	Increased knowledge and awareness of Company and IP Law.	
What does this mean?	This is achieved through: <ul style="list-style-type: none"> <li>- Segmentation of target audiences;</li> <li>- Constant monitoring of education's effectiveness and awareness channels;</li> <li>- Exploration of new channels for education and awareness;</li> <li>- Continuous assessment of the impact of education and awareness initiatives; and</li> <li>- Increase in compliance, and continual updating of staff skills and competencies to ensure consistency and relevance of education and awareness</li> </ul>	
Risks and challenges	CIPC will address the following risks and challenges: <ul style="list-style-type: none"> <li>- Internal awareness on Company and IP Laws;</li> <li>- Multi-lingual education awareness on material and presentations;</li> <li>- Use of current communication platforms;</li> <li>- Centralised education and awareness function; and</li> <li>- Clear, coherent education and awareness strategy</li> </ul>	
<b>Progress summary</b>	Education and awareness conducted countrywide for targeted audiences, in partnership with key partners such as <b>the dti, NIPMO, TIA, Universities, WIPO and others</b>	
Strategic Objectives 2.2		Improved compliance with the Company and IP Laws
<b>Objectives statement</b>	Improve compliance with provisions of: <ul style="list-style-type: none"> <li>- Companies Act and other relevant legislation; and</li> <li>- IP legislation through compliance monitoring and enforcement activities.</li> </ul>	
What does this mean?	This will be achieved by: <ul style="list-style-type: none"> <li>- Establishing a baseline to promote understanding of improved compliance;</li> <li>- Identifying necessary compliance monitor; and</li> <li>- Develop a compliance monitoring strategy.</li> </ul>	
Risks and challenges	CIPC will address the following risks and challenges: <ul style="list-style-type: none"> <li>- Improve awareness of compliance requirements;</li> <li>- Address deliberate non-compliance;</li> <li>- Improve market corporate governance; and</li> <li>- Engage on possible trade-off between regulation and innovation</li> </ul>	
<b>Progress summary</b>	Countrywide compliance monitoring and enforcement activities, in partnership with professional associations and enforcement agencies.	

## 2.3 PERFORMANCE INFORMATION BY PROGRAMME

### 2.3.1 Programme 1: Service Delivery and Access

*Description of the programme*

#### **Purpose of the programme**

The purpose of the programme is to promote service delivery, quality and access to CIPC products and services via operational excellence, multiple channels, collaboration with partners and innovation, and providing financial, human, information and physical resources in a responsible manner. Proper compliance, governance, and risk processes will be adhered to. Executive and strategic direction will be provided to the organisation, and a conducive, secure environment created to ensure the CIPC delivers on strategic objectives.

List the sub-programmes

#### **1. Broader Office of the Commissioner**

- a) Advisor to the Commissioner
- b) Innovation and Collaboration
- c) Strategy
  - (i) Strategy, Planning and Monitoring
  - (ii) Operational Excellence
  - (iii) Strategic Communications
- d) Compliance, Governance and Risk
- e) Internal Audit

#### **2. Corporate Services**

- a) Human capital
  - (i) Human capital
  - (ii) Knowledge Centre
  - (iii) Labour Relations and Employee Engagement
- b) Facilities and Security
  - (i) Facilities
  - (ii) Security
  - (iii) Disclosure
- c) Service Centres
- d) Client Engagement and E-communications

#### **3. Finance**

- a) Financial Management
- b) Treasury
- c) Supply Chain Management

#### **4. Business Information and Systems**

- a) Chief Technology Officer
- b) Enterprise Information Management
  - (i) Enterprise Information Management
  - (ii) Information Assurance
- c) Enterprise Programme Management Office

- d) ICT Service Delivery
  - (i) Application Management
  - (ii) Infrastructure Management
  - (iii) Process Engineering

Strategic objectives relative to the Service and Access programme are:

- 1.1 24/7 access to all CIPC products and services
- 1.2 Timely delivery of all CIPC products and services
- 1.3 An intelligent, innovative, high performance organisational environment

### **Progress towards achievement of strategic objectives**

#### **1.1 24/7 access to all CIPC products and services**

CIPC has continued to modernise, upgrade and extend its application systems and technology infrastructure for the year under review (2018/2019), to build capabilities that ensure Strategic Objective 1.1, 1.2, and 1.3 are met. This included providing a significant number of additional new customer e-Services and automation that supports and underpins the electronic transaction-based CIPC service delivery model. The model focuses on providing improved accessibility, reliability, response and reliability of systems, data and information to all CIPC stakeholders. An overall achievement of 26% (49/191) core business processes was secured during the financial year. A total of 21/40 (34%) automated core business processes was attained in Companies, one over the annual target of 20 processes.

This included, inter-alia:

- Co-operatives automation is complete. The new Co-operatives Act had been promulgated. Once the Regulations have been approved, the new Act will be implemented.
- CIPC is exploring alternative IP systems. CIPC has been testing a new Patent search system called EPOQUE – NET. The World Intellectual Property Organisation technical team who specialize in IPAS will be visiting South Africa later this month to share ideas around their systems.
- Uptake of the new XBRL Financial submission process is good with 7500 companies having filed financial statements using this reporting language between July 2018 and March 2019. CIPC is constantly educating the public on this change initiative.
- Release of Automated Changes to Authorised Shares

Additional noteworthy achievements for the year include:

- Data accuracy, integrity, security and risk management and control were significantly improved by leveraging the new cyber-security solution. This addressed improved access control, data loss protection, denial of service attacks, network security, and intrusion prevention to minimise risk and exposure on Business Continuity
- Continued improvement in systems performance availability, capacity, reliability and delivery performance with the continuous improvement of systems performance management and reporting, and high availability server infrastructure
- A number of key management vacancies within ICT are filled, increasing capacity to focus and improve traction on key priorities and initiatives
- The above provided a solid foundation of further systems' review, modernisation, and where appropriate, procurement of new core business application, infrastructure systems and components.

## 1.2 Timely delivery of all CIPC products and services

The CIPC was able to exceed its yearly new company registration target. The average period service turnaround was 1 day, with the main reason for this achievement being the speed within which certain applications are processed due to increase in experience, memory retention and memory application. Also the queues are checked multiple times a day to ensure that incoming applications are processed speedily.

The CIPC achieved 98% performance target of two days turnaround time for 2018/2019 financial year for co-operative registrations. The turnaround of two days was achieved mainly through stable ICT systems will lower system downtime.

See the progress report on Strategic Objective 1.1.

## 1.3 An intelligent, innovative, high performance organisational environment

See progress report on Strategic Objective 1.1.

## Key performance indicators, planned targets and actual achievements

Output	Performance Measure or Indicator	2018/19 Annual Target	Actual Achievement	Deviation from planned target to actual achievement	Comments on deviations
GOAL 1: Reduce administrative compliance burden for companies and IP owners					
Strategic Objective 1.1 24/7 access to all CIPC products and services.					
Increased % in the website performance for e-services 24/7	% website performance for e-services 24/7	93%	95%	2%	The ICT infrastructure is continuously monitored to ensure that the website works optimally
Increase in the number of provinces where SSTs were installed and are operational	The number of provinces where SSTs were installed and are operational	8 (1 Province added)	9	1	EC SST became operational in Q3 due to effective collaboration among relevant units involved in the project
Increase in the % of CIPC services with an option to file electronically compared to services which may only be filed manually	% of CIPC services with an option to file electronically compared to services which may only be filed manually	26% (1% increase)	26%	0%	No deviation
Strategic Objective 1.3 Intelligent, innovative, high performance organisational environment.					
Increase or maintain the score of the customer stakeholder value index	A score between 1 - 10 of the customer and stakeholder value index, a higher score indicating satisfaction with the CIPC	7	7.4	0.4	Customers rated CIPC at 7.8 and stakeholders rated CIPC at 6.9, which makes an average of 7.4



*Strategy to overcome areas of under performance*

There were no areas of underperformance.

*Changes to planned targets*

There were no changes in planned targets for the programme: Service Delivery and Access.

### 2.3.2 Programme 2: Innovation and Creativity

#### Description of each programme

#### Purpose of the programme

The purpose of the programme is to support and promote local innovation and creativity by maintaining accurate and secure registries of patents, designs, and film productions. Under this programme, the CIPC also supervises and regulates distribution of collected royalty by accredited collecting agencies. In addition, the programme provides policy inputs and legal advisory opinion on co-ordination, implementation and impact of respective IP laws. Thus, additional functions in this programme include in-depth research to identify gaps and analyse impact of IP rights' registration, forming a basis for further IP policy inputs. Furthermore, the group ensures that implementation of the national IP regime aligns with the international IP system.

The group also registers patent attorneys who have passed the Patent Board Examination. Other functions of the programme include:

- Co-ordination of appropriate enforcement actions;
- Education and creating awareness of the requirements and benefits of registration of IP rights; and
- Remedies available and the opportunities for commercialisation and industrial development through efficient management of IP assets.

The programme is also responsible for monitoring unauthorised use of private and public IP rights, with a particular focus on the protection of IP rights' holders in creative industries. These rights' holders also include communities who have registered rights in respect of indigenous cultural expressions and knowledge. Thus, the CIPC sees a close relationship between the registration of rights, technology transfer and their commercialisation, as envisaged in the Industrial Policy Action Plan (IPAP3). Most importantly, the CIPC is focusing on rolling out programmes aimed at increasing education and awareness to SMEs to boost local IP ownership.

As innovation is closely linked with universities and research institutions, the group will further expand its collaboration with the academic community and institutions of higher learning and research. The group supports targeted and focused education and awareness initiatives, in partnership with other departments and agencies, ensuring effective protection and efficient management of IP assets. In collaboration with other government enforcement agencies, the group also acts

against counterfeiters and those who do not respect IP rights.

#### List of sub-programmes

1. Innovation support and creativity
  - a) Patents and Designs Register
  - b) Innovation Policy and Outreach
2. Creative Industries
  - a) Copyright and IP Enforcement
  - b) Indigenous Cultural Expressions and Knowledge

The strategic objectives relating to the Innovation and Creativity Programme are:

- 2.1 Increased knowledge and awareness on Company and IP Laws
- 2.2 Improved compliance with the Company and IP Laws

#### Progress towards achievement of strategic objectives

##### Increased knowledge and awareness on Company and IP Laws

The office has increased its outreach programme on IP education and awareness. Concerted and targeted education and awareness efforts were made to SMEs, research institutions, universities and the general public through workshops, seminars and exhibitions.

##### *IP Colloquium for Africa*

The IP Colloquium for Africa Organised by WIPO/WTO/UNISA was a four-day event that focused on research from an academic point of view. Research in the enforcement area was presented and discussed by all participants.

##### *AfricaBio*

CIPC continues to play a strategic role in the development of the national system of innovation. In May 2018 CIPC made a presentation to Biotechnology students at a career fair organised by AfricaBio and the University of Johannesburg (Department of Biotechnology and Food Technology). The presentation covered IP registration services offered by CIPC with particular emphasis on patents and the need of technically skilled professionals in substantive search and examination of patents applications.

##### *IP4SMMEs*

CIPC conducted an awareness campaign under the theme "IP4SMMEs" in Pretoria, Cape Town and Durban. The workshops attracted grassroots innovators and SME with no or little exposure to IP, to raise awareness on IP protection and commercialisation. Around 300 participants attended workshops.

## Improved compliance with the Company and IP Laws

The CIPC continues with enforcement activities, with its partners such as the SAPS.

IPR enforcement has faced many challenges over the past year hence there was a need to find new and more effective approaches for enforcement. Physical enforcement actions are currently too dangerous to embark on hence they are conducted by Specialized Forces that are part of the South African Police Service. A sector-specific strategic approach was followed to roll-out the following interventions:

- A colloquium was hosted by CIPC on the 28<sup>th</sup> of March 2019, to discuss priorities on enforcement projects. Online sales of counterfeit and pirated goods were identified as a priority. Industries that attended included the pharmaceutical, fast moving consumer goods and the clothing industry.
- The Inter-Governmental Enforcement Committee (IGEC) met on the 1<sup>st</sup> of February 2019 to discuss IPR enforcement in South Africa to be implemented from the next financial year. Priorities identified included:
  - Pursuing landlord liability
  - Training new recruits in the detectives services (SAPS)
  - Educating Magistrates
  - Training Prosecutors
  - Multi Agencies combined enforcement operations
- The training and capacity building project was expanded to include the tactical intervention teams of SARS. This 1<sup>st</sup> training took place on the 19<sup>th</sup> Feb 2019, in Cape Town. It also provided a platform to reach common ground on the role of SARS being the first line of defence.
- A training workshop was conducted on 18<sup>th</sup> March 2019, with one of the big SA corporates to educate their procurement officers and general staff on the rights of intellectual property rights (IPR).
- The first training session for prosecutors and investigators at the Johannesburg Commercial Court as recommended at IGEC was conducted on 27<sup>th</sup> March 2019. There is a pressing need for magistrates to be co-opted in future training sessions.
- The Depots for Counterfeit Goods are running out of space and recycling of confiscated goods has become a high priority. Thus the option to weave carpets from T shirts and make veld-skoen soles from the rubber in the soles of counterfeit sports shoes is being investigated. The pilot project will start in the new financial year. The implementation of this initiative will ensure a cost effective and environmentally-friendly way to deal with confiscated counterfeit goods.

## Key performance indicators, planned targets and actual achievements (Innovation and Creativity)

Output	Performance Measure or Indicator	2018/19 Annual Target	Actual Achievement	Deviation from planned target to actual achievement	Comments on deviations
GOAL 2: A reputable Business Regulation and IP Protection environment in South Africa.					
Strategic Objective 2.1: Increased knowledge and awareness on Company and IP Laws.					
Increased knowledge and awareness on IP	Number of education and awareness events on IP conducted by CIPC	30	56	26	The stakeholders responded in numbers on the IP interventions
Strategic Objective 2.2: Improved compliance with Company and IP Laws.					
Increased knowledge and awareness on creativity and IP enforcement	Number of education and awareness events on IP enforcement initiatives conducted by CIPC	6	9	3	Special requests were received that had future collaboration benefits.

### Strategy to overcome areas of under performance

Not applicable.

Changes to planned targets

There were no changes in planned targets for the programme: Innovation and Creativity.

### 2.3.3 Programme 3: Business Regulation and Reputation

#### Description of each programme

#### Purpose of the programme

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

The following functions fall within this programme:

- Maintenance of company and close corporation registers, co-operatives, directors, delinquent persons, and trade marks, as well as company names and business names;
- Accreditation of practitioners and intermediaries;
- Educating business owners and practitioners on legislative compliance; and
- Promotion and enforcement of legislative compliance.

The CIPC, under this programme, monitors compliance with certain legislative requirements such as submission of annual returns, rotation of auditors and disclosures in terms of the financial reporting standards, and the requirements for prospectuses. The CIPC investigates complaints and enforces 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 incorporates a focus on corporate policy and legal matters, including support for offence prosecution, law interpretation, and proposals for amendments to legislation and regulations. The function also entails continual tracking of international developments in corporate governance, disclosure, corporate registration and enforcement, and trade marks.

#### List of sub-programmes

1. Corporate Compliance and Enforcement
  - a) Corporate Disclosure and Compliance
  - b) Corporate Governance, Surveillance and Enforcement
2. Corporate Registers
  - a) Companies and Close Corporations (CCs)
  - b) Co-operatives
  - c) Directors, Members and Practitioners
  - d) Trade marks
3. Legal Policy and Outreach
  - a) Corporate Education and Voluntary Compliance
  - b) Corporate Legal and Policy Support

The strategic objectives relating to the Innovation and Creativity Programme are:

- 2.1 Increased knowledge and awareness on Company and IP Laws
- 2.2 Improved compliance with the Company and IP Laws

Progress towards achievement of strategic objectives

#### 1.2 Timely delivery of all CIPC products and services

The CIPC was able to exceed its yearly new company registration target. The average period service turnaround was 1 day, with the main reason for this achievement being the speed within which certain applications are processed due to increase in experience, memory retention and memory application. Also the queues are checked multiple times a day to ensure that incoming applications are processed speedily.

The CIPC achieved 98% performance target of two days turnaround time for 2018/2019 financial year for co-operative registrations. The turnaround of two days was achieved mainly through stable ICT systems will lower system downtime.

#### 2.1 Increased knowledge and awareness on Company and IP Laws.

The CIPC continues with its education and awareness activities.

CIPC conducted or participated in numerous events to promote the Companies Act and related legislation as well as CIPC products and services. These include **the dti's** CCRD Education and Awareness events, the Rand Show 2018 (10 day Event), the B-BBEE Rural & Township Economy Revitalisation Summit, East London (19-20 July 2018), the Rustenburg Municipality Co-operative Development Program, the National Tourism Career Expo in September 2018, the Small Business Ministerial Imbizo in Sutherlands in October 2018 and many others among others.

#### 2.2 Improved compliance with the Company and IP Laws

Public Companies Pro-Active Matters Project (FAS Filed instead of AFS)

A system report was produced on Public Companies for the period 01 September 2018 up to and including 04 February 2019, wherein fifty eight (58) public companies were found to have filed FASs instead of AFSs.

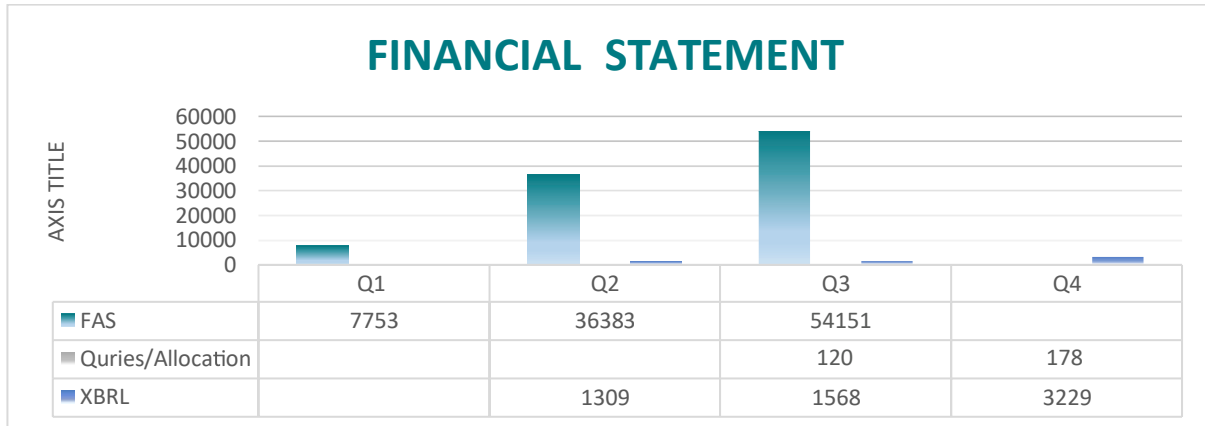
Investigators and Senior Investigators within the Corporate Compliance and Disclosure Regulation unit engaged the said public companies on these cases of non-compliance for remedial action to be taken. 23 of the companies responded to the matters by filing their AFS in iXBRL. Of the other 35 who did not file, there are those who committed to file, while others did not respond. Of those who did not respond, Compliance Notices would be issued.

## Financial Statements

The XBRL submission platform was successfully rolled-out on 01 July 2018. By the end of the fourth quarter, 7513 annual financial statements submissions had been received. Moreover, the Business Intelligence portal was also successfully launched for use by the investigators in the Corporate Disclosure and Compliance regulation Unit and certain designated investigators in the Corporate Governance, Surveillance and Enforcement unit.

Financial Accountability Supplements (FASs) received during the quarter amounted to over 98287.

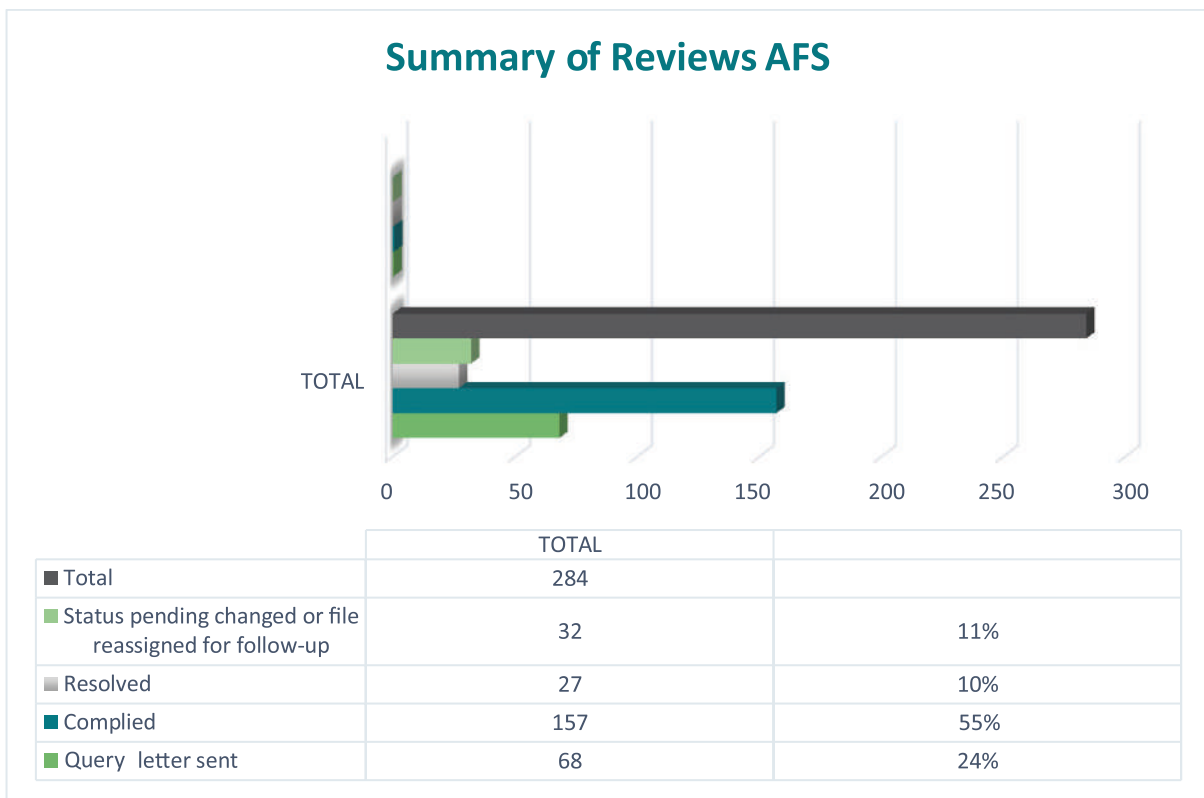
Though an increase in FASs has been observed, there is a concern that entities which are obliged to submit AFSs may have opted for FASs to evade the XBRL requirements, either due to misconceptions about the costs, a lack of interest or knowledge to adhere to the new filing requirements, inter alia. The AFS stream is in the process of attempting to assess contraveners who filed AFSs in the previous regime who now file FASs.



The chart above shows the quarterly inbox of the XBRL which contains the Annual Financial Statements (AFS) and emails of Financial Accountability Supplements (FAS). The CIPC receives FAS through email and AFS through XBRL.

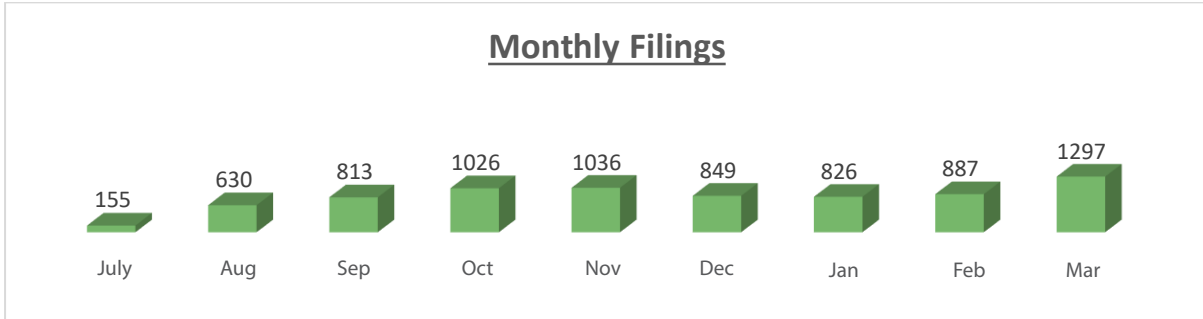
## Post-Filing: Query letters

A total of 68 query letters dispatched to various entities who were found to be non-compliant with the Companies Act and the IFRS.



## XBRL PROGRESS REPORT OF CIPC XBRL PROGRAMME

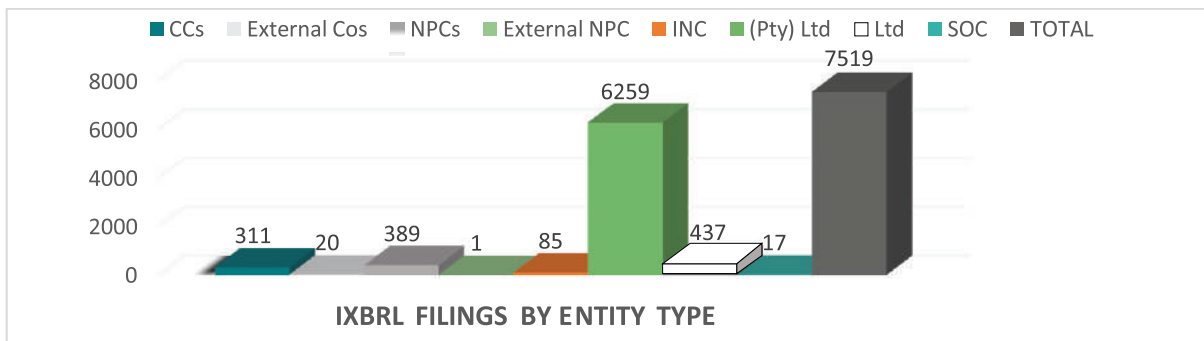
Significant progress has been made on the development of a XBRL platform for digital financial reporting since 1 July 2018. By end of the 4th quarter 7519 had been filed, which proves that the XBRL platform was deployed successfully. An additional requirement to the mentioned components above, called the “hard-stop” functionality of the AR process, entails ensuring either an AFS or FAS has been filed successfully before the AR process can be completed.



Hard-stop functionality was successfully deployed on the 12th March 2019, to enable strict compliance with section 33 of the Companies Act where entities are compelled to submit Annual Returns together with Annual Financial Statements or Financial Accountability Supplements.

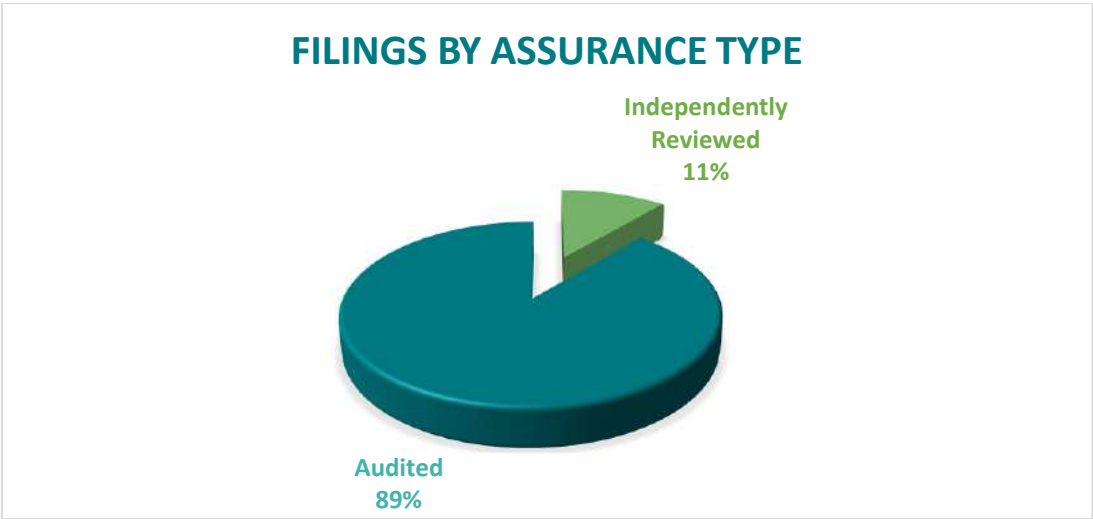
### Filings by Entity type Analysis

Of the total filings received in iXBRL, the majority were filed by private companies which totalled 6 259, followed by public companies at 437 filings and non-profit companies with 389 filings.



### Filings by Assurance type Analysis

89% of the filings were reported as audited annual financial statements in the filing portal at 6685, with 834 being independently reviewed AFSs.



**Pre-filing: Implementation of Hard-stop function on e-Services**

On 04 March 2019, an enhancement was effected into e-Services platform which was aimed at forcing companies to first submit either a Financial Accountability Supplement or Annual Financial Statements before they file their annual returns. The Hard-stop initiative has been successful as indicated by the number of FAS filed compared to pre hard-stop enforcement. It is expected that iXBRL filings will also increase significantly as companies attempt to comply with their Annual Return filings.



## Monitoring the compliance with the provisions relating to Social and Ethics Committees.

In December 2017, CIPC decided to follow up on applications that were filed with Companies Tribunal where companies have requested exemption from establishing Social and Ethics Committees. In this regard CIPC observed the decisions of the Companies Tribunal since December 2017 up to August 2018. A total of the CIPC 11 (eleven) applicants companies were approached where the Companies Tribunal refused their request to be exempted from the establishment of Social and Ethics Committees. At the time the Commission had taken note specifically of the Companies Tribunal's evaluation of the applications, the Companies Tribunal's findings and subsequent refusal to exempt the companies from establishing Social and Ethics Committees and that the Commission wishes to determine whether Social and Ethics Committees have been established.

Accordingly they were requested to report:

- If a Social and Ethics Committee has been established and the proof thereof, if a Social and Ethics Committee has not been established, they were requested to provide substantive reasons therefore.
- Their attention was also brought Section 84(6) and (7) and Regulation 44 of the Act.

We received responses from ten (10) of the eleven (11) companies that were approached of which the 10 were very positive. One (1) company identified by the Governance Surveillance and Enforcement Unit could not be reached due to a lack of a contact details not available.

CIPC also dealt with the following interesting cases:

### STEINHOFF INTERNATIONAL HOLDINGS N.V ("Steinhoff")

On 29 January 2018 a Compliance Notice was issued to Steinhoff requiring the following:

1. Within 6 months from the date of the Compliance Notice (29/01/2018), the Board of Directors of Steinhoff must identify individuals that were involved in the falsification of any accounting records of Steinhoff and/or any related or interrelated business unit(s); division(s); associate companies; joint venture companies and/or subsidiaries of Steinhoff.
2. Within 6 months from the date of the Compliance Notice, the Board of Directors of Steinhoff must institute criminal action, by opening criminal cases, irrespective of geographic location, against those individuals identified in paragraph 1 above.
3. Within 6 months from the date of this Compliance Notice, the Board of Directors of Steinhoff must institute civil action as per section 77 and section

162(2) read with section 162 (5) (a) to (c) of the Act in the Republic of South Africa and the equivalent of this action in other jurisdictions where Steinhoff and/or any related or interrelated business units; divisions; associate companies; joint venture companies and/or subsidiaries of Steinhoff operates, against those individuals involved in the falsification of the accounting records as per paragraph 1 above.

4. Provide monthly reports to the CIPC on the progress and implementation of paragraphs 1; 2 and 3 above.
5. Publish on the Johannesburg Stock Exchange News Service ("JSE SENS") the contents of this Compliance Notice within 24 hours of receipt.

**By end July 2018** Steinhoff had complied with the Compliance Notice and provided the CIPC with the monthly reports on the progress made. In **August 2018** the CIPC briefed the Parliamentary Oversight Committee on the work done in this regard and was well received. The Committee was also informed that Steinhoff has complied with the Compliance Notice but that the Compliance Certificate must still be provided to Steinhoff. Steinhoff requested confidentiality on the names of individual against whom criminal and/or civil cases were opened. The CIPC granted them the confidentiality they have requested.

**Steinhoff** complied with the requirements of the Compliance Notice and on **11 September 2018** the Commissioner signed the Compliance Certificate and it was provided to Steinhoff.

### South African Airways Ltd

Following an application in 2017 by the then Chairperson of the SAA, Ms Dudu Myeni (in her personal capacity) to the Companies Tribunal to set aside a Compliance Notice and the Tribunal's subsequent dismissal of her application with costs, the CIPC requested the State Attorneys to take the necessary action to collect the amount of R200 525.08 for taxation cost from her.

On 18 June 2018 the State Attorneys informed CIPC that the writ was issued by the Registrar of the High Court on the 5 June 2018 and that the document will be send to the Sheriff of Richards Bay for serving.

On various occasions the Sheriff tempted to serve the writ of execution but Ms Myeni prevented them from entering her home. On 12 October 2018, CIPC forwarded a letter to the Sheriff explaining that it has been informed by the Office of the State Attorney that the Sheriff attempted on 11 September 2018 (at 14:06) to serve the Writ of Execution and that the premises were locked and that Ms Myeni again refused to open the door when she again attempted to serve the Writ of Execution on her on 11 October 2018. CIPC then provided the Sheriff with a letter to please again attempt to serve the document and should Ms Myeni refuse to open the door, she is requested to use the necessary means she is legally allowed to use to gain entry into the house to execute her powers as per the Writ of Execution.



Suffice to say that the Sheriff managed to get access to the house and attached some valuables but it is not enough to cover the cost and further action is being taken by the Sheriff with the intension to recover the full amount payable by Ms Myeni.

## **PUBLIC INVESTMENT CORPORATION (2005/009094/30) ("PIC")**

Through the monitoring of media articles as provided in Section 187(2), it was noticed that the investment of R4,3 billion by PIC in **AYO Technology Solutions Ltd (1995/014461/06) ("AYO")** was reported in the media and it caught the attention of CIPC.

In terms of Section 33 of the Act every company must file an annual return in the prescribed form with the prescribed fee. The annual return fee is determined by a company's turnover as set out in table CT 2M – Commission Fee of the Companies Regulation 2011. The annual return fee is determined by a company's turnover. In accordance with CIPC's database the various corporate incarnations of Technology Solutions Ltd: (i.e. Sekunjalo Health Care Ltd; Sekunjalo Technology Solutions and AYO Technology Solutions Ltd) declared to the CIPC turnover between R0.00 and R82 794 000.00. This was in violation of Section 76(2)(a) (ii) which states that a director of a company must not knowingly cause harm to the company or a subsidiary of the company.

On 20 February 2019 CIPC met with the Acting Company Secretary, the Head of Corporate Affairs, the Head of Risk and the Head of Compliance at PIC and the above information was brought their attention. Consequently the CIPC issued a Compliance Notice to PIC on 21 February 2019 in terms of Section 171 (1) and (2) to PIC.

Given PIC's role in managing public funds, **it is in the public interest that the Board of Directors should be held accountable for the recovery of the irregularly invested funds.**

On 7 March 2019, AYO (Applicant) filed an application against the CIPC (First Respondent), the Minister of Trade and Industry (Second Respondent) and PIC (Third Respondent) with the High Court in Pretoria against the CIPC and the Commissioner of the CIPC. The application was for CIPC to be interdicted and restrained from enforcing the Compliance Notice issued to the Board of Directors of PIC; PIC to be prohibited from complying with the terms of the said Notice.

In respect of the PIC vs the CIPC application, the decision of the Judge can be summarized as follows:

(i) The issue is whether the issued compliance notice is defective and stands to be set aside, or whether it ought to be suspended pending a review of that notice in the normal course. In terms of section 171 (5) of the Companies Act, an issued notice of compliance remains in force until set aside, either by the Companies Tribunal or a Court.

(ii) Much of what PIC contends is common cause, or not seriously disputed by CIPC. However, CIPC has launched a counter application for the modification of the notice in certain aspects.

(iii) The notice requires PIC, and not its board to whom the notice is directed, to recover the R4,3 billion from AYO to whom it was paid in December 2017 for subscription of shares within 15 days business days from issuing of the notice. The interest on the said amount is to be recovered within six months of the date of the issued notice.

(iv) The Judge viewed the application urgent and also referred then referred to the second urgent application from AYO, the party to whom the payment of R4.3 billion was made and made it clear that he will deal with it separately.

(v) The Judge stated the grounds on which PIC relied on for the review and setting aside the notice of alternatively the suspension thereof, i.e. absence of a fair process; irrational decision taken by CIPC and material factual error. It was furthermore stated that in the absence of a fair hearing, such decision is reviewable under PAJA and the principle of legality.

(vi) There was common cause between the parties that no advance notice was afforded PIC. During an oral hearing CIPC conceded that PIC was not afforded a fair hearing and the Judge stated that the concession was well received.

(vii) CIPC submitted that PIC has consented to merely seek an extension of the period within which to comply with. In this regard the CIPC relies on correspondence to that effect and seeks in it counter application that the notice be modified in terms of the provisions of section 172(2) of the Companies Act. The Judge stated that CIPC's submission cannot be upheld as section 172(2) provides that any person issued with a compliance notice may apply for a review thereof but in this instance a valid notice was not issued.

(viii) The Judge consequently ordered that the Compliance Notice is declared unlawful and of no force; is set aside and the respondents are jointly and severally to pay the applicants' cost and the counter application is dismissed.

(ix) In respect of the AYO application, the Judge stated that counsel for CIPC and PIC submitted that if the PIC application was granted, AYO's application would be moot. The Judge consequently granted the order that the AYO application is removed from the roll.

Two complaints were received against JCI LTD. The core of the first complaint filed by the Complainant with the Commission is that the Audited Annual Financial Statements were not compiled as per the requirements of Section 30 of the Companies Act, No 71 of 2008, as amended. It follows that audited consolidated annual financial statements which **exclude** the audited annual financial statements of the company itself **do not qualify as audited annual financial statements in terms of the Companies Act 2008.**

JCI Limited only published audited **consolidated** annual financial statements in respect of its 2011 and 2012 financial years; its **audited annual financial statements** for 2011 and 2012 **have thus not yet been published.** JCI Limited has to date also not published its audited annual financial statements for 2013, 2014 and 2015.

The Complainant’s second relates to the alleged failure to deal with matters raised by the shareholders at the JC Limited’s annual general meeting held on 9 June 2017 as

required by Section 61(8) (d) of the Act.

The 16 August 2017 complaint added Randgold & Exploration Company Ltd and KPMG Inc. as additional respondents to JCI Limited. The complaint relates to the alleged contravention of Section 93(3)(a) of the Act as the three parties allowed the KPMG Inc to be placed in a conflict of interest. In January 2018 established an Independent Inquiry after the receipt of allegations that some of its members employed by KPMG have allegedly engaged in conduct which is in contravention of the SAICA Code of Professional Conduct. This Commission was chaired by Adv Dumisa Ntsebeza SC.

Subsequent to the issuing of the Inspector’s Report, JCI Ltd applied to the Companies Tribunal to set aside the report and the compliance notice. CIPC indicated that it intends to oppose the application. The JCI Ltd then contacted the CIPC to discuss a possible settlement to be concluded between CIPC and the JCI Ltd. Suffice to say that the CIPC and JCI Ltd agreed on a settlement that addressed the all the concerns expressed in the Inspector’s Report. The Report is on the CIPC website.

Output	Performance Measure or Indicator	2018/19 Annual Target	Actual Achievement	Deviation from planned target to actual achievement	Comments on deviations
<b>GOAL 1: Reduce administrative compliance burden for companies and IP owners</b>					
<b>Strategic Objective 1.2 Timely delivery of all CIPC products and services.</b>					
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.	2	1	1	The positive achievement is mainly due to staff gaining experience in processing application (speed within which certain applications are processed due increase due to increase experience, memory retention and memory application. Also the queues are checked multiple times a day to ensure that incoming applications are processed speedily
Reduction in the average number of days to register a co-operative from the date of receipt of a complete application	The average of the number of days to register a co-operative from the date of receipt of a complete application	3	2	1	The unit exceeded the annual target due low system down time.
<b>GOAL 2: A reputable Business Regulation and IP Protection environment in South Africa.</b>					
<b>Strategic Objective 2.1: Increased knowledge and awareness on Company and IP Laws.</b>					
Increased level of awareness of Company Act and Other related legislation.	Number of education and awareness events conducted by the CIPC on the Companies Act and related legislation	3	3	0	No deviation
<b>GOAL 2: A reputable Business Regulation and IP Protection environment in South Africa.</b>					
<b>Strategic Objective 2.2: Improved compliance with Company and IP Laws.</b>					
Increased % of Companies (entities with an “active business” status) that have filed annual returns by the reporting period	% of companies (entities with an active business status) that have filed annual returns by the end reporting period (year to date)	44%	44%	0%	No deviation

**Strategy to overcome areas of under performance**  
Not applicable.

**Changes to planned targets**  
Not applicable

## 2.3 Linking performance with budgets

Programme/ Activity/ Objective	2018/2019			2017/2018		
	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	319 898	325 425	-5 527	354 704	318 690	36 014
<b>Goods and services:</b>	<b>233 876</b>	<b>159 884</b>	<b>73 992</b>	<b>200 370</b>	<b>152 690</b>	<b>47 680</b>
Audit Fees	2 500	6 186	-3 686	9 420	5 750	3 670
Bank Charges	6 500	4 574	1 926	3 500	7 204	-3 704
Advertisements	9 255	8 520	735	5 795	4 097	1 698
Communications	15 752	5 130	10 622	15 103	4 160	10 943
External Service Providers: ICT Related Services (licenses & maintenance)	52 939	43 011	9 928	57 584	53 418	4 166
Consultants and special services	39 950	8 656	31 294	22 601	8 123	14 478
Depreciation and Amortisation	20 066	20 301	-235	11 020	15 014	-3994
Internet and Network Costs - ICT related services	7 010	4 083	2 927	5 829	4 599	1 230
Stationery, Printing and Publications	2 905	2 383	522	3 868	2 018	1 850
Maintenance, repair and running cost	1 550	693	857	1 450	679	771
Operating Lease	29 954	30 177	-223	30 149	28 857	1 292
Travel and Subsistence	5 550	6 212	-662	6 500	5 258	1 242
Doubtful Debts and Impairment	0	0	0	0	0	0
Other	39 945	19 958	19 987	27 551	13 411	14 140
(Gains) loss on disposal of assets	0	0	0	0	102	-102
Impairment loss: Property, plant and equipment	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>553 774</b>	<b>485 309</b>	<b>68 465</b>	<b>555 074</b>	<b>471 380</b>	<b>83 694</b>

## 2.4 Revenue collection

Programme/ Activity/ Objective	2018/2019			2017/2018		
	Budget	Actual Amount Collected	(Over)/Under Collection	Budget	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Annual Returns: Com	217 014	252 067	-35 053	244 400	217 316	27 084
Annual Returns: CC	114 138	80 730	33 408	129 600	102 094	27 506
Companies	92 797	92 922	-125	108 000	89 905	18 095
Cooperatives	3 173	2 717	456	3 300	2 807	493
Data Sales/ Disclosure	18 221	23 246	-5 025	26 093	18 638	7 455
Trade marks	31 800	31 204	596	33 350	29 406	3 944
Patents and designs	25 794	25 492	302	27 000	24 574	2 426
Copyright	22	3	19	130	24	106
<b>Total Revenue</b>	<b>502 959</b>	<b>508 381</b>	<b>-5 422</b>	<b>571 873</b>	<b>484 764</b>	<b>87 109</b>

## 2.5 Capital investment

Programme/ Activity/ Objective	2018/2019			2017/2018		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Capital Investment</b>	-	-	-	-	-	-
Computer hardware	25 000	17 450	7 550	15 500	7 871	7 629
Computer software	45 800	12 283	33 517	16 620	13 676	2 944
Furniture and equipment	500	39	461	500	29	471
Leasehold improvements	8 000	660	7 340	1 700	142	1558
<b>Total Expenditure</b>	<b>79 300</b>	<b>30 432</b>	<b>48 868</b>	<b>34 320</b>	<b>21 718</b>	<b>12 602</b>

*“A good head and good heart are always formidable combination. But when you add to that a literate tongue or pen, then you have something very special”.*

***Nelson Mandela***





# PART C: GOVERNANCE

### 3.1 INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance for public entities is applied through the precepts of the Public Finance Management Act (PFMA) and runs in tandem with the principles contained in the King's Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

### 3.2 PORTFOLIO COMMITTEES

Date	Agenda/areas of risk identified and CIPC implementation plans/ actions	Attending officials	Required action
19 March 2019	Steinhoff Matter	Rory Voller	Reporting to SCOPA
Various dates within the 2018/19 Financial year	Copyright Amendment Bill	Rory Voller Kadi Petje	Approval of Copyright Amendment Bill

### 3.3 EXECUTIVE AUTHORITY

Four quarterly reports were submitted. Three were approved by the Minister of Trade and Industry, Dr Rob Davies, MP. We are awaiting approval of the fourth quarterly report.

#### Quarter 1 Report:

The Minister noted achievement of 90% of the targets. He trusts the unachieved targets will be achieved in the following quarter. He approved the report.

#### Quarter 2 Report:

The Minister noted performance improvement to 100% of set targets. He approved the report.

#### Quarter 3 Report:

The Minister noted the achievement of 100% of set targets. He trusts annual targets, as outlined in the APP, will be achieved by the end of the year.

### 3.4 COMMITTEES

Committee	No. of meetings held	Workshops	No. of members	Name of members
Audit Committee	6	1	7	Mr M Sass - Chairperson Ms A Badimo - Independent Member Mr M Shabalala - Independent Member Mr S Maharaj - Independent Member Ms Z Monnagotla - Independent Member Adv R Voller - Commissioner Ms K Singh - <b>the dti</b> (shareholder) representative
Risk and IT Committee	5	0	3	Ms A Badimo - Chairperson Mr P Phili - Independent Member Adv R Voller - Commissioner

## Remuneration of committee members

Name	Remuneration (ZAR)	Other allowance (ZAR)	Other re-imbursments (ZAR)	Total (ZAR)
Mr Michael Sass	176,874.00	-	812.25	177,686.25
Ms Anna Badimo	280,426.00	-	7,009.20	287,435.20
Ms Zanele Monnakgotla	125,029.50	-	4,332.00	129,361.50
Mr Mavuso Shabalala	142,557.00	-	3,988.90	146,545.90
Mr Suren Maharaj	144,894.00	-	3934.90	148,828.90
Mr Protas Phili	190,640.78	188.16	4524.83	195,165.61
Adv R Voller	N/A	N/A	N/A	N/A

### 3.5 RISK MANAGEMENT

The CIPC considers risk management as a key function which ensures the achievement of its mandate. Governance structures which creates an enabling environment for risks to be identified and managed have been put in place. A risk management policy and risk management methodology and framework are in place. In addition, to ensure that the policy statements and strategies are converted into action, a risk management implementation plan which is inclusive of fraud prevention initiatives was developed and approved. This plan is ensures that identified risks are monitored and reported and discussed by relevant stakeholders.

Strategic and operational risk assessments are conducted annually. Moreover, fraud risks relating to the process of amending information on the register of companies were identified for the period under review.

The identified strategic risks are linked to strategic objectives for the same period which risks were used as a basis for guiding the development of the internal audit plan or the same period. Monitoring and review of these risks is conducted on a quarterly basis to ensure effective management thereof. Emerging risks are identified and considered by relevant governance structures regularly.

To ensure consistent and formal management of risk within the organisation, the governance framework was reviewed to and approved in the period under review. The internal governance framework which is excludes any structures which have non-executive individual as members, details the various internal decision making structures, their responsibilities and authority. The review culminated in the re-composition and establishment of new of the governance committees. A newly established Divisional Managers' Committee (DMC) which comprises of only Divisional Managers is responsible for managing operational issues including operational risks.

Where necessary, the DMC escalates matters to the Executive Committee (Exco). Among other things, Exco is responsible for the management of strategic risks. An independently chaired risk management and ICT Management Committee (RiskIT) provides risk management, fraud prevention and information, communication and technology oversight and reports through its chairperson to the audit committee on the effectiveness of the risk management and fraud prevention processes.

Although ultimate risk management accountability rests with the accounting officer, the audit committee provides oversight on the effectiveness of controls, risk management and governance processes.

### 3.6 INTERNAL CONTROL UNIT

Internal Audit is an independent, objective assurance and consulting activity established in terms of Section 51(1)(a)(ii) of the Public Finance Management Act No. 1 of 1999, as amended.

Internal Audit added value by enriching CIPC's operations through advice derived from its evaluation and assessment of CIPC's work during the course of the year. It also helped CIPC accomplish its objective by bringing a system driven, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. The performance of the unit for the financial year under review was tapered compared to the previous financial year as a result of various factors. Measures have been put in place to ensure that performance of the unit is at the required level. The audit committee was fully apprised throughout the financial year with respect to the work of the unit and challenges experienced by the unit. Follow-ups on outstanding findings raised both by internal and external audit were performed. It should be noted that progress, albeit steady, is being made by management to address outstanding findings as some of the findings have other dependencies. The unit will continue to execute its work in terms of the relevant laws and regulations governing the performance of internal audit functions.

### 3.7 INTERNAL AUDIT AND AUDIT COMMITTEES

During the 2018/2019 financial year, Internal Audit performed 12 audits, covering critical and high-risk areas across all major functions within the Commission. Recommendations have been by Internal Audit and implemented throughout the Commission. As a result, the control environment has improved.

The table below discloses relevant information on the audit committee members

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	# Meetings attended
Mr M Sass	CA (SA);CIA; M Com	External	N/A	01 Oct 2016	N/A	5/6
Ms Z Monnakgotla	Dip in Corporate Law; LLB; LLM; Masters in Finance	External	N/A	01 Jan 2017	N/A	5/6
Mr M Shabalala	BSoc. Sc; MBL	External	N/A	01 Jan 2017	N/A	6/6
Mr S Maharaj	BCom; CA (SA)	External	N/A	01 Jan 2017	N/A	6/6
Ms A Badimo	B.Sc Hons (Computer Science), MSc, MBA, CGEIT CISM, Certificate in IT, Auditing, F. Inst. D	External	N/A	01 Oct 2016	N/A	6/6
Ms K Singh	B Com; B Compt; B Compt Honours; Executive Development Programme PALAMA; CIA, Associate Member of IIA	<b>the dti</b> representative	<b>the dti</b> representative	<b>the dti</b> representative	<b>the dti</b> representative	2/6
Adv R Voller	LLM	Internal	Commissioner	01 Sep 2016	N/A	4/6

Risk IT is a sub-committee of the Audit Committee, responsible for providing oversight on the management and governance of risk, ICT and related matters, as outlined in the approved committee charter. The Committee comprises two non-executive members and one executive member.

The table below discloses relevant information on the Risk and ICT Committee members

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	# Meetings attended
Ms A Badimo	B.Sc Hons (Computer Science), MSc, MBA, CGEIT CISM, Certificate in IT, Auditing, F. Inst. D	External	N/A	01 Oct 2016	N/A	5/5
Mr P Phili	B Com (Accounting) CTA M Com (Tax) CA(SA)	External	N/A	01 Jan 2017	N/A	5/5
Adv R Voller	LLM	Internal	Commissioner	01 Sep 2016	N/A	3/5



### 3.8 COMPLIANCE WITH LAWS AND REGULATIONS

The Compliance Policy and Compliance Framework comprises the methodology, universe and plan was approved in the year under review. The status of compliance with the relevant legislation is monitored. The review results indicate the CIPC is generally fully compliant with most Acts which were reviewed, save for a few provisions in two Acts. Action plans to ensure full compliance have been put in place.

### 3.9 FRAUD AND CORRUPTION

The CIPC has an approved Fraud Prevention Plan detailing activities aimed at curbing fraud and related corruption in the CIPC. Of these activities, only one could not be completed for the current financial year due to unforeseen circumstances. Significant strides were made in improving fraud prevention processes and to close identified gaps that reduce fraud and corruption risk. Various reporting channels have been established to ensure easy access by employees and other stakeholders. Based on collected statistics during the reporting period, the independently managed ethics hotline which provides for an option of anonymous reporting is increasingly becoming the preferred reporting mechanism for complainants. In addition, an escalation mechanism dependant on implicated parties has been built into the system to avoid real or perceived conflict of interest.

A case database detailing all reported allegations and the status thereof, is kept by the Governance, Risk and Compliance division. Cases are dealt with and resolved on an individual basis. The resolution rate of reported allegations remains a concern for both management and the external governance structures, as there is a high number of received allegations, and certain operational challenges. An action plan to address the challenges and to increase the speed with which cases are resolved is in place.

### 3.10 MINIMISING CONFLICT OF INTEREST

In line with the approved Fraud Prevention Policy and Strategy which is inclusive of conflict management, the organisation ensures employees at senior management level and above declare their interest on an annual basis. For the period under review, there was 100% compliance with the policy. In addition to the annual declaration, interest is declared in external governance meetings.

### 3.11 CODE OF CONDUCT

An approved code of conduct is under review to ensure alignment with the organisational values and other amended policies and organisational culture. Any breach of the code of conduct is dealt with in line with the disciplinary policy and processes of the CIPC.

### 3.12 HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The CIPC strives to maintain a safe and conducive working environment. Regular safety inspections were conducted as prescribed, and minor safety risks and hazards identified and addressed timeously. No loss of life and/or injuries occurred during the reporting period.

### 3.13 COMPANY /BOARD SECRETARY (IF APPLICABLE)

Not applicable.

### 3.14 SOCIAL RESPONSIBILITY

Social Responsibility related initiatives implemented in the past financial year:

#### **Mandela Day initiative:**

Clothes and grocery items were donated to Leamoetswe Home in Atteridgeville.

#### **Casual Day Initiative towards supporting people living with disabilities:**

CIPC officials participated in buying casual day stickers. Collected monies were submitted to the Casual Day NGO.

#### **Blood Donations:**

Certain CIPC officials participated in blood donation initiatives with the South African Blood Donation Services.

**It should be noted** the CIPC is not a profit-generating organisation and does not have a formalised Corporate Social Investment programme, where a budget is set aside for such. We use the approach of inviting willing officials to voluntarily make contributions towards certain projects.

## 3.15 AUDIT COMMITTEE REPORT

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

### Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 76 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.

Management has undertaken to address these weaknesses and a plan with timelines have been drawn up. None of the weaknesses identified is, in our opinion, significant enough to impact on the current and immediate operations of the CIPC, although labour issues should be prioritised.

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

- Application controls review on Ptolemy system
- Education and Awareness
- Surveillance and Enforcement
- System Security Audit
- Security Management
- Limpopo SST
- Mpumalanga SST
- North West SST
- Service delivery standards
- Business rescue practitioner licensing
- Supply Chain Management
- Northern Cape SST
- Asset Management
- General Controls and IT Governance
- Performance Information Q3
- Budget Management

In addition to be above audits, one special request was completed.

The following were areas which continue to be of concern to Internal Audit:

- Lack of compliance with internal policies and procedures
- No consequence management

Lack of capacitation of the Internal Audit business unit remains a concern.

### 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.

### Accounting and Auditing Concerns Identified by Internal Audit

There were no accounting concerns that have been noted and brought to our attention; and all the auditing concerns which were brought to our attention were discussed with management and the Accounting Officer.

### Other Identified Concerns

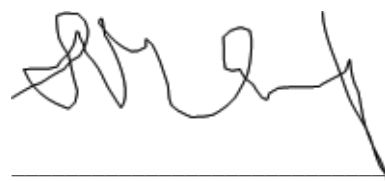
The Committee hereby highlights:

- Its concern about the delays in the finalisation of the Organisation Development exercise as well as unfilled vacancies.
- The forensic investigation to deal with the whistleblower's allegations.

### 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.

The Audit Committee concurs with, 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.



**Chairperson of the Audit Committee  
CIPC**

**31 July 2019**

## AUDIT COMMITTEE

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**From Left to Right:** Ms Zanele Monnakgotla, Mr Protas Phili, Ms Anna Badimo, Adv. Rory Voller (Commissioner), Mr Suren Maharaj, Ms Kameetha Singh (**the dti** representative) and Mr Mavuso Shabalala

*“Everyone can rise above their circumstances and achieve success if they are dedicated to and passionate about what they do.”*

*Nelson Mandela*





## **PART D:**

# HUMAN RESOURCE MANAGEMENT

## 4.1 INTRODUCTION

### 4.1.1 Overview of Human Resources matters at the public entity

- An Organisational Environmental Scanning Task Team (OESTT) was established by the Commissioner of CIPC to scan the environment in preparation for Organisational Design project. The OESTT held staff sessions and thereafter developed a report that was forwarded to and approved by the Executive Team of CIPC. Terms of Reference to appoint a service provider to conduct an Organisational Design exercise for CIPC is underway.
- The implementation of the approved organisational structure and automation of certain functions also brought a number of challenges within CIPC to the extent that some employees are temporarily seconded to other Divisions to ensure that they are gainfully employed. At the end of the financial year 2018/19 CIPC's vacancy rate is at 23.4%.
- Consultation with Organised Labour on all key Human Capital Policies are in progress and hoping that the process will be concluded urgently.

### 4.1.2 Set Human Resource priorities for the year under review and the impact of these priorities

- Organisational Design project that will deliver; new operating model, Job descriptions and job evaluations.
- **Recruitment and Selection** – the recruitment unit has been capacitated to efficiently recruit the identified critical vacant positions within the set time frames by the organisation. Strategic ICT positions have been filled in order to deal with technological challenges that CIPC is faced with. Currently a process of recruiting 32 Interns for Patent Division is underway.

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

- Targeted recruitment to fill strategic positions that will not be affected by the Organisational Design process.
- 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 CIPC Work Skills plan addresses all the needs for development of CIPC staff. This is supplemented the newly developed Personal Development Plans for employees.

### 4.1.4 Employee performance management framework

- Fourth quarter performance reviews have been completed and we take pride in the approved CIPC Employee Performance Management Policy is in full swing.

### 4.1.5 Employee 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:
  - Confidential Counselling Services provided to staff;
  - Health and Wellness interventions provided;
    - 3 months long Financial Life skills intervention was implemented.
    - Wellness Days implemented once in 04 months in Pretoria, Johannesburg and Cape Town offices;
  - Occupational Health Clinic and advisory services provided through **the dti** (incl. HIV programmes, disease prevention, chronic disease management, etc);
  - Work – Life Balance programmes implemented, eg. School Holiday Programme;
  - Support for employees under medical treatment, eg. recommendations for alternative placements (based on doctor's reports); support of hospitalised staff, etc.;
  - Facilitation of Sports and Recreation activities (policy in draft form and programme can be implemented once policy is approved);

### 4.1.6 Policy Development

- Tangible dates for consultation of Unions Leadership with their members have been communicated to management and are being executed.

#### 4.1.7 Highlight achievements

- EXCO approved OESTT report
- Consultation with Organised Labour on Human Resources policies
- Employment Equity Committee has been appointed for a period of 2 years
- Employment Equity Report submitted to the Department of Labour
- 33 Employees were awarded bursaries
- 136 Employees were trained externally in line with their Performance Development Plans
- 8 Arbitration awards in favour of the employer
- School Holiday programme implemented.

#### 4.1.8 Challenges faced by the public entity

- Lengthy consultation on HR policies – policies will not be approved by 18/19 due to Organised Labour taking long to consult with their members.
- Automation impact on effective utilization of staff in affected business units – under-utilization of staff results in low morale.
- High vacancy rate due to moratorium on filling vacant positions.
- High rate of vexatious dispute referrals to CCMA.

#### 4.1.9 Future Human Resource plans /goals

The HR Plan seek to achieve the following goals for the 2018/19 financial year:

- Organisational Design exercise
- Approval of all key HR policies.
- Development of staff in accordance with their Performance Development Plans..

## 4.2 HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme/ activity/ objective

Programme/activity/ objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Commissioner's Office		4 756	7%	52	91
Corporate Service		64 601	40%	105	615
Business Intellig & Systems		32 549	96%	36	904
Innovation and Creativity Promotion		46 733	47%	67	698
Business Reg & Reputation		176 786	143%	230	769
TOTAL	485 309	325 425	-	490	-

## Personnel cost by salary band

Occupational Bands	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	8 531	3%	4	2 133
Senior Management	17 335	5%	10	1 734
Professional qualified	81 917	25%	68	1 205
Skilled	99 559	31%	171	582
Semi-skilled	118 083	36%	237	498
<b>TOTAL</b>	<b>325 425</b>		<b>490</b>	<b>664</b>

## Performance Rewards

Programme//activity/objective	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)
Top Management	412	8 531	5%
Senior Management	685	17 335	4%
Professional qualified	3 990	81 917	5%
Skilled	8 572	99 559	9%
Semi-skilled	5 834	118 083	5%
<b>TOTAL</b>	<b>19 493</b>	<b>325 425</b>	<b>6%</b>

## Training Costs

Programme/ Activity/ Objective	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
	R'000	R'000	%	R'000	R'000
Business Regulation and Reputation	48 814	275	1%	149	2
Innovation and Creativity Promotion	32 543	184	1%	55	3
Service Delivery and Access	244 068	1 377	1%	121	11



## Employment and vacancies

Programme/activity/objective	1 April 2018 No. of Employees	1 April 2018 Approved Posts	31 March 2019 No. of Employees	31 March 2019 Vacancies	% of vacancies
Commissioner's Office	52	71	52	19	26.8%
Corporate Service	105	131	105	26	19.8%
Business Intellig & Systems	37	57	36	21	36.8%
Innovation and Creativity Promotion	69	99	67	32	32.3%
Business Reg & Reputation	237	282	230	52	18.4%
<b>TOTAL</b>	<b>500</b>	<b>640</b>	<b>490</b>	<b>150</b>	<b>23.4%</b>

Occupational Bands	1 April 2018 No. of Employees	1 April 2018 Approved Posts	31 March 2019 No. of Employees	31 March 2019 Vacancies	% of vacancies
Top Management	4	6	4	2	33.3%
Senior Management	10	14	10	4	28.6%
Professional qualified	71	96	68	28	29.2%
Skilled	174	261	171	90	34.5%
Semi-skilled	241	263	237	26	9.9%
<b>TOTAL</b>	<b>500</b>	<b>640</b>	<b>490</b>	<b>150</b>	<b>23.4%</b>

## Employment changes

Turnover rates provide an indication of trends in employment profile of the public entity.

Occupational Bands	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	4	0	0	4
Senior Management	10	0	0	10
Professional qualified	71	0	3	68
Skilled	174	0	3	171
Semi-skilled	241	0	4	237
<b>Total</b>	<b>500</b>	<b>0</b>	<b>10</b>	<b>490</b>

## Reasons staff leave

Reason	Number	% of total no. of staff leaving
Death	4	40.0%
Resignation	5	50.0%
Dismissal	0	0
Retirement	1	10.0%
Ill health	0	0
Expiry of contract	0	0
Other	0	0
<b>Total</b>	<b>10</b>	<b>100%</b>

## Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	6
Final Written warning	2
Dismissal	0

## Equity Target and Employment Equity Status

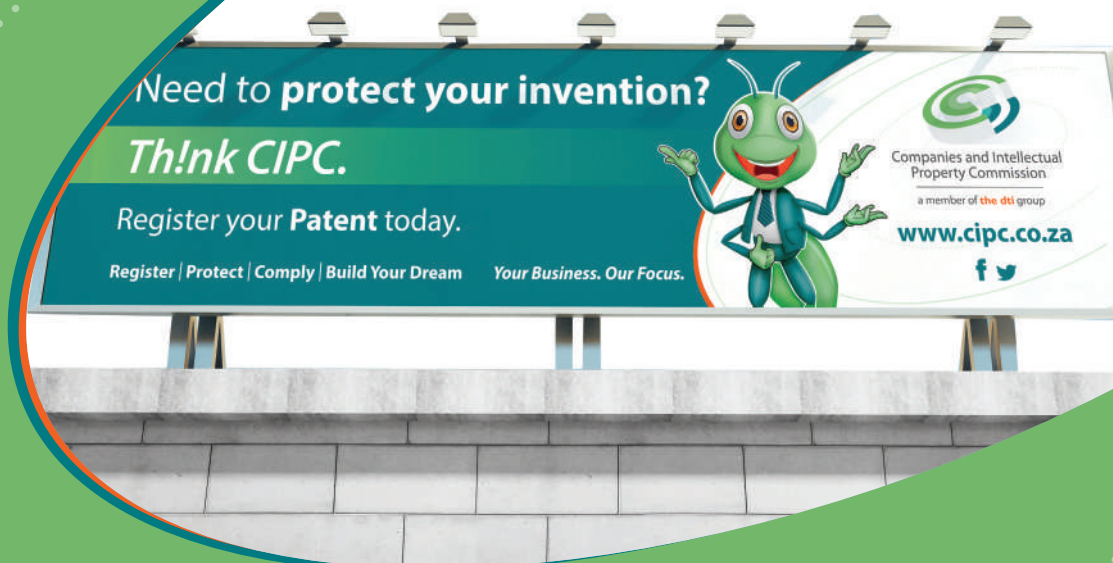
Levels	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	1	1	0	0	1	1
Senior Management	5	5	0	0	1	1	0	0
Professional qualified	27	34	3	3	4	4	4	4
Skilled	71	79	3	17	1	1	9	14
Semi-skilled	65	75	1	1	1	1	2	2
<b>TOTAL</b>	168	194	8	22	7	7	16	21

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	1	1	0	0
Senior Management	4	4	0	0	0	0	0	0
Professional qualified	17	15	3	6	2	2	11	8
Skilled	70	65	5	9	5	2	10	5
Semi-skilled	141	120	8	8	1	1	23	10
<b>TOTAL</b>	233	205	16	23	9	6	44	23

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	1	0	2
Skilled	5	5	0	7
Semi-skilled	2	2	2	3
<b>TOTAL</b>	7	8	2	12

*"I wanna be there when the people start to turn it around, when they triumph over poverty, I wanna be there when the people win the battle against Aids, I wanna lend a hand send me (Thuma Mina)"*

*President  
Cyril Matamela Ramaphosa*



# 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 page 80 to 119 which comprise statement of financial position as at 31 March 2019 and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, financial position of the Companies and Intellectual Property Commission as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practise (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

##### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor General's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the Public Entity, in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Responsibilities of 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 the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

##### Auditor General's responsibilities for the audit of the Financial Statements

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 the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

##### Report on the audit of the Annual Performance Report

##### Introduction and scope

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 2019:

Programmes	Pages in the annual performance report
Programme 1 – Service delivery and access	Page 48-50
Programme 2 – Innovation and creativity promotion	Page 51-52
Programme 3 – Business regulation and reputation	Page 53-58

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 raise any material findings on the usefulness and reliability of the reported performance information for these programmes:
- Service delivery and access
  - Innovation and creativity promotion
  - Business regulation and reputation

#### Other matter

15. I draw attention to the matter below.

#### Achievement of Planned Targets

16. Refer to the Annual Performance Report on pages 48 to 58 for information on the achievement of planned targets for the year and explanations provided for the over achievement of a number of targets.

#### Report on the audit of compliance with legislation

##### Introduction and Scope

17. 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.
18. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

##### Other Information

19. The Accounting Authority is responsible for the other information. The other information comprises the information included in the Annual Report which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
20. 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.

21. 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, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.
22. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### Internal Control Deficiencies

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

Auditor - General

Pretoria  
31 July 2019



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor General’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected 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 financial statements as described in this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control;
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Commission ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a public entity to cease continuing as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### Communication with those charged with Governance

3. I communicate with the Accounting Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the Accounting Authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

# ANNUAL FINANCIAL STATEMENTS







*“You can’t build a great building on a weak foundation. You must have a solid foundation if you’re going to have a strong superstructure”*

***Gordon B. Hinckley***

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Legal form of entity</b>	National Public Entity in terms of schedule 3A of the PFMA
<b>Nature of business and principal activities</b>	Regulator of Companies and Intellectual Property in South Africa
<b>Registered office</b>	<b>the DTI</b> Campus (Block F - Entfutukweni) 77 Meintjies Street Sunnyside Pretoria 0001
<b>Postal address</b>	PO Box 429 Pretoria 0001
<b>Bankers</b>	ABSA
<b>Auditors</b>	Auditor-General of South Africa

# Companies and Intellectual Property Commission

## Annual Financial Statements for the year ended 31 March 2019

### Index

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

Index	Page
Accounting Authority's Responsibilities and Approval	84
Statement of Financial Position	85
Statement of Financial Performance	86
Statement of Changes in Net Assets	87
Cash Flow Statement	88
Statement of Comparison of Budget and Actual Amounts	89 - 90
Accounting Policies	91 - 99
Notes to the Annual Financial Statements	100 - 120

## 5.2 ANNUAL FINANCIAL STATEMENTS

### Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

#### Accounting Authority's Responsibilities and Approval

---

The annual financial statements for the year ended 31 March 2019, 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 2019 and were signed on its behalf by:



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**Adv. Rory Voller**  
**Commissioner (Accounting Authority)**

**Pretoria**  
**Date: 31 July 2019**

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Statement of Financial Position as at 31 March 2019

	Notes	2019 R '000	2018 R '000
<b>Assets</b>			
Current Assets			
Consumables on hand		96	70
Operating lease asset	9	309	-
Receivables from exchange transactions	3	1 645	2 547
Prepayments	4	6 216	6 488
Cash and cash equivalents	5	761 239	666 531
		<b>769 505</b>	<b>675 636</b>
Non-Current Assets			
Property, plant and equipment	6	36 454	29 802
Intangible assets	7	37 029	34 032
Operating lease asset	9	285	374
Prepayments	4	847	3 886
		<b>74 615</b>	<b>68 094</b>
<b>Total Assets</b>		<b>844 120</b>	<b>743 730</b>
<b>Liabilities</b>			
Current Liabilities			
Operating lease liability	9	3 008	1 369
Payables from exchange transactions	10	27 344	22 473
Payables from customer deposits received	11	108 110	99 336
Provisions	12	39 045	32 532
Distribution payable	22	245 400	-
		<b>422 907</b>	<b>155 710</b>
Non-Current Liabilities			
Operating lease liability	9	5	2 994
<b>Total Liabilities</b>		<b>422 912</b>	<b>158 704</b>
<b>Net Assets</b>		<b>421 208</b>	<b>585 026</b>
Accumulated surplus		421 208	585 026

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Statement of Financial Performance

	Notes	2019 R '000	2018 R '000
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Fees	13.1	175 583	165 050
Interest income	13.2	50 686	105 632
Other income	13.3	7 834	6 956
<b>Total revenue from exchange transactions</b>		<b>234 103</b>	<b>277 638</b>
<b>Revenue from non-exchange transactions</b>			
Annual return fees	13.4	332 788	319 413
<b>Total revenue</b>	13	<b>566 891</b>	<b>597 051</b>
<b>Expenditure</b>			
Advertising		(8 520)	(4 157)
Audit fees	14	(6 186)	(6 518)
Bad debts		(5)	(50)
Bank charges		(4 574)	(7 508)
Consulting and professional fees	15	(51 667)	(58 316)
Depreciation and amortisation	16	(20 301)	(16 713)
Employee related costs	17	(325 425)	(323 754)
Internet and network costs		(4 083)	(5 124)
Maintenance and repairs		(693)	(855)
Operating lease charges	18	(30 177)	(26 210)
Other operating expenses	20	(25 083)	(21 295)
Publications, printing and stationery	19	(2 383)	(1 238)
Travelling and subsistence		(6 212)	(5 538)
<b>Total expenditure</b>		<b>(485 309)</b>	<b>(477 276)</b>
(Loss)/Gain on disposal of assets		-	(102)
<b>Surplus for the year</b>		<b>81 582</b>	<b>119 673</b>

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Statement of Changes in Net Assets

	Accumulated surplus R '000	Total net assets R '000
<b>Balance at 01 April 2017</b>	<b>1 255 505</b>	<b>1 255 505</b>
Changes in net assets		
Surplus for the year	119 673	119 673
Transfer to National Revenue Fund	(790 152)	(790 152)
Total changes	(670 479)	(670 479)
<b>Balance at 01 April 2018</b>	<b>585 026</b>	<b>585 026</b>
Changes in net assets		
Surplus for the year	81 582	81 582
Transfer to National Revenue Fund	(245 400)	(245 400)
Total changes	(163 818)	(163 818)
<b>Balance at 31 March 2019</b>	<b>421 208</b>	<b>421 208</b>
Note	22	

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Cash Flow Statement

	Notes	2019 R '000	2018 R '000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Fees		175 583	165 050
Annual return fees		341 562	323 423
Other income		7 834	6 956
Interest income		50 686	105 632
		<u>575 665</u>	<u>601 061</u>
<b>Payments</b>			
Employee costs		(318 623)	(319 823)
Suppliers		(131 940)	(141 191)
		<u>(450 563)</u>	<u>(461 014)</u>
<b>Net cash flows from operating activities</b>	23	<b><u>125 102</u></b>	<b><u>140 047</u></b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	6	(18 149)	(8 649)
Proceeds on disposal of property, plant and equipment	6	38	70
Acquisition of intangible assets	7	(12 283)	(16 786)
<b>Net cash flows from investing activities</b>		<b><u>(30 394)</u></b>	<b><u>(25 365)</u></b>
<b>Cash flows from financing activities</b>			
Transfer to National revenue fund	22	-	(1 000 000)
<b>Net increase in cash and cash equivalents</b>		<b>94 708</b>	<b>(885 318)</b>
Cash and cash equivalents at the beginning of the year		666 531	1 551 849
<b>Cash and cash equivalents at the end of the year</b>	5	<b><u>761 239</u></b>	<b><u>666 531</u></b>



# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## 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
	R '000	R '000	R '000	R '000	R '000	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
Revenue from exchange transactions	171 807	-	<b>171 807</b>	175 583	<b>3 776</b>	
Revenue from non exchange transactions	331 152	-	<b>331 152</b>	332 788	<b>1 636</b>	
Other income	2 918	-	<b>2 918</b>	7 834	<b>4 916</b>	N1
Interest received from exchange transactions	47 897	-	<b>47 897</b>	50 686	<b>2 789</b>	N2
<b>Total revenue</b>	<b>553 774</b>	<b>-</b>	<b>553 774</b>	<b>566 891</b>	<b>13 117</b>	
<b>Expenses</b>						
Employee cost	(319 898)	-	<b>(319 898)</b>	(325 425)	<b>(5 527)</b>	
Operational expenditure	(171 515)	480	<b>(171 035)</b>	(101 031)	<b>70 004</b>	N3
Other administrative expenditure	(42 295)	(480)	<b>(42 775)</b>	(38 547)	<b>4 228</b>	N4
Depreciation and amortisation	(20 066)	-	<b>(20 066)</b>	(20 301)	<b>(235)</b>	
Bad debts	-	-	<b>-</b>	(5)	<b>(5)</b>	
<b>Total expenditure</b>	<b>(553 774)</b>	<b>-</b>	<b>(553 774)</b>	<b>(485 309)</b>	<b>68 465</b>	
<b>Surplus for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81 582</b>	<b>81 582</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement - Refer note 36</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81 582</b>	<b>81 582</b>	

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## 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
	R '000	R '000	R '000	R '000	R '000	
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Non-Current Assets</b>						
Property, plant and equipment	33 500	-	<b>33 500</b>	18 149	<b>(15 351)</b>	N5
Intangible assets	45 800	-	<b>45 800</b>	12 283	<b>(33 517)</b>	N5
<b>Total Assets</b>	<b>79 300</b>	<b>-</b>	<b>79 300</b>	<b>30 432</b>	<b>(48 868)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	79 300	-	<b>79 300</b>	30 432	<b>(48 868)</b>	

Budget narrations are provided for variances above 5%

### N1 - Other income

The variance of R4,9 million (2018: R4 million), translated to 170% (2018: 138%) over the budgeted income relates mainly to the prescription of customer deposits balances for which no transactions have been processed against and are older than three years. The CIPC does not budget for such income due to the uncertainty of the amount which will be unutilised by customers during each financial year.

### N2 - Interest income

The variance of R2,8 million (2018: R24,9 million below budget), translated to 6% (2018: 19% below budget) above budget is due to the CIPC having more funds than expected invested in the CPD account which increased interest earned.

### N3 - Operational expenditure

The variance of R70 million (2018: R40,3 million), translated to 41% (2018: 29%) savings in the budgeted expenditure relates mainly to the following:

\*Under spending of approximately R11 million in the budgeted communication costs as expenditure relating to the postage of deregistration letters did not materialise.

\*Under spending of approximately R13 million in the budgeted patent searcher internship costs as the positions were not filled.

\*Under spending of approximately R40 million in the budgeted consulting and professional fees as many planned projects were not initiated due to capacity constraints. The entity has also implemented cost containment measures regarding the utilisation of consultants, where possible.

### N4 - Other administrative expenditure

The variance of R4,2 million (2018: R12,2 million), translated to 10% (2018: 24%) savings in the budgeted expenditure relates mainly to the following:

\*Savings of approximately R3,3 million in the budgeted conferences, venues facilities budget due to effective cost containment initiatives.

### N5 - Capital expenditure

The variance of R49 million (2018: R9 million) translated to 51% (2018: 26%) below budgeted capital expenditure is mainly attributed resource constraints resulting in planned capital projects not commencing.

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

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### 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 Finance Management Act (Act 1 of 1999).

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

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand (R), 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.

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

---

### 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 negligible. 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.

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 or when there are no further economic benefits or service potential expected from the use of the asset.

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

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

---

### 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 integral 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 (Intangible assets)	Straight line	5 - 12 years

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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.

### 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.

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

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### 1.5 Financial instruments (continued)

**Liquidity risk** is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities 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.

##### 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 its 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.

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

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### 1.5 Financial instruments (continued)

#### 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.

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

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### 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 Consumables on hand

Consumables on hand 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 items can be measured reliably.

Consumables on hand that qualify for recognition as assets are initially measured at cost. Consumables on hand 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 consumables and any write-down of consumables 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.

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 to determine 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.



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Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

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### 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.

### 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 to the CIPC, and these benefits can be measured reliably. Accounts receivable arising from these transactions are categorised as financial instruments at amortised cost.

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Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

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### 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.

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 and 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.

### 1.15 Irregular expenditure

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

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

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Accounting Policies

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### 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.

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
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### 2. New standards and interpretations

#### 2.1 Standards and Interpretations early adopted

The entity has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>• GRAP 20: Related party disclosures</li> </ul>	01 April 2019	No material impact

#### 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 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>• GRAP 108: Statutory receivables</li> </ul>	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>• IGRAP 1: Applying the probability test on initial recognition revenue (amendments)</li> </ul>	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>• IGRAP 20 Accounting for adjustments to revenue</li> </ul>	01 April 2020	Unlikely there will be a material impact

#### 2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2019 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>• GRAP 32: Service concession arrangements: grantor</li> </ul>	01 April 2019	Not applicable
<ul style="list-style-type: none"> <li>• GRAP 109: Accounting by principals and agents</li> </ul>	01 April 2019	Not applicable
<ul style="list-style-type: none"> <li>• GRAP 34: Separate financial statements</li> </ul>	01 April 2020	Not applicable
<ul style="list-style-type: none"> <li>• GRAP 35: Consolidated financial statements</li> </ul>	01 April 2020	Not applicable
<ul style="list-style-type: none"> <li>• GRAP 36: Investments in associates and joint ventures</li> </ul>	01 April 2020	Not applicable
<ul style="list-style-type: none"> <li>• GRAP 37: Joint arrangements</li> </ul>	01 April 2020	Not applicable
<ul style="list-style-type: none"> <li>• GRAP 38: Disclosure of interests in other entities</li> </ul>	01 April 2020	Not applicable
<ul style="list-style-type: none"> <li>• GRAP 110: Living and non-living resources</li> </ul>	01 April 2020	Not applicable
<ul style="list-style-type: none"> <li>• IGRAP 17: Service concession arrangements where a grantor controls a significant residual interest in an asset</li> </ul>	01 April 2019	Not applicable
<ul style="list-style-type: none"> <li>• IGRAP 18: Recognition and derecognition of land</li> </ul>	01 April 2019	Not applicable
<ul style="list-style-type: none"> <li>• IGRAP 19: Liabilities to pay levies</li> </ul>	01 April 2019	Not applicable
<ul style="list-style-type: none"> <li>• Guideline Accounting for arrangements undertaken in terms of the national housing programme</li> </ul>	01 April 2019	Not applicable

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Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
<b>3. Receivables from exchange transactions</b>		
Trade receivables	218	745
Staff receivables	909	754
Patent Corporation Treaty (PCT) receivables	28	18
Other receivables	507	1 127
Provision for doubtful debts	(17)	(97)
	<b>1 645</b>	<b>2 547</b>

### 4. Prepayments

#### Prepaid expenses:

Insurance assets	7	36
Renewal of software licence	3 455	6 839
Subscriptions	-	45
Exhibition space	-	51
Rental expense	148	172
Software maintenance agreement	3 453	3 231
	<b>7 063</b>	<b>10 374</b>

Reconciliation of prepayments

#### March 2019

	Less than one year	Longer than one year	Total
Prepayments	6 216	847	7 063

#### March 2018

	Less than one year	Longer than one year	Total
Prepayments	6 488	3 886	10 374

### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	17 727	3 353
Collection accounts	2 981	9 460
Call account-Corporation for Public Deposits (CPD)	740 531	653 718
	<b>761 239</b>	<b>666 531</b>

Call account: Interest was earned at an average rate of 7.2% (2018: 7.2%) during the financial year.

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer equipment	74 908	(43 679)	31 229	57 554	(34 528)	23 026
Office furniture and equipment	10 029	(5 466)	4 563	10 052	(4 519)	5 533
Leasehold improvements	1 150	(488)	662	3 223	(1 980)	1 243
<b>Total</b>	<b>86 087</b>	<b>(49 633)</b>	<b>36 454</b>	<b>70 829</b>	<b>(41 027)</b>	<b>29 802</b>

### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Derecognition	Depreciation	Total
Computer equipment	23 026	17 450	-	(34)	(9 213)	31 229
Office furniture and equipment	5 533	39	(38)	(2)	(969)	4 563
Leasehold improvements	1 243	660	-	(408)	(833)	662
	<b>29 802</b>	<b>18 149</b>	<b>(38)</b>	<b>(444)</b>	<b>(11 015)</b>	<b>36 454</b>

### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	derecognition	Depreciation	Total
Computer equipment	23 736	8 478	(127)	(59)	(9 002)	23 026
Office furniture and equipment	6 531	29	(45)	-	(982)	5 533
Leasehold improvements	1 734	142	-	-	(633)	1 243
	<b>32 001</b>	<b>8 649</b>	<b>(172)</b>	<b>(59)</b>	<b>(10 617)</b>	<b>29 802</b>

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
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### 7. Intangible assets

	2019			2018		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Capitalised computer software	60 140	(23 111)	37 029	47 857	(13 825)	34 032

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Capitalised computer software	34 032	12 283	(9 286)	37 029

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Capitalised computer software	23 342	16 786	(6 096)	34 032

### 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. 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:

Reassessment of property plant and equipment useful lives	1 232	347
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#### 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	72	5
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### 9. Operating lease asset (accrual)

Non-current assets	285	374
Current assets	309	-
Current liability	(3 008)	(1 369)
Non-current liability	(5)	(2 994)
	<b>(2 419)</b>	<b>(3 989)</b>

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
<b>10. Payables from exchange transactions</b>		
Trade payables	13 485	11 322
Accruals: Remuneration related	5 856	5 567
Accruals: Trade payables	8 003	5 584
	<b>27 344</b>	<b>22 473</b>

### 11. Payables from customer deposits received

Customer balances*	108 110	99 336
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\*Deposits are received from customers for future transactions. These are non-interest bearing and are recognised as revenue when the customer transacts with the CIPC.

Deposits received that have not been utilised for a period of 3 years from receipt date, are recognised as other income.

### 12. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Leave pay benefits	19 940	2 040	-	21 980
Performance bonuses	12 592	17 065	(12 592)	17 065
	<b>32 532</b>	<b>19 105</b>	<b>(12 592)</b>	<b>39 045</b>

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Leave pay benefits	17 910	2 030	-	19 940
Performance bonuses	11 341	12 592	(11 341)	12 592
	<b>29 251</b>	<b>14 622</b>	<b>(11 341)</b>	<b>32 532</b>

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 amounting to R9 million which accrued before 01 July 2000, not taken within a period of six months after the end of the leave cycle are forfeited.

Performance bonuses:

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

The actual expense paid during the 2018/2019 financial year relating to the 2018 provision amounted to R15 million. The under-provision was accepted as immaterial and therefore the comparatives were not restated.



# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
<b>13. Revenue</b>		
Fees	175 583	165 050
Other income	7 834	6 956
Interest income	50 686	105 632
Annual return fees	332 788	319 413
	<b>566 891</b>	<b>597 051</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Fees	175 583	165 050
Other income	7 834	6 956
Interest income	50 686	105 632
	<b>234 103</b>	<b>277 638</b>
<b>13.1 Fees</b>		
Corporate information	20 953	16 553
Company registration and maintenance	92 922	89 930
Data sales	2 293	2 085
Intellectual property registration and maintenance	56 698	53 670
Cooperatives registration and maintenance	2 717	2 812
	<b>175 583</b>	<b>165 050</b>
<b>13.2 Interest income</b>		
Interest received	50 686	105 632
<b>13.3 Other income</b>		
Other exchange transactions	1 169	337
Patent Corporation Treaty (PCT) income	46	57
Recognition of customer balances	6 619	6 057
DOCEX settlement	-	505
	<b>7 834</b>	<b>6 956</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>13.4 Annual return fees</b>		
Annual return fees*	332 788	319 413
*Included in annual return fees are penalties levied for returns submitted more than 30 days after the due date.		
<b>14. Audit fees</b>		
External audit fees - Regulatory audit	5 970	5 504
Internal audit fees (Co-sourced portion)	216	1 014
	<b>6 186</b>	<b>6 518</b>

# Companies and Intellectual Property Commission

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## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
<b>15. Consulting and professional fees</b>		
Specialist information technology consultants, licences and services	43 011	49 731
Management consultants	8 656	8 585
	<b>51 667</b>	<b>58 316</b>
<b>16. Depreciation and amortisation</b>		
Computer equipment	9 213	9 002
Office furniture and equipment	969	982
Leasehold Improvements	833	633
Amortisation of intangible assets	9 286	6 096
	<b>20 301</b>	<b>16 713</b>
<b>17. Employee costs</b>		
Salary	241 481	218 803
Bargaining council settlement	-	36 000
Pension contributions	23 557	21 295
Medical contributions	12 251	12 430
Service bonus	11 533	10 622
Performance bonus	19 493	12 994
Other benefits	10 589	5 803
SDL	2 773	2 821
Overtime and production allowances	2 533	1 861
Long-service bonus	1 215	1 125
	<b>325 425</b>	<b>323 754</b>
<b>18. Operating lease charges</b>		
Motor vehicles	314	272
Offsite storage facility	10 445	6 227
Premises	18 649	18 760
Equipment	769	951
	<b>30 177</b>	<b>26 210</b>

# Companies and Intellectual Property Commission

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## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
<b>19. Publications, printing and stationery</b>		
Publications and printing	210	523
Stationery	2 173	715
	<b>2 383</b>	<b>1 238</b>
<b>20. Other operating expenses</b>		
Audit and risk committee fees	1 128	894
Bursaries	1 715	765
Communication and postage	5 130	4 799
Conferences and venues	3 840	2 109
Derecognition of assets - Refer note 21	444	59
Entertainment and refreshments	355	251
Flowers	9	10
Insurance and courier services	53	277
Legal fees	5 586	5 552
Membership fees	2 534	2 339
Resettlement costs	209	9
Security and cleaning	2 230	2 169
Agency support staff	14	-
Training	1 836	2 062
	<b>25 083</b>	<b>21 295</b>
<b>21. Derecognition of assets</b>		
Office equipment	2	-
Computer equipment: Laptops	34	59
Leasehold improvements	408	-
	<b>444</b>	<b>59</b>

### Computer and Office equipment

Relates to old unused Office equipment. The assets could not be located during the verification process.

### Computer equipment: Laptops

Relates to four laptops (2018: four laptops) which were stolen whilst in the possession of employees. The employees reported the theft and insurance claims were submitted for the assets. Successful insurance claims are recognised in other income.

### Leasehold improvements

Relates to derecognition of leasehold improvements due to expiry of leases.

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
<b>22. Transfer to National Revenue Fund</b>		
Balance at beginning of the year	-	(209 848)
Transfers to the National Revenue Fund declared	(245 400)	(790 152)
Balance at end of the year	245 400	-
	<b>-</b>	<b>(1 000 000)</b>

### March 2019

#### 2018/19 surplus

The CIPC submitted an application to the National Treasury to retain its surplus for the 2018/2019 financial year in terms of section 53(3) of the PFMA and section 6 of the National Treasury Instruction No. 6 of 2017/2018.

#### Instruction by National Treasury to surrender funds

The CIPC declared R245,400 million of its accumulated surplus to the National Treasury as per instruction received from it. Payment was effected after year end.

### March 2018

#### 2017/18 surplus

The CIPC submitted an application to the National Treasury to retain its surplus for the 2017/2018 financial year in terms of section 53(3) of the PFMA and section 6 of the National Treasury Instruction No. 6 of 2017/2018.

#### Instruction by National Treasury to surrender funds

The CIPC surrendered R1 billion of its accumulated surplus to the National Treasury in January 2018. This amount was made up of the prior year surplus of R209,848 million which was declared in the prior year, and a further R790,152 million as instructed by the National Treasury.

### 23. Cash generated from operations

Surplus	81 582	119 673
<b>Adjustments for:</b>		
Depreciation and amortisation	20 301	16 713
Loss (gain) on sale of assets	-	102
Bad debt written off	5	50
Movements in operating lease assets and accruals	(1 570)	(2 775)
Movements in provisions - Employee costs	6 513	3 281
Derecognition of assets	444	59
<b>Changes in working capital:</b>		
Consumables on hand	(26)	11
Receivables from exchange transactions	895	799
Prepayments	3 311	(5 441)
Payables from exchange transactions	4 873	3 565
Payables from customer deposits - Annual returns	8 774	4 010
	<b>125 102</b>	<b>140 047</b>

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

2019  
R '000

2018  
R '000

### 24. Key Management emoluments

#### Executive

#### 2019

Name	Designation	Emoluments	Long service award	Travel and subsistence allowance	Performance bonus	Total
Adv Rory Voller	Commissioner	2 182	-	98	129	2 409
Ms Hamida Fakira-du Toit	Executive Manager: Corporate Services	1 731	-	-	80	1 811
Mr Lungile Dukwana	Chief Strategy Executive	1 657	10	2	97	1 766
Mr Muhammed Jasat	Chief Financial Officer	1 428	-	-	82	1 510
Mr Andre Kritzinger	Executive Manager: Business Intelligence	1 974	-	-	89	2 063
Mr Mpho Mathose	Chief Audit Executive	1 318	-	2	75	1 395
Ms Nomonde Maimela	Executive Manager: Innovation and creativity	1 924	-	106	113	2 143
Ms Bathabile Kapumha	Divisional Manager: Risk, Governance and Compliance	1 499	-	-	67	1 566
		<b>13 713</b>	<b>10</b>	<b>208</b>	<b>732</b>	<b>14 663</b>

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

		2019 R '000	2018 R '000			
<b>24. Key Management emoluments (continued)</b>						
<b>2018</b>						
Name	Designation	Emoluments	Long service award	Travel and subsistence allowance	Performance bonus	Total
Adv Rory Voller	Commissioner	2 027	15	76	106	2 224
Ms Hamida Fakira-du Toit	Executive Manager: Corporate Services	1 605	-	1	69	1 675
Mr Lungile Dukwana	Chief Executive Strategy	1 613	-	7	78	1 698
Mr Muhammed Jasat	Chief Financial Officer - Appointed 01 April 2017	1 243	-	1	-	1 244
Ms Fundisiwe Malaza	Acting Chief Financial Officer - contract ended 31 January 2017	-	-	-	40	40
Mr Andre Kritzinger	Executive Manager: Business Intelligence	1 811	5	11	77	1 904
Mr Mpho Mathose	Chief Audit Executive - appointed 01 June 2016	1 190	-	1	51	1 242
Ms Nomonde Maimela	Executive Manager: Innovation and creativity	1 791	-	68	92	1 951
Ms Bathabile Kapumha	Divisional Manager: Risk, Governance and Compliance	1 358	-	-	58	1 416
		<b>12 638</b>	<b>20</b>	<b>165</b>	<b>571</b>	<b>13 394</b>

## 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.

The total economic entity contribution to such schemes	23 557	21 295
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# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000	
<b>26. Operating lease commitments</b>			
<b>March 2019</b>	0-1 Years	2-5 Years	Total
The dti Campus - Office	18 424	-	18 424
Johannesburg Stock Exchange	107	66	173
Sunny Park Mall	550	-	550
Katanga parking	74	-	74
Norton Rose House: Cape Town	24	-	24
Iron mountain - Backup storage facility	90	-	90
Iron Mountain - Off-site file storage	9 828	10 464	20 292
Bytes - Printers	475	475	950
Marshall street Johannesburg	481	743	1 224
Suncardia Mall	299	-	299
Pakhisa Fleet	301	-	301
	<b>30 653</b>	<b>11 748</b>	<b>42 401</b>
<b>March 2018</b>	0-1 Years	2-5 Years	Total
The dti Campus - Office	16 749	18 424	35 173
Johannesburg Stock Exchange	99	173	272
Sunny Park Mall	1 768	550	2 318
Katanga parking	74	-	74
Carlton Centre: Transnet	201	-	201
Norton Rose House: Cape town	213	-	213
Iron Mountain - Backup storage facility	90	90	182
Iron Mountain - Off-site file storage	9 471	19 412	28 883
Coffee machines	20	-	20
Bytes - Printers	958	950	1 908
	<b>29 643</b>	<b>39 599</b>	<b>69 244</b>

### 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 three years, from 01 November 2017 to 31 October 2020. The lease rental escalates at 8.25% per annum.

### Sunny Park Mall - Offices and parking

The offices and parking are based at Sunny Park Mall, Pretoria. The lease term is three years, from 01 September 2016 to 31 August 2019. The lease rental escalates at 8% per annum.

### Katanga Parking

Relates to the lease of parking bays at the dti campus. There is no annual escalation applicable.

### Norton Rose House: Cape Town - Offices

The office is based at Norton Rose House, Cape Town and is currently on a month to month contract.

### Iron Mountain - Backup storage facility

The lease is for a backup storage facility. The lease period is three years, from 01 March 2017 to 28 February 2020. The lease rental 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 commitment is based on the maximum estimated storage space which may be utilised by the CIPC. However, the expense is based on the actual storage space utilised and results in the differing monthly costs.

### Bytes - Printers

Relates to a lease for printers at the CIPC offices in Pretoria. The lease term is five years from 01 April 2016 to 31 March 2021. There is no escalation clause applicable. The lease expense will decrease by 50% per annum in the final 2 years of the lease.

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
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### 26. Operating lease commitments (continued)

#### Hollard Street: Johannesburg - Offices

The offices are based in Hollard street, Johannesburg. The lease term is three years from, 01 September 2018 to 31 August 2021. The lease rental escalates at 8% per annum.

#### Suncardia Mall: Pretoria - Offices

The offices are based at suncardia Mall, Pretoria. The lease term is one year, from 01 February 2019 to 31 January 2020.

#### Pakhisa Fleet - Vehicles

Relates to the lease of three fleet vehicles. The lease term is one year, from 01 March 2019 to 28 February 2020.

### 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.

### 28. Contingencies

#### Contingent liabilities

#### Accumulated surplus

	242 279	547 269
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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 2018/19

A declaration of the cash surplus as at 31 March 2019 was submitted to the National Treasury on 31 May 2019. An application to retain such surplus was also submitted in terms of section 53(3) of the PFMA and National Treasury instruction No 6 of 2017/2018.

#### Surplus for 2017/18

A declaration of the cash surplus as at 31 March 2018 was submitted to the National Treasury on 31 May 2018. The application to retain such surplus was also submitted in terms of section 53(3) of the PFMA and National Treasury instruction No 6 of 2017/2018.

The National Treasury did not approve the full value of the application and instructed the CIPC to surrender R245,4 million to it. Refer to note 22.

#### Enterprise Content Management System (ECM)

	10 090	10 090
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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.



# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
<b>29. Planned capital programmes</b>		
The following capital programmes were approved and contracted:		
<b>Head Office</b>		
Software investment in ICT system: K2	5 113	-
Software investment in ICT system: XBRL	-	6 576
	<b>5 113</b>	<b>6 576</b>
The following capital programmes were approved but not yet contracted:		
<b>Head Office and Self service centres</b>		
Furniture and equipment	15 150	500
Leasehold improvements - Head office and Self service centres	59 100	8 000
Hardware investment in ICT systems for improved service delivery	25 200	18 424
Software investment in ICT systems for improved service delivery	35 187	45 800
	<b>134 637</b>	<b>72 724</b>
<b>30. Patent Corporation Treaty (PCT) Trust Account</b>		
Funds held in trust to which the entity is not entitled, are accounted for separately and deposited into a separate bank account.		
PCT creditors	518	500
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	518	500

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

2019 R '000	2018 R '000
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### 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.

#### March 2019

	Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
Payables from exchange transactions	27 346	27 346	27 346	-
Payables from deposits received in advance	108 110	108 110	108 110	-
Distribution payable	245 400	245 400	245 400	-
	<b>380 856</b>	<b>380 856</b>	<b>380 856</b>	<b>-</b>

#### March 2018

	Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
Payables from exchange transactions	22 473	22 473	22 473	-
Payables from deposits received in advance	99 336	99 336	99 336	-
	<b>121 809</b>	<b>121 809</b>	<b>121 809</b>	<b>-</b>

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
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### 31. Risk management (continued)

#### 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*	761 239	666 531
Receivable from exchange transactions	8 825	12 921
	<b>770 064</b>	<b>679 452</b>

\* Included is an amount of R741 million (2017: R654 million) invested in a call account at the South African Reserve Bank.

#### Concentration of credit risk

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

#### March 2019

	*Baa3 and Government	Unrated
Cash and cash equivalents	761 239	-
Prepayments	-	7 063
Receivables from exchange transactions	-	1 645
	<b>761 239</b>	<b>8 708</b>

#### March 2018

	*Baa3 and Government	Unrated
Cash and cash equivalents	666 531	-
Prepayments	-	10 374
Receivables from exchange transactions	-	2 547
	<b>666 531</b>	<b>12 921</b>

#### Ageing of financial assets

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

#### March 2019

	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	761 239	-	-	761 239
Receivables from exchange transactions	-	1 645	-	1 645
	<b>761 239</b>	<b>1 645</b>	<b>-</b>	<b>762 884</b>

#### March 2018

	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	666 531	-	-	666 531
Receivables from exchange transactions	-	2 547	-	2 547
	<b>666 531</b>	<b>2 547</b>	<b>-</b>	<b>669 078</b>

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
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### 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 wherein 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 2019

	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 %	7 150	(7 086)

#### March 2018

	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 %	14 982	(14 831)

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
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### 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 2019	Balance due as at 31 March 2019	Transactions 31 March 2018	Balance due as at 31 March 2018
<b>Expenses</b>				
Lease of building	16 749	-	15 226	-
Telephone costs	1 016	80	978	219
Internet costs	229	-	229	19
Subtotal	17 994	80	16 433	238
	<b>17 994</b>	<b>80</b>	<b>16 433</b>	<b>238</b>

#### 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.

#### Income (Disclosure of information)

The CIPC registry services are rendered free of charge to other National and Provincial government departments and entities. The total amount for such services cannot be quantified.

Name	Relationship
Department of Trade and Industry	Member of the dti group
BBBEE Commission	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

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
<b>32. Related party transactions (continued)</b>		
Department of Agriculture, Forestry and Fisheries		National sphere of government
Department of Arts and Culture		National sphere of government
Department of Communications		National sphere of government
Department of Infrastructure Development		National sphere of government
Department of Co-operative Governance		National sphere of government
Department of Economic Development		National sphere of government
Department of Environmental Affairs		National sphere of government
Department of Home Affairs		National sphere of government
Department of Human Settlements		National sphere of government
Department of Labour		National sphere of government
Department of Public Service and Administration		National sphere of government
Department of Rural Development and Land Reform		National sphere of government
Department of Public Works		National sphere of government
Department of Tourism		National sphere of government
Department of Traditional Affairs		National sphere of government
Department of Transport		National sphere of government
Department of Social Development		National sphere of government
National Treasury		National sphere of government
Compensation Fund		National sphere of government
Co-operative Bank Development Agency (CBDA)		National sphere of government
E-Government		National sphere of government
Film & Publication Board		National sphere of government
Gauteng Provincial Legislature		National sphere of government
Limpopo Provincial Legislature		National sphere of government
National Prosecuting Authority (NPA)		National sphere of government
Office of the President		National sphere of government
Parliament		National sphere of government
Road Accident Fund (RAF)		National sphere of government
SA National Accreditation System (SANAS)		National sphere of government
SA Revenue Services (SARS)		National sphere of government
SA Social Security Agency (SASSA)		National sphere of government
SITA		National sphere of government
South African Police Service (SAPS)		National sphere of government
South African Post Office (SAPO)		National sphere of government
State Security Agency (SSA)		National sphere of government
Statistics SA		National sphere of government
Transnet Enterprise Development Hub		National sphere of government
Unemployment Insurance Fund		National sphere of government

Transactions with key management

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

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
<b>33. Fruitless and wasteful expenditure</b>		
Fruitless and wasteful expenditure - Cancelled meetings	-	24
Opening balance	51	27
Add: Fruitless and wasteful expenditure - current year	-	24
Less: Amounts recovered	-	-
Less: Amounts written off	-	-
	<b>51</b>	<b>51</b>

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

Opening balance	98 516	98 531
Less: Amounts condoned	-	(15)
	<b>98 516</b>	<b>98 516</b>

#### Analysis of expenditure awaiting condonation per age classification

Prior years	98 516	98 516
-------------	--------	--------

#### Details of irregular expenditure not yet condoned

##### Incurred in prior years

Accounting services	5
Recruitment adverts	245
Enterprise Content Management System (ECM)	98 236
Catering	30
	-
	<b>98 516</b>

#### 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 1 of 1999). Gifts and donations received by employees during the year under review were:

Smaller gifts received by various staff members	1	11
Granting of sponsorships and gifts by the CIPC:		
Smaller gifts	4	4

# Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2019

## Notes to the Annual Financial Statements

	2019 R '000	2018 R '000
<b>36. Reconciliation between budget and cash flow statement</b>		
Reconciliation of budget surplus with the net cash generated from operating, investing and financing activities:		
<b>Operating activities</b>		
Actual amount as presented in the budget statement	82 280	119 673
Basis differences	42 822	20 374
<b>Net cash flows from operating activities</b>	<b>125 102</b>	<b>140 047</b>
<b>Investing activities</b>		
Actual amount as presented in the budget statement	(30 432)	(25 436)
Basis differences	38	71
<b>Net cash flows from investing activities</b>	<b>(30 394)</b>	<b>(25 365)</b>
<b>Financing activities</b>		
Basis differences	-	(1 000 000)
<b>Net cash generated from operating, investing and financing activities</b>	<b>94 708</b>	<b>(885 318)</b>

### 37. Prior period error

During the current financial year, it was discovered that travel expenditure amounting to R401 thousand and lease expenditure amounting to R233 thousand relating to the prior and previous years were under accrued, and Software costs relating to the prior year amounting to R262 Thousand was incorrectly expensed.

The financial impact of the error amounts to R373 thousand included in 2018/19 expenses instead of the 2016/17 and 2017/18 years.

Management decided not to restate the prior year financial figures as the amount of the error is below the organisational materiality of R5,537 million.











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