



ANNUAL REPORT | 2005/06



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OVERVIEW

CIPRO's Purpose, Values and Vision Statement support the **dti's 2014 Vision** of working towards an adaptive economy characterised by growth, employment and equity, and built on the full potential of all persons, communities and geographic areas.

Purpose

“To register businesses and intellectual property rights, maintain related registries and develop information for disclosure to stakeholders.”

Stretch Target / Vision

The overall Vision for CIPRO is ***“Global leadership in the efficient registration of businesses and intellectual property rights.”***

CIPRO aims ***“To deliver the ultimate registration experience.”***

Values

The 'basket' of Values for CIPRO is:

- Trust
- Honesty / Integrity
- Empowerment
- Accuracy
- Accountability
- Fairness
- Loyalty
- Transparency



CHAIRMAN'S STATEMENT

CIPRO continued to make solid progress in financial year 2005/2006, as it completed its fourth year as a Business Agency, under the umbrella of **the dti**.

The drive to make CIPRO a world class, self sufficient business with strong focus on the organization's stakeholders and customer needs – providing better products and services at the lowest cost for agreed quality standards - has continued. The challenge to move to this position was always going to be a big one, coming from its origins pre March 2002, when CIPRO was created. However, there is now little doubt that the executive and employees are increasingly focusing on these drivers, and understand the vital contribution that they can make to the growth of South Africa's economy.

As covered in the CEO's report, and the contributions by the business and support units, there were many highlights during the year. Although many of these are "work in progress", some important initiatives and results have been achieved. They include: significant advancement of e-business/lodgment; initiatives; record registrations; reduced turnaround times and backlogs; the incorporation of the Cooperatives Registration Unit and the broader role CIPRO has played with other African Registries in cooperation with the European Patent Office and the World Intellectual Property Organisation. Additionally, great steps have been made with the South African Post Office to improve accessibility of CIPRO's services across the country, and also with SEDA (Small Enterprise Development Agency), another very important economic driving unit within **the dti**, to further develop a "One Stop Shop" concept for small businesses.

Significant challenges for the organisation continue. The ICT infrastructure, including capacity, still requires much work and investment before it provides the stability and response times demanded by the e-

business demands and opportunities. The necessary financial resources are available, and organisational requirements are being built up. Additionally, staff turnover in several key areas remains an issue, and new ways of retaining key skills will need to be developed.

Kobus Pienaar acted as CEO for much of financial year 2005/2006. To him go the sincere appreciation of the board and myself for his enthusiasm, dedication and leadership. Also our gratitude to the Executive team, and all CIPRO employees for the hard work, many long hours, and continued progress in CIPRO's drive for success.

The end of financial year 2005/2006 marked the end of the tenure of the inaugural CIPRO Advisory Board. To the board members, my sincere thank you for your dedication and contribution during that period. A new board will be appointed in the near future, and I wish them every success in taking CIPRO forward.

CIPRO can, and must, make a great contribution to South Africa's economic progress. Challenges and opportunities will continue apace. The 2010 Soccer World Cup will provide a further strong impetus for CIPRO to become, and be seen, as a world leader in its field, and contribute to the success of the event in the country.



Rob J. Angel
Chairman of CIPRO Board



CHIEF EXECUTIVE OFFICER'S REVIEW

It gives me great pleasure to present CIPRO's fourth annual report, which includes the audited financial statements for the 2005/6 financial year.

Many people still appear to be unsure about the mandate of CIPRO and what our contribution is to the economy of the country. Before I speak at length about the organisation's performance during the year under review, I would like to briefly share the mandate and history of CIPRO with you.

CIPRO was established as a trading entity on 4 March 2002, in terms of the provisions of the Public Finance Management Act (PFMA). Its formation brought together the South African Companies Registration Office (SACRO) and the South African Patents and Trademarks Office (SAPTO), both former directorates of **the dti**. The Cooperatives Registration Unit was incorporated from the Department of Agriculture into CIPRO on 1 April 2005. The intent was to establish a self-sustaining business agency, which would increase efficiency in the registration of companies, close corporations, cooperatives and intellectual property rights. An Advisory Board was established as a support structure to assist CIPRO in fulfilling its purpose. CIPRO's mandate is the registration of cooperatives, companies, close corporations and intellectual property rights i.e. patents, trademarks, copyrights and designs. Related services include the disclosure of information on registered corporate entities and intellectual property rights, the protection of intellectual property and corporate entities' rights and dispute resolution on cases arising out of infringements to these rights.

The year under review has been eventful, starting with the Cooperatives Registration Unit migrating from the Department of Agriculture to CIPRO. Cooperatives have been identified as a vehicle within government for the upliftment of rural poor communities. With the establishment of a

Cooperatives Development Unit in **the dti** and the inclusion of the Cooperatives Unit in CIPRO, where other forms of business entities were already established, the processes and systems could be realigned in line with the world-class standards already adopted. The increased national emphasis on cooperatives has resulted in increases in registrations of mind-blowing proportions.

The total number of registered cooperatives in 2003 was 4 210. In 2004 this number increased by 511 to 4 721. The new registrations for 2005/06 alone were 2 829, an increase of 60% of the total registered cooperatives or 554% year on year. We attribute the exponential increase in cooperatives registration to the increased national focus on the use of cooperatives, streamlined registration processes, extensive marketing programmes and outreach campaigns.

South Africa's sustained positive economic climate, increased focus on growth initiatives and the successful bid to host FIFA's 2010 Soccer World Cup has had a positive effect on growth in general and CIPRO in particular.

The year under review has seen an unprecedented increase in the number of business and intellectual property registrations. The registration of new close corporations increased from 135 438 in the 2004/05 financial year, to 197 307 in the 2005/06 financial year (an increase of 46%). On the other hand, the registration of new companies moved from 36 845 in 2004/05 financial year, to 48 900 new companies in 2005/06 financial year (an increase of 33%). Many businesses and individuals have shown a keen interest in registration of their intellectual property with a resultant increase in registrations. This has put extra pressure on our trademark division to provide advice, assistance and register new applications.

A number of exciting new initiatives were launched and implemented during the year under review. CIPRO forged partnerships with a number of institutions with the view to making our services accessible to our customer across the country.

We forged formal working relations with the South African Post Office (SAPO) with the aim of making our services available through Post Office outlets across the country. SAPO staff have received training on our products and services and the pilot is underway in a number of Post Office outlets with further rollouts envisaged once the needed ICT capacity is in place. We have also entrenched working relations with our sister institution, SEDA, with a view to piggybacking on their national footprint to reach outlying areas of our country. We have also established relations with Limpopo Business Support Agency (LIBSA) and the National African Federated Chamber of Commerce (NAFCOC) whose staff we have afforded training on our products and services with the view of assisting customers with CIPRO related queries.

The further implementation of the e-lodgment initiatives has resulted in large volumes of electronic lodgments with the result of improved registration turnaround times, and less room for errors. Name reservations are now done exclusively in electronic format with the process being completed within one day. New close corporations are now lodged electronically in 61% of all cases with a turnaround time of a day and 65% of company amendments are lodged electronically.

CIPRO also launched the IP on-line project, which is still in its pilot phase. Among others, the project enables people to do online patent and trademark searches from their offices. This will be expanded to facilitate full electronic lodgment. We also removed the burden of customers having to obtain revenue stamps to transact with us on intellectual property issues; they can now transact directly with us using cash, debit or credit cards or do electronic transfers.

A Wireless Application Protocol (WAP) service has been launched, which allows people to do searches, confirmations and verifications via their cellular phones. This service saves our customers a lot of time and money with not having to call the call centre, send e-mails or travel to Pretoria.

Our Legal and Regulatory Services Unit has contributed extensively to the draft regulations for the soon to be promulgated Cooperatives Act, 2005 (Act 14 of 2005) and continues to participate in the Corporate Law Reform process, which is aimed at bringing to birth the new Companies Act.

As a customer focused organisation, CIPRO commissioned research to review the call centre. The process of hosting it internally with the aim of focusing on CIPRO services with well-trained and highly skilled officials is currently underway.

Foremost to the organisation, is a need to improve our customer service and service delivery standards. To this end, CIPRO has developed a customer service strategy linked to the contact centre and customer satisfaction questionnaires to afford customers the opportunity to rate our service. The organisation is also embarking on a more user-friendly website design, which will carry current and relevant information while catering for the new range of electronic services.

The organisation continued to work in partnership with Local Governments, under the umbrella of Local Economic Development Units (LED). We have provided training to a number of LED officials throughout the country to capacitate them with information so they in turn can provide better service to their customers. We have embarked on a number of outreach campaigns to promote our products, services and the CIPRO brand.

Information Communication and Technology (ICT) and the core business divisions have been working closely during the year to ensure that we have the

capacity to deal with the demands the business direction puts on the infrastructure and systems. Business and intellectual property registrations have increased significantly and are expected to increase exponentially with the focus on the Accelerated and Shared Growth Initiative South Africa (ASGISA) and as we near the 2010 FIFA World Cup. Part of our IT strategy is to provide a backbone with sufficient bandwidth, server capacity and storage for the electronic environment and to handle registrations that come from our strategic partners.

Even with all of the achievements outlined above, I believe that the organisation can and could have done better on certain aspects. As we refocus for the coming financial year, we plan to plug the gaps identified in the Auditor-General's report and put in place stringent measures that will enable CIPRO to have sound financial and procurement systems. The implementation of an appropriate new structure with capacity aimed at addressing the full strategy implementation will have a significant impact on the long-term efficiency of the organisation.

To my executive team, management team and staff, I would like to express my profound appreciation for the hard work you have done under sometimes trying circumstances and the commitment you have shown. To the board, I'd like to express my sincere gratitude for the support you have given us.

Thank you



Kobus Pienaar
Acting Chief Executive Officer

SERVICE DELIVERY ACHIEVEMENTS for the year ended 31 March 2006

Objective & Expected Impact	Initiative	Actual	Comments
<p>Moving from "Paper to Digital"</p> <ul style="list-style-type: none"> • Improvement in processing times and better service delivery. • Redeployment of resources within the organisation to areas where resources are required for better service delivery and enhanced compliance. • Increase the accessibility and ease of use for the customer. 	<ul style="list-style-type: none"> • E-lodgement launch for further initiatives for company and close corporations. • New co-operatives registration system. • Electronic disclosure of information. • IP Online Launch. • Use of mobile technology for access to CIPRO information and functionality. 	<ul style="list-style-type: none"> • The development has been done for companies and close corporations. The service has not been formally launched but uptake on new CC lodgement is already at 61% and company amendments at 65%. Full implementation and formal launch is expected when the connectivity, server and storage capacity have been resolved. • System for cooperatives developed and will be launched when regulations have been passed. • The electronic search facility of IP Online's is in place. The electronic lodgement facility has been developed, tested and will be launched as a further phase once the ICT issues have been resolved. • Mobile technology (WAP) has been put in place and is being used as a cheaper and simpler option. • Resources are being redeployed as expected. 	<ul style="list-style-type: none"> • SITA and TELKOM have been engaged on a high level to get the connectivity issues resolved. • The first part of the additional web capacity has been installed recently and the rest is in the process of being arranged. • Storage and server capacity has been addressed with SITA. • Further expansion options for use of this technology are being examined.

<p>Scanning of companies, intellectual property and cooperative files and indexes</p> <ul style="list-style-type: none"> • Images available electronically for disclosure purposes. 	<ul style="list-style-type: none"> • Imaging project 	<ul style="list-style-type: none"> • Imaging of Patent information in process with disclosure through Espasnet from the EPO. • Imaging of other areas to form part of a consolidated project in future. 	<ul style="list-style-type: none"> • Capacity needs to be addressed before the full imaging project can be launched, as there are over 2.5 million files involved in the process.
<p>Decentralisation</p> <ul style="list-style-type: none"> • Strong geographic footprint at low cost. 	<ul style="list-style-type: none"> • Post office decentralisation • Other decentralisation options 	<ul style="list-style-type: none"> • Arrangements are in place with the post office for phased implementation. A Pilot project is currently in place. Once ICT issues are resolved it will be rolled out. • Training for post office has been done. • Synergies with the dti family and other institutions for further decentralisation have already been explored and MOUs are in process. • Training has been provided to several institutions like LIBSA, LEDs, SEDA, NAFCOC. 	<ul style="list-style-type: none"> • This is based on the electronic lodgement initiative.
<p>Sufficient ICT capacity</p> <ul style="list-style-type: none"> • To continue the implementation of the ICT Architecture. • Deliver the needed electronic, based service efficiently. 	<ul style="list-style-type: none"> • Upgrading capacity. • Re-establishment of external web services with proven high performance. 	<ul style="list-style-type: none"> • Storage and server capacity is addressed with SITA. • Busy upgrading the web capacity via SITA and Telkom. 	<ul style="list-style-type: none"> • In terms of legislation, CIPRO is required to address all ICT needs via SITA.
<p>Printing solution:</p> <ul style="list-style-type: none"> • Internal systems and infrastructure efficiency improved 	<ul style="list-style-type: none"> • Implement an efficient printing solution 	<ul style="list-style-type: none"> • Mass printing solution implemented with success. • Copier needs being reviewed to determine actual long term need while interim option is in place to address critical needs. 	<ul style="list-style-type: none"> • New transversal tender for copiers delayed. Once in place this will be used for long term needs.

<p>Web available 24/7/365 with structured downtime.</p>	<ul style="list-style-type: none"> • Web connectivity and capacity to be expanded. 	<ul style="list-style-type: none"> • Delays in web capacity experienced. First part of installation has significant impact on improving the web service. 	<ul style="list-style-type: none"> • Negotiations with TELKOM and SITA done to get the needed capacity in place. Process had some delays but first part of the capacity is in place and the rest under way.
<p>Elimination of the existing backlogs</p> <ul style="list-style-type: none"> • Savings in processing time. • Higher capacity to focus on the processes that do require human intervention. • Service improve by the elimination of the backlog but will be sustained by the e-lodgement processes. 	<ul style="list-style-type: none"> • Overtime project 	<ul style="list-style-type: none"> • All companies and CC backlogs eliminated. • Cooperatives backlogs eliminated. • Processes are in place for the elimination of IP trademarks backlogs. • Some specific IP backlogs eliminated. 	<ul style="list-style-type: none"> • IP Trademarks backlog to be eliminated within a 24-month process before Madrid protocol can be launched.
<p>Customer surveys</p> <ul style="list-style-type: none"> • Changing needs of the customer base monitored and feedback obtained • The Improvement of services and new products are being considered as a result of customer services. 	<ul style="list-style-type: none"> • Informal customer feedback • Formal Surveys 	<ul style="list-style-type: none"> • Regular meetings in place with professional forums representing main stakeholder groups. • Feedback from customer queries and contact centre formalised and analysed. • Customer service strategy developed for the call centre. • Customer service questionnaire developed for customers to rate our services. 	<ul style="list-style-type: none"> • Regular forums and surveys to be used in improving services in future.
<p>Web site revamp</p> <ul style="list-style-type: none"> • Facilitate the new services offered electronically and improve efficiency. • Make the use of the site easy. • Fewer queries. 	<ul style="list-style-type: none"> • Review of web for new services. 	<ul style="list-style-type: none"> • Web site reviewed. • Efficiency issues on site addressed after analysis. • Developments for new services have been done but the launch are delayed until connectivity issues are resolved. 	<ul style="list-style-type: none"> • Further review of site to be done on a regular basis for efficiency and to accommodate new needs.

<p>Preparations for the launch of the Madrid & Hague protocols.</p>	<ul style="list-style-type: none"> • Training and process reviews • Legislative Changes required 	<ul style="list-style-type: none"> • Legislative changes for Madrid in process. • Discussions, training and seminars held for Madrid. • Backlog project in IP initiated in preparation of Madrid. 	<ul style="list-style-type: none"> • Processes and systems to be reviewed in time for the launch within the time of 24 months backlog project.
<p>Awareness and customer education</p> <ul style="list-style-type: none"> • Sensitise customers about CIPRO products and how to make use of them. 	<ul style="list-style-type: none"> • Road shows • Exhibitions • Awareness campaigns • TV & Video based education 	<ul style="list-style-type: none"> • 26 road shows conducted. • Participated in 10 exhibitions and trade shows. • 10 news paper adverts. • 10 radio adverts and interviews. • 10 TV interviews. • 14 Internal communications. • External partnerships with 8 institutions. • Several media briefings. 	
<p>Annual Returns (AR) for close corporations</p> <ul style="list-style-type: none"> • Enhance data quality and integrity. 	<ul style="list-style-type: none"> • Launch AR for CCs 	<ul style="list-style-type: none"> • AR for Private companies though introduced has been delayed. • Extension has been given till the next year for lodgement. • The income associated with AR has been significant though. 	<ul style="list-style-type: none"> • The connectivity issue has resulted in delays
<p>Customer contact centre review</p> <ul style="list-style-type: none"> • Ensure organisation gets the needed benefit. • Support of the electronic initiatives as well as the decentralisation. • Understand customer needs and activities and improve services accordingly. 	<ul style="list-style-type: none"> • Review of CCC • Integration of all customer interface points through a Customer Relationship Management system. 	<ul style="list-style-type: none"> • A joint review with the dti has been done and a new project under way to establish an in house call centre. • CRM to form part of the new project. 	
<p>Management information system based on needs from the customer interface.</p>	<ul style="list-style-type: none"> • MIS to be put in place 	<ul style="list-style-type: none"> • Formalised MIS deferred to the following year. 	

<p>Fully integrated financial system to be implemented to replace the Sita based legacy systems (BAS, Logis)</p> <ul style="list-style-type: none"> Fully integrated environment for line of business, personnel, revenue, payment, asset management, creditor systems, etc. Resources will be redeployed according to the new system needs. Efficiencies will be improved throughout. 	<ul style="list-style-type: none"> New financial system Integration Resource redeployment 	<ul style="list-style-type: none"> The project for the new system was started. As part of the plan the implementation of Acpcap has been done in the new financial year. Resources have been trained. Structure has been approved for finance and redeployment will commence once all posts are filled. 	<ul style="list-style-type: none"> Electronic workflow processes still have to be worked out and finalised with the management team.
<p>Reduce the cost base.</p>	<ul style="list-style-type: none"> Focus on specific areas like Inventories, Government printers, transport, travelling, printing and copying cost. 	<ul style="list-style-type: none"> Printing solution put in place to reduce printing cost over longer term. Government printers engaged and cost cannot be substantially reduced at this stage. Option of vehicle purchase is currently being examined. Travelling cost has been kept to a minimum with overseas travel especially being limited. Copier contract with previous provider has been suspended recently and based on needs assessment new services with minimum facilities will be put in place. 	<ul style="list-style-type: none"> Cost base reduction is a continuous effort. Once the full structure is in place and the capacity is available this will form part of the KRAs of each of the senior managers.
<p>Outsourcing non-core functions.</p>	<ul style="list-style-type: none"> Options for possible outsourcing will be explored. 	<ul style="list-style-type: none"> The outsourcing of Internal Audit has been identified and implementation is under way. 	

<ul style="list-style-type: none"> Work toward ISO accreditation. 	<ul style="list-style-type: none"> Put a quality management system in place. 	<ul style="list-style-type: none"> Process mapping far advanced. Additional resources for unit in process of being acquired. 	<ul style="list-style-type: none"> This is a continuous process and new relationships with all levels of government and private sector institutions are being built constantly. Specific effort will go into getting other African countries to participate in the events we host in future.
<ul style="list-style-type: none"> Relationships with stakeholders maintained and additional relations built Improved relationships and closer cooperation Benchmarking opportunities and feedback to stay on the forefront. 	<ul style="list-style-type: none"> CIPRO is part of International registry forums and associations. Establish exchange programmes. 	<ul style="list-style-type: none"> CIPRO is part of the Asian Pacific Registry forum management and will host the next event. Regular interaction with Companies related stakeholders. Regular interactions with IP related stakeholders both national and international. CIPRO forming a gateway to IP activities in African countries. Discussions with SARS resulted in closer cooperation. 	<ul style="list-style-type: none"> Severe instability experienced with lack of progress on CEO appointment, the delay in the structure approval and filling and the resultant delay in many other aspects on the strategy.
<ul style="list-style-type: none"> Restructuring & implementation of the strategy and the new structure Reshuffling of the organisation. Improved performance. 	<ul style="list-style-type: none"> Finalisation of new structure. Implementation of new structure. Implementation of new strategy. 	<ul style="list-style-type: none"> New structure developed but delayed by appointment of full time CEO. CEO and other senior appointments not done. Critical posts approved to move ahead. 	
<ul style="list-style-type: none"> Teambuilding after the reorganisation. 	<ul style="list-style-type: none"> Teambuilding 	<ul style="list-style-type: none"> With the delay in the structure approval process, smaller teams in the original structure had some interaction but that for the new structure will wait until finalised. 	
<ul style="list-style-type: none"> Training Efficiency and multiskilling Equip the team with the right skills. 	<ul style="list-style-type: none"> Re-training in line with needs of new structure 	<ul style="list-style-type: none"> Considerable training in line with the key priorities identified from the strategy. The detail-targeted training associated with the reorganisation did not however happen. 	<ul style="list-style-type: none"> This will be addressed when the new structure is in place

MANAGEMENT TEAM



Kobus Pienaar



Rector Rapoo



Rory Völler



Logan Chetty



Itumeleng Sedite



Jeanette Abreu



Desmond Marumo



Sindiso Malaku



Collin Nakedi



Ratibu Mathekga



Claude Bekker



Marumo Modiba



Patricia Manshon



Ashwin Maharaj



Francis Manickum



Rocco De Lorenzo



Janine van Zyl



Maisibe Masha



André Oosthuizen



REPORT BY THE REGISTRAR OF COMPANIES for the financial year 2005/06

New company registrations have once again reached record levels. A total of 48 900 new companies were incorporated during this year, compared to 36 845 incorporations during the previous financial year. This represents an increase of nearly 33%. It is admitted that the number of annual company registrations is also one of the indicators of economic activity and the actual increase of registrations during this year is certainly a reflection of a growing economy.

Conversely, as can be seen from the statistics and the graphics below, the deregistration of companies has increased hugely. There is a logical explanation for this phenomenon. By far the most companies in existence are private companies. During April 2005 the requirement for companies to submit annual returns was extended from public companies to private companies. The system of submission of annual returns was implemented in order to update the register of this Office. Companies are now required to submit annual returns in order to update information such as their registered addresses, current auditors, directors and such. Additionally, this presents an ideal opportunity to remove from the register of companies dormant companies who do not comply with the obligation to lodge annual returns. Already many dormant private companies have been removed from the register, resulting in the increased statistics for this year.

As can be gleaned from the statistics related to new prospectuses, not many more new prospectuses were registered for this year as compared to the previous year.

Electronic lodging of documentation continued to increase -148 970 documents lodged manually compared to 278 723 documents lodged electronically. This was a contributing factor in the saving in the registration periods of documents. The period for the registration of a company has decreased from 5 days from date of lodging to

approximately 2 days while the reservation period of company names has decreased to approximately 1 day. This compares favourably with many other countries. It is predicted that e-lodgment of documents will continue to increase and every effort is being made to encourage clients to lodge documents electronically, while the range of documents that can be lodged electronically will be expanded in future.

As is the case with close corporations, Wireless Application Protocol (WAP) has also been introduced as a tool to clients. Clients will now be able to ascertain the flow of their documentation through this Office by means of their cellular phones.

Continuous efforts are being made to simplify and expedite registration procedures so as to offer local entrepreneurs a quick and easy entry into the mainstream of the economy and to attract foreign investors.

Cognisance has been taken of the report of the Auditor-General, included herewith and corrective measures have been taken to avoid a repetition of previous mistakes. A concern is the continuous interruption in production resulting from a computer system which cannot cope with the requirements of this Office. This subject is being addressed as a matter of high priority.

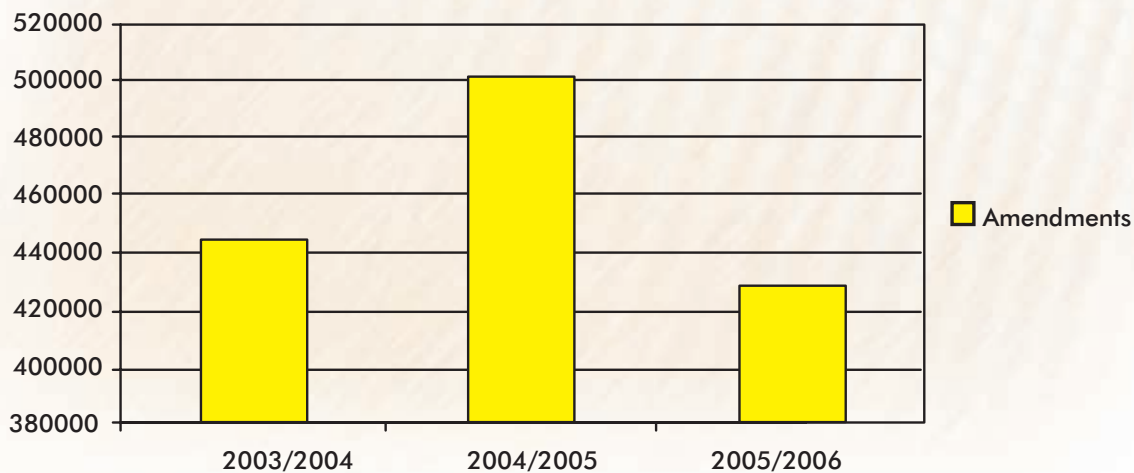
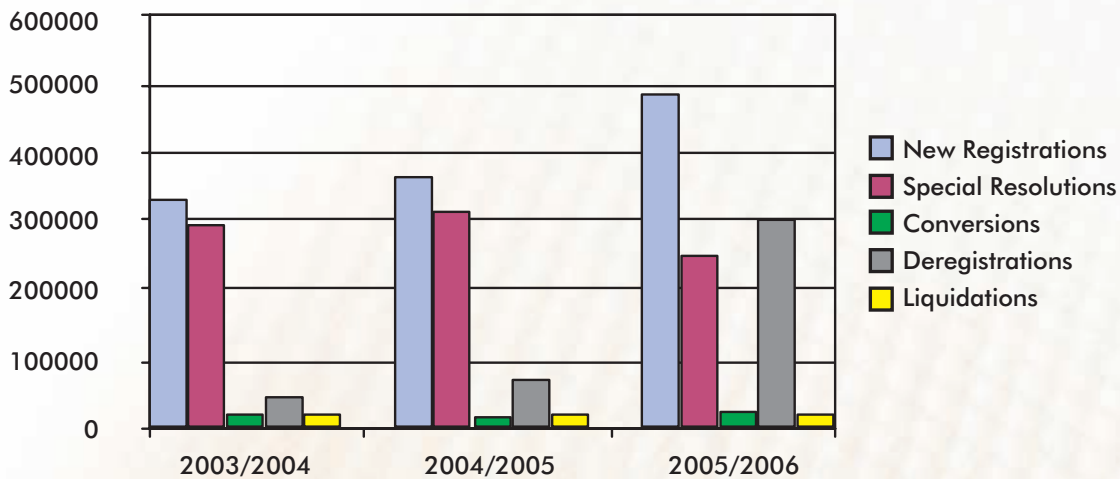
This financial year was a successful one for CIPRO and the next year promises to be similar or even better. Every member of the personnel of CIPRO is sincerely thanked for all the dedication and hard work during the year.



Marumo S. Modiba
Acting Registrar of Companies

COMPANIES STATISTICS AND GRAPHS

ACTIVITY	2003/2004	2004/2005	2005/2006
New Registration	33,375	36,845	48,900
Special Resolutions	29,969	31,974	25,430
Conversions	1,400	1,202	2,230
Deregistrations	4,287	7,225	30,770
Liquidations	1,689	1,593	1,593
Amendments	443,873	498,370	427,693







REPORT BY THE REGISTRAR OF CLOSE CORPORATIONS for the financial year 2005/06

Once again, the last financial year is recalled as another year during which a record number of new close corporations were registered. Indeed, the almost 46% increase in the latest figures indicates an exponential increase in the growth of registration of new close corporations.

Once again, the value of the unique concept of the close corporation, originating from this country, has been illustrated. The principle value for the entrepreneur of this form of business vehicle remains the simplicity of its incorporation, amendments to its incorporation documents, the low cost of incorporation and the relatively simple Act upon which the close corporation is based.

Government also benefits from the above-mentioned factors in that new entrepreneurs in the economy have a simple avenue within which to incorporate themselves into the mainstream of the economy. This also enables a close corporation to be assimilated into other governmental regulators such as the South African Revenue Service, the Department of Statistics, and so on.

There are a number of factors which induced the record number of new registrations:

- The growing economy of South Africa, which is reflected in the growing number of new registrations;
- A number of community outreach programmes and exhibitions conducted by CIPRO in order to introduce the close corporation principle to a wider range of people;
- The introduction by CIPRO of new electronic means, explained below, of expediting and simplifying the incorporation of close corporations;
- The encouragement from governmental bodies that natural persons incorporate themselves into close corporations and companies prior to application for tenders and business grants from government.

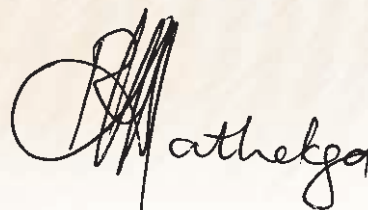
During the year, CIPRO introduced a process of electronic lodgement of new close corporation registration documents and amending documents thereto. E-lodgement, combined with a concerted effort by personnel, reduced the turnaround time of the registration of a close corporation from approximately 3 weeks to 1 day.

CIPRO also introduced a handy new tool to customers, namely Wireless Application Protocol (WAP) which allows customers to establish the status of the process of documents lodged for registration or the reservation of close corporation names, as well as the verification of customer account balances, by means of cellular phones.

Probably the most prominent achievement was the successful conclusion of an agreement with the Post Office in terms of which CIPRO will decentralise its services through the outlets of the Post Office countrywide. It is expected that this will represent a major improvement in localised service delivery to the customers of CIPRO. Actual implementation is still in its pilot stage but this concept enjoys high priority.

CIPRO has also reached out to other organisations such as the Small Enterprise Development Agency (SEDA) and the National African Federated Chamber of Commerce (NAFCOC) so that clients may approach these bodies for assistance on e-lodgments and other matters relating to close corporations.

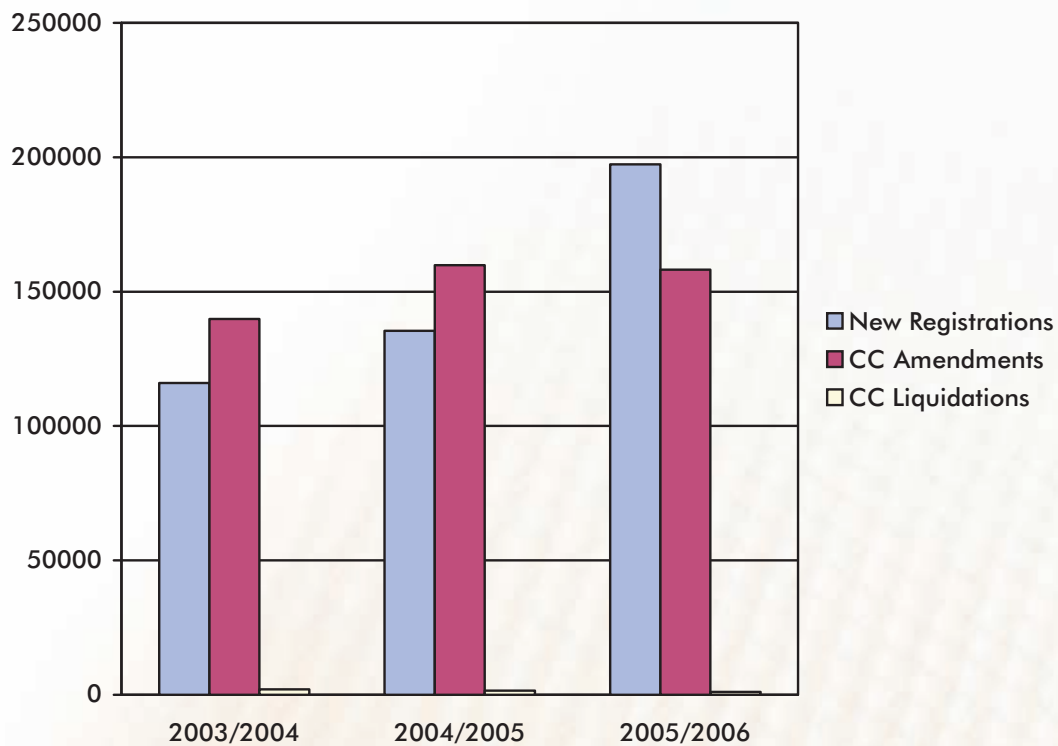
Finally, a word of thanks to all the employees in this Office for their consistent cooperation and hard work during the year. It is encouraging to know that I can rely on the same team for an even better performance in the new year.



Ratibu J. Mathekga
Acting Registrar of Close Corporations

CLOSE CORPORATIONS STATISTICS AND GRAPH

Activity	2003/2004	2004/2005	2005/2006
New Registrations	116,099	135,438	197,307
CC Amendments	139,785	159,845	158,177
CC Liquidations	1,980	1,525	1,075







REPORT BY THE REGISTRAR OF CO-OPERATIVES for the financial year 2005/06

This Office, a previous directorate of the Department of Agriculture, was transferred to CIPRO on 1 April 2005. The rationale for this transfer was that this Office became much more business orientated than it had previously been. The numbers of cooperatives traditionally registered in respect of agriculture were overtaken by the numbers registered for trading cooperatives.

The incorporation of this Office with CIPRO coincided with what could only be termed an enormous increase in the number of registrations of new cooperatives. As can be gleaned from the graphic illustration below, the registrations during the financial year 2004/05 of 511 new cooperatives, contrasts remarkably with the number of new registrations for the 2005/06 financial year of 2 829 cooperatives – an increase of 554%.

It is not possible to ascribe this increase to one factor only. One reason is that the Department of Trade and Industry initiated an awareness campaign, mostly directed at needy rural communities, making them aware of the advantages of the incorporation of communities into cooperatives for specific upliftment and communal purposes. Another reason is that in certain instances, provincial governments have attractive incentive schemes aimed at cooperatives, thereby encouraging the registration of cooperatives. This is also the case in the awarding of certain tenders by local government, where cooperatives are preferred. It is surmised that another reason for this increase is that there is increased communication between communities where one community would learn from another of the advantages of a cooperative.

During this financial year the liquidation of only one cooperative was finalised. A total of 120 cooperatives were deregistered as a result of their dormancy.

The long awaited new Cooperatives Act was finalised and has already been promulgated on 14 August 2005. It will come into operation during the course of 2006. This new Act is simpler and easier to interpret.

Due to the unusual increase in applications for the registration of new cooperatives as mentioned above, a considerable backlog has evolved. With emergency measures such as allowing personnel to work overtime, the backlog is being recovered.

Due to the increased awareness of the entity of the cooperative, the increase in the volumes of registration and also the new milieu within CIPRO in which this Office now exists, it is the intention to incorporate the services of this Office as soon as possible with those of CIPRO as far as electronic systems are concerned. It is envisaged that this will also aid in the recovery of the current backlog mentioned above. This includes the conversion of the current payment of fees by means of revenue stamps, to payment by electronic means. The possible incorporation of the names of cooperatives into the names register of the Registrar of Companies and the Registrar of Close Corporations is also envisaged in order to avoid the duplication of names.

The introduction of a new Cooperatives Act, the huge increases in the volumes of registration of new cooperatives, the comprehensive incorporation of this Office into CIPRO and the envisaged application of electronic systems in order to expedite registrations are all challenges that this Office is looking forward to meeting in the new year.

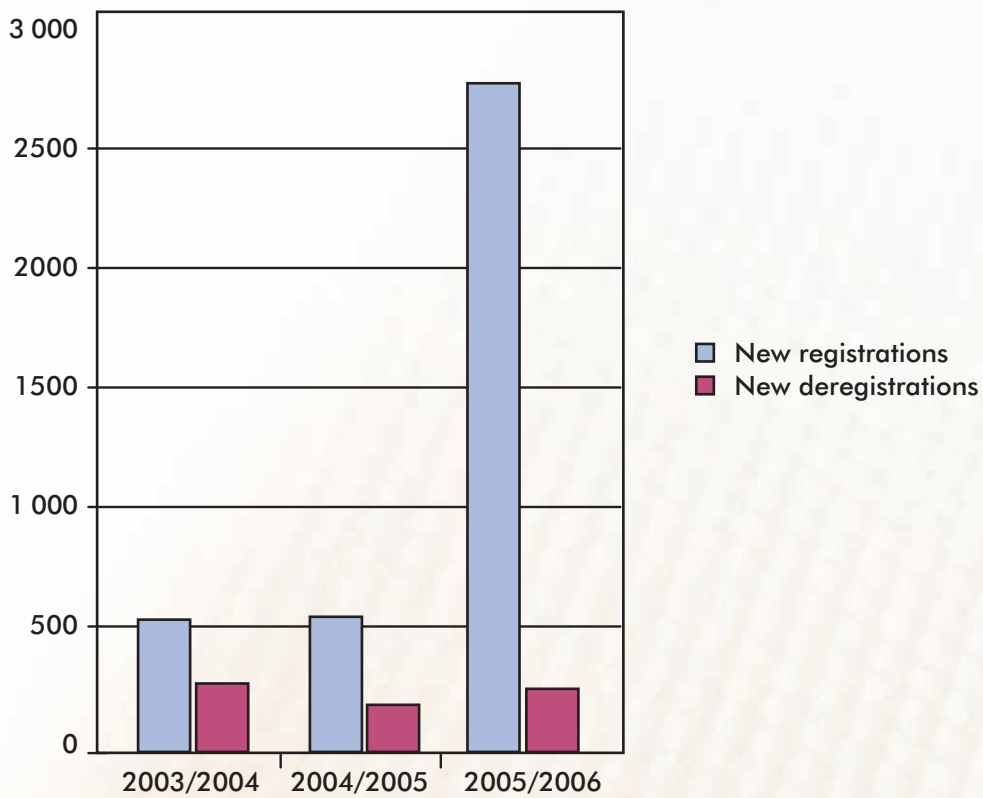
A word of thanks to all the personnel in this Office for their loyal support during this financial year. I look forward to the application of our combined efforts into meeting the challenges of the new year.



Rector D. Rapoo
Acting Registrar of Co-operatives

CO-OPERATIVES STATISTICS AND GRAPH

Activity	2003/2004	2004/2005	2005/2006
New Registrations	532	511	2,829
Deregistrations	220	79	135







REPORT BY THE REGISTRAR OF INTELLECTUAL PROPERTY for the financial year 2005/06

South Africa has the privilege of being the leader in Africa as far as the recognition of intellectual property rights are concerned. It also has the largest office in the continent for the administration of such rights, which include applications for the registration of trade marks which, in this financial year, have reached record numbers. As can be seen from the statistics and graphics below, trade mark application numbers are constantly increasing and current figures indicate that the next financial year's will exceed those under review. Incidentally, the successful bid of our country for the FIFA Soccer World Cup 2010, has had a measurable impact on trade mark applications, even at this early stage. Representatives from FIFA have already had discussions with CIPRO regarding the protection of the rights to the name of this event.

South Africa is known for its recognition and protection of intellectual property rights. This has resulted in an enviable position for our country in that it is not only recognised as a leader in this field in Africa, but that it also enjoys international acknowledgement in this regard. For instance, the European Patents Office and the World Intellectual Property Organisation (WIPO) have earmarked the intellectual property division of CIPRO as a training and benchmarking body for other intellectual property offices in Africa. During August 2005, CIPRO partnered with WIPO to train the registries of Namibia, Nigeria, Zambia and Zimbabwe on the Patents Cooperation Treaty (an international treaty on the standardisation of patent law and registration procedures). Training events included:

- the Subregional Training Event on the procedures under the Patent Cooperation Treaty, and
- the Round Table on the Patent Cooperation Treaty (PCT) for patent agents.

At the 2004 General Assemblies of WIPO, South Africa confirmed its accession to the Madrid Protocol,

an international treaty relating to the standardisation of trade mark law and its administration. Procedures under the Protocol are yet to be incorporated into South African legislation. In the interim, measures have been introduced to reduce the search and examination backlog of trade mark applications in the Office to 12 months, a requirement under the Madrid Protocol. A review of the recovery of the backlog, measured from date of filing of an application for the registration of a trade mark to date of issue of the first action, appears as follows:

- March 2003: 44 months
- March 2004: 32 months
- March 2005: 19 months
- March 2006: 16 months

A concern in this regard is the high turnover of personnel involved in the search and examination of trade mark applications mostly due to offers of employment by law practitioners. This is a specialised task requiring persons with substantial training. This issue is being addressed through development of a staff retention strategy.

The Innovation Fund has provided funding for the creation of a South African Patent database. This represents a significant advance as far as the registry of South African patents is concerned. The Office intends to establish a Patent Information Advisory Service for the country's disadvantaged inventors. This will include assistance in performing patent searches through various international patent databases which will be available free of charge, as well as basic advice on patent specifications.

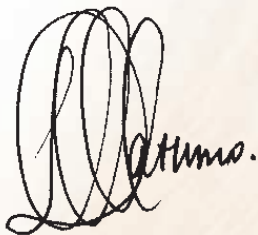
South African designs applications have experienced an increase of 10% during this year. As far as designs are concerned, the Office awaits the formal depositing of the ratification instrument of other Hague Agreement with WIPO by the Office of the President. South Africa will then become a member of a global filing system in respect of designs. WIPO and CIPRO

are to engage in skills development seminars and training in preparation of the implementation of this system.

CIPRO developed the "IP Online" service which is a system allowing clients to conveniently conduct trade mark and patent searches online. E-lodgement of documents is the next phase in this system and is currently being developed and tested. The development of an electronic Patent Journal is also in the development stage.

CIPRO aims to expand its international ties with developing and developed countries as well as international organisations in the sphere of intellectual property. The aim is to continue to develop a registry of intellectual property that can compare with the best in order to attract business and investment to South Africa.

I wish to thank and salute the officers in the intellectual property division of CIPRO for their devotion and commitment during this year. We look forward to the challenges that lie ahead.



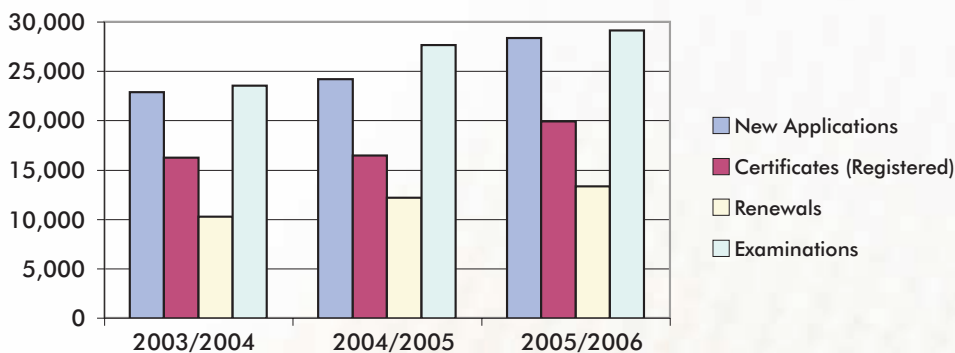
Desmond N. Marumo

Registrar of Trade Marks, Patents, Copyright and Designs

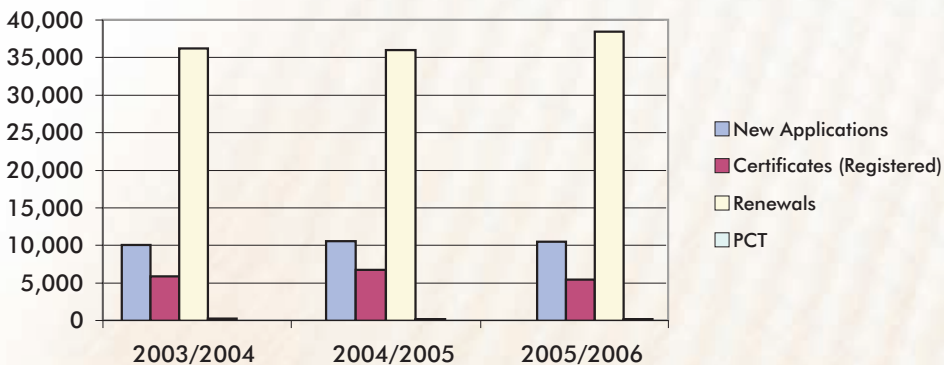
IP STATISTICS AND GRAPH

Activity	Trade Marks			Patents			Designs		
	2003/4	2004/5	2005/6	2003/4	2004/5	2005/6	2003/4	2004/5	2005/6
New Applications	22,895	24,193	28,331	10,029	10,493	10,464	1,586	1,774	1,817
Certificates (Registered)	16,246	16,426	19,895	5,806	6,709	5,432	1,303	1,377	1,626
Renewals	10,257	12,159	13,329	36,194	35,942	38,395	3,376	3,592	3,463
Examinations	23,554	27,655	29,121	-	-	-	-	-	-
PCT	-	-	-	186	179	168	-	-	-

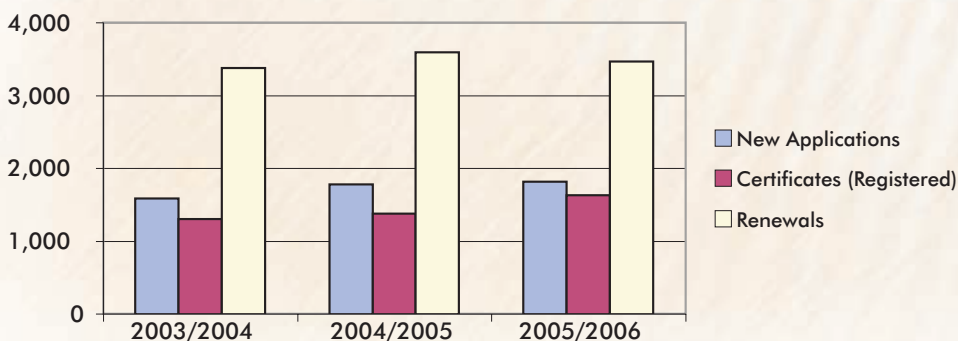
TRADE MARKS



PATENTS



DESIGNS



COPYRIGHT

The applications for the registration of copyright in cinematographic films and videos are in the range of 100 per annum.

HUMAN RESOURCE OVERVIEW REPORT

April 2005 to March 2006

TABLE 1.1 - Main Service for Service Delivery Improvement and Standards

Main Services	Actual Customers	Potential Customers	Standard of Service
Administration of Legal entities i.e. registration / deregistration of: Companies, Close Corporations, Co-operatives and Intellectual Property rights Disclosure of information on registered entities	Approx. 1 000 000 incl. dormant	South African Public	Average

TABLE 1.2 - Consultation Arrangements for Customers

Type of Arrangement	Actual Customer	Potential Customer	Actual Achievements
CIPRO Public Interface - dti Campus - helpdesk	Registered and Potential Registered Businesses	Foreign Investors and South African Public	approx 3 000 walk-ins per day
CIPRO Public Interface 202 Esselen street			approx. 200 walk-ins per day
CIPRO Public Interface Cape Town Regional office			approx. 20 walk-ins per day
Liaison Committee meetings	Current Customers		Quarterly Meetings

TABLE 1.3 - Service Delivery Access Strategy

Access Strategy	Actual Achievements
Customer Service Strategy (draft)	Varied initiatives incl. Information kiosk
Customer Contact Centre strategy	Migration Plan to have in-house call centre are underway
Decentralisation Strategy	Pilot study - Cape Town

TABLE 1.4 - Service Information Tool

Type of Information Tool	Actual Achievements
CIPRO Website	approx. 140 000 hits per month
Customer Contact Centre	22 000 calls per month / 5 000 other

TABLE 1.5 - Complaint Mechanism

Complaint Mechanism	Actual Achievements
Customer Contact Centre and dedicated Knowledge Team Unit	50-100 complaints resolved per month
Exploring Front Range Customer feedback and improvement System and CRM	Suggestion Boxes & Questionnaires

TABLE 2.1 - Personnel costs by Programme

Programme	Total Voted Expenditure (R'000)	Compensation of Employees Expenditure (R'000)	Training Expenditure (R'000)	Professional and Special Services (R'000)	Compensation of Employees as percent of Total Expenditure	Average Compensation of Employees Cost per Employee (R'000)	Employment
CIPRO	125,289	52,622	1,999	15,883	42%	139	378

TABLE 2.2 - Personnel costs by Salary band

Salary Bands	Compensation of Employees Cost (R'000)	Percentage of Total Personnel Cost for Department	Average Compensation Cost per Employee (R)
Lower skilled (Levels 1-2)	50	0	0
Skilled (Levels 3-5)	9,746	19	87,802
Highly skilled production (Levels 6-8)	17,773	34	149,353
Highly skilled supervision (Levels 9-12)	13,609	26	266,843
Senior management (Levels 13-16)	2,648	5	529,600
Contract (Levels 3-5)	6,254	12	80,179
Contract (Levels 6-8)	1,323	2	120,273
Contract (Levels 9-12)	689	1	344,500
Contract (Levels 13-16)	530	1	530,000
TOTAL	52,622	100	139,212

TABLE 2.3 - Salaries, Overtime, Home Owners Allowance and Medical Aid by Programme

Programme	Salaries (R'000)	Salaries as % of Personnel Cost	Overtime (R'000)	Overtime as % of Personnel Cost	HOA (R'000)	HOA as % of Personnel Cost		Medical Ass. (R'000)	Medical Ass. as % of Personnel Cost	Total Personnel Cost per Programme (R'000)
CIPRO	37,004	70	1,372	3	489		1	2,589	5	52,622
TOTAL	37,004	70	1,372	3	489		1	2,589	5	52,622

TABLE 2.4 - Salaries, Overtime, Home Owners Allowance and Medical Aid by Salary Band

Salary bands	Salaries (R'000)	Salaries as % of Personnel Cost per Salary band	Overtime (R'000)	Overtime as % of Personnel Cost per Salary band	HOA (R'000)	HOA as % of Personnel Cost per Salary band		Medical Ass. (R'000)	Medical Ass. as % of Personnel Cost	Total Personnel Cost per Salary Band (R'000)
Lower skilled (Levels 1-2)	35	70	0	0	0		0	0	0	50
Skilled (Levels 3-5)	6,880	71	344	4	164		2	635	7	9,746
Highly skilled production (Levels 6-8)	12,660	71	461	3	202		1	1,045	6	17,773
Highly skilled supervision (Levels 9-12)	9,413	69	271	2	87		1	462	3	13,609
Senior management (Levels 13-16)	1,582	60	0	0	2		0	63	2	2,648
Contract (Levels 3-5)	4,713	75	206	3	28		0	268	4	6,254
Contract (Levels 6-8)	953	72	74	6	5		0	72	5	1,323
Contract (Levels 9-12)	489	71	16	2	1		0	29	4	689
Contract (Levels 13-16)	279	53	0	0	0		0	15	3	530
TOTAL	37,004		1,372		489			2,589		52,622

TABLE 3.1 - Employment and Vacancies by Programme at end of period

Programme	Number of Posts	Number of Posts Filled	Vacancy Rate %	Number of Posts Filled Additional to the Establishment
CIPRO	455	378	17	0
TOTAL	455	378	17	0

TABLE 3.2 - Employment and Vacancies by Salary Band at end of period

Salary Band	Number of Posts	Number of Posts Filled	Vacancy Rate %	Number of Posts Filled Additional to the Establishment
Lower skilled (Levels 1-2), Permanent	2	1	50	0
Skilled (Levels 3-5), Permanent	171	143	16	0
Highly skilled production (Levels 6-8), Permanent	116	91	22	0
Highly skilled supervision (Levels 9-12), Permanent	65	46	29	0
Senior management (Levels 13-16), Permanent	9	5	44	0
Contract (Levels 3-5), Permanent	78	78	0	0
Contract (Levels 6-8), Permanent	11	11	0	0
Contract (Levels 9-12), Permanent	2	2	0	0
Contract (Levels 13-16), Permanent	1	1	0	0
TOTAL	455	378		0

TABLE 3.3 - Employment and Vacancies by Critical Occupation at end of period

Critical Occupations	Number of Posts	Number of Posts Filled	Vacancy Rate %	Number of Posts Filled Additional to the Establishment
Administrative related, Permanent	32	26	19	0
Communication and information related, Permanent	8	8	0	0
Economists, Permanent	5	5	0	0
Finance and economics related, Permanent	16	8	50	0
Financial clerks and credit controllers, Permanent	6	5	17	0
Food services aids and waiters, Permanent	1	1	0	0
General legal administration & rel. professionals, Permanent	7	5	29	0
Human resources & organisat developm & relate prof, Permanent	1	0	100	0
Human resources clerks, Permanent	3	1	67	0
Human resources related, Permanent	14	8	43	0
Information technology related, Permanent	4	2	50	0
Legal related, Permanent	18	11	39	0
Library mail and related clerks, Permanent	4	3	25	0
Logistical support personnel, Permanent	8	3	63	0
Other administrat & related clerks and organisers, Permanent	286	260	9	0
Other administrative policy and related officers, Permanent	12	11	8	0
Other information technology personnel., Permanent	4	4	0	0
Other occupations, Permanent	3	1	67	0
Safety health and quality inspectors, Permanent	1	1	0	0
Secretaries & other keyboard operating clerks, Permanent	11	8	27	0
Security officers, Permanent	1	1	0	0
Senior managers, Permanent	9	5	44	0
Social work and related professionals, Permanent	1	1	0	0
TOTAL	455	378		0

TABLE 4.1 - Job Evaluation

Salary Band	Number of Posts	Number of Jobs Evaluated	% of Posts Evaluated Per Salary band	Number of Posts Upgraded	% of Upgraded Posts Evaluated Per Salary band	Number of Posts Downgraded	% of Downgraded Posts Evaluated Per Salary band
Lower skilled (Levels 1-2)	2	0	0	0	0	0	0
Contract (Levels 3-5)	78	0	0		0	0	0
Contract (Levels 6-8)	11	0	0	0	0	0	0
Contract (Levels 9-12)	2	0	0	0	0	0	0
Contract (Band A)	1	0	0	0	0	0	0
Skilled (Levels 3-5)	171	5	3	3	60	0	0
Highly skilled production (Levels 6-8)	116	12	10	9	75	10	83
Highly skilled supervision (Levels 9-12)	65	1	2	1	100	0	0
Senior Management Service Band A	7	1	14	0	0	0	0
Senior Management Service Band B	1	0	0	0	0	0	0
Senior Management Service Band C	1	0	0	0	0	0	0
TOTAL	455	19	4	13	68	10	53

TABLE 4.2 - Profile of employees whose positions were upgraded due to their posts being upgraded

Beneficiaries	African	Asian	Coloured	White	Total
Female	4	1	0	3	8
Male	5	0	0	0	5
Total	9	1	0	3	13
Employees with a Disability	0	0	0	0	0

TABLE 4.3 - Employees whose salary level exceed the grade determined by Job Evaluation [i.t.o PSR 1.V.C.3]

Occupation	Number of Employees	Job Evaluation Level	Remuneration Level	Reason for Deviation	No of Employees in Dept
Senior Admin Clerk	41	5	6	Post Evaluated	
Admin Officer	3	6	7	Post Evaluated	
Senior Admin Officer	7	7	8	Retention(1) Post Evaluated(6)	
Legal Advisor	1	12	13	Retention	
Total	52				378
Percentage of Total Employment	14				

TABLE 4.4 - Profile of employees whose salary level exceeded the grade determined by job evaluation [i.t.o. PSR 1.V.C.3]

Beneficiaries	African	Asian	Coloured	White	Total
Female	13	0	0	29	42
Male	7	0	1	2	10
Total	20	0	1	31	52
Employees with a Disability	0	0	0	0	0

TABLE 5.1 - Annual Turnover Rates by Salary Band

Salary Band	Employment at Beginning of Period (April 2005)	Appointments	Terminations	Turnover Rate
Lower skilled (Levels 1-2), Permanent	1	0	0	0
Skilled (Levels 3-5), Permanent	110	6	5	4
Highly skilled production (Levels 6-8), Permanent	127	3	12	7
Highly skilled supervision (Levels 9-12), Permanent	49	8	19	14
Senior Management Service Band A, Permanent	9	0	1	20
Senior Management Service Band B, Permanent	0	0	1	100
Senior Management Service Band C, Permanent	0	0	0	0
Contract (Levels 3-5), Permanent	68	25	7	10
Contract (Levels 6-8), Permanent	8	3	0	0
Contract (Levels 9-12), Permanent	6	0	0	0
Contract (Band A), Permanent	1	0	0	0
Contract (Band B), Permanent	0	0	1	0
TOTAL	379	45	46	8

TABLE 5.2 - Annual Turnover Rates by Critical Occupation

Occupation	Employment at Beginning of Period (April 2005)	Appointments	Terminations	Turnover Rate %
Administrative related, Permanent	27	9	12	44
Client inform clerks(switchb receipt inform clerks), Permanent	1	0	0	0
Computer programmers., Permanent	1	0	0	0
Economists, Permanent	1	0	0	0
Finance and economics related, Permanent	9	0	1	11
Financial clerks and credit controllers, Permanent	6	1	0	0
Food services aids and waiters, Permanent	1	0	0	0
General legal administration & rel. professionals, Permanent	6	1	2	33
Human resources & organisat developm & relate prof, Permanent	1	0	0	0
Human resources clerks, Permanent	3	0	1	33
Human resources related, Permanent	10	0	3	30
Information technology related, Permanent	2	0	1	50
Legal related, Permanent	12	0	2	17
Library mail and related clerks, Permanent	7	0	2	29
Logistical support personnel, Permanent	3	0	0	0
Messengers porters and deliverers, Permanent	2	2	2	100
Other administrat & related clerks and organisers, Permanent	238	32	17	7
Other administrative policy and related officers, Permanent	22	0	0	0
Other information technology personnel., Permanent	1	0	1	100
Other occupations, Permanent	8	0	1	13
Safety health and quality inspectors, Permanent	1	0	0	0
Secretaries & other keyboard operating clerks, Permanent	12	0	0	0
Security officers, Permanent	1	0	0	0
Senior managers, Permanent	4	0	1	25
TOTAL	379	45	46	

TABLE 5.3 - Reasons why staff are leaving the department

Termination Type	Number	Percentage of Total Resignations %	Percentage of Total Employment
Resignation, Permanent	22	48	6
Transfer to other Departments	15	33	4
Expiry of contract, Permanent	3	7	1
Discharged due to ill health, Permanent	2	4	1
Dismissal-misconduct, Permanent	2	4	1
Retirement, Permanent	2	4	1
TOTAL	46	100	12

Resignations as % of Employment

	12
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TABLE 5.4 - Promotions by Critical Occupation

Occupation	Employment at Beginning of Period (April 2005)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Administrative related	27	4	15	9	33
Client inform clerks (switchboard reception clerks)	1	0	0	0	0
Computer programmers.	1	0	0	1	100
Economists	1	0	0	5	100
Finance and economics related	9	0	0	3	33
Financial clerks and credit controllers	6	2	33	5	83
Food services aids and waiters	1	0	0	1	100
General legal administration & rel. professionals	6	0	0	4	67
Human resources & organisational development & related professions	1	0	0	0	0
Human resources clerks	3	0	0	1	33
Human resources related	10	2	20	9	90
Information technology related	2	0	0	0	0
Legal related	12	1	8	4	33

Occupation	Employment at Beginning of Period (April 2005)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Library mail and related clerks	7	0	0	3	43
Logistical support personnel	3	0	0	1	33
Messengers porters and deliverers	2	0	0	0	0
Other administrat & related clerks and organisers	238	6	3	77	32
Other administrative policy and related officers	22	0	0	12	55
Other information technology personnel.	1	0	0	1	100
Other occupations	8	0	0	2	25
Safety health and quality inspectors	1	0	0	0	0
Secretaries & other keyboard operating clerks	12	0	0	6	50
Security officers	1	0	0	1	100
Senior managers	4	0	0	2	50
TOTAL	379	15		147	39

TABLE 5.5 - Promotions by Salary Band

Salary Band	Employment at Beginning of Period (April 2005)	Promotions to another Salary Level	Salary Level Promotions as a % of Employment	Progressions to another Notch within Salary Level	Notch progressions as a % of Employment
Lower skilled (Levels 1-2), Permanent	1	0	0	0	0
Skilled (Levels 3-5), Permanent	110	2	2	31	28
Highly skilled production (Levels 6-8), Permanent	127	3	2	82	65
Highly skilled supervision (Levels 9-12), Permanent	49	6	12	23	47
Senior management (Levels 13-16), Permanent	9	1	11	1	11
Contract (Levels 3-5), Permanent	68	0	0	4	6
Contract (Levels 6-8), Permanent	8	3	38	5	63
Contract (Levels 9-12), Permanent	6	0	0	1	17
Contract (Levels 13-16), Permanent	1	0	0	0	0
TOTAL	379	15	4	147	39

TABLE 6.1 - Total number of Employees (incl. Employees with disabilities) per Occupational Category (SASCO)

Occupational Categories	Male, African	Male, Coloured	Male, Indian	Male, White	Male, Total Blacks	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Legislators, senior officials and managers, Permanent	0	0	1	2	1	0	0	0	0	0	3
Professionals, Permanent	34	5	2	5	41	24	2	0	26	11	83
Clerks, Permanent	67	0	0	7	67	134	10	1	145	68	287
Service and sales workers, Permanent	0	0	0	2	0	0	0	0	0	0	2
Elementary occupations, Permanent	2	0	0	0	2	1	0	0	1	0	3
TOTAL	103	5	3	16	111	159	12	1	172	79	378

	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Employees with disabilities	0	0	0	0	0	0	0	0	0	1	1

TABLE 6.2 - Total number of Employees (incl. Employees with disabilities) per Occupational Bands

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Senior Management, Permanent	1	1	1	3	2	0	0	0	0	0	5
Professionally qualified and experienced specialists and mid-management, Permanent	20	2	1	23	5	11	2	1	14	9	51
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	23	2	1	26	7	34	4	0	36	50	119
Semi-skilled and discretionary decision making, Permanent	30	0	0	30	2	62	2	0	64	15	111
Contract (Senior Management), Permanent	1	0	0	1	0	0	0	0	0	0	1
Contract (Professionally qualified), Permanent	1	0	0	1	0	0	0	0	0	1	2
Contract (Skilled technical), Permanent	2	0	0	2	0	5	1	0	6	3	11
Contract (Semi-skilled), Permanent	25	0	0	25	0	49	3	0	52	1	78
TOTAL	103	5	3	111	16	159	12	1	172	79	378

TABLE 6.3 - Recruitment

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Professionally qualified and experienced specialists and mid-management, Permanent	0	0	0	0	0	2	0	0	2	1	3
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	0	0	0	0	0	1	0	0	1	0	1
Semi-skilled and discretionary decision making, Permanent	0	0	0	0	0	5	0	0	5	1	6
Contract (Skilled technical), Permanent	0	0	0	0	0	1	1	0	2	1	3
Contract (Semi-skilled), Permanent	9	0	0	9	0	15	1	0	16	0	25
TOTAL	9	0	0	9	0	24	2	0	26	3	38

	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Employees with disabilities	0	0	0	0	0	0	0	0	0	1	1

TABLE 6.4 - Promotions

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Senior Management, Permanent	0	1	0	1	1	0	0	0	0	0	2
Professionally qualified and experienced specialists and mid-management, Permanent	12	1	2	15	4	0	0	1	1	9	29
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	21	1	0	22	3	16	3	1	20	40	85
Semi-skilled and discretionary decision making, Permanent	6	0	0	6	0	22	0	0	22	6	34
Contract (Professionally qualified), Permanent	0	0	0	0	0	0	0	0	0	1	1
Contract (Skilled technical), Permanent	4	0	0	4	0	2	0	0	2	2	8
Contract (Semi-skilled), Permanent	2	0	0	2	0	2	0	0	2	0	4
TOTAL	45	3	2	50	8	42	3	2	47	58	163

	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Employees with disabilities	0	0	0	0	0	0	0	0	0	1	1

TABLE 6.5 - Terminations

Occupational Bands	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Senior Management, Permanent	0	0	0	0	1	1	0	0	1	0	2
Professionally qualified and experienced specialists and mid-management, Permanent	3	0	0	3	0	4	0	0	4	0	7
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	0	0	0	0	1	2	0	0	2	6	9
Semi-skilled and discretionary decision making, Permanent	1	0	0	1	1	0	0	0	0	3	5
Contract (Senior Management), Permanent	1	0	0	1	0	0	0	0	0	0	1
Contract (Semi-skilled), Permanent	0	0	0	0	0	6	0	0	6	1	7
TOTAL	5	0	0	5	3	13	0	0	13	10	31

TABLE 7.1 - Performance Rewards by Race, Gender and Disability

	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)
African, Female	68	159	43	401	5,903
African, Male	44	103	43	453	10,284
Asian, Female	0	1	0	0	0
Asian, Male	4	3	133	78	19,581
Coloured, Female	4	12	33	36	8,891
Coloured, Male	3	5	60	41	13,790
Total Blacks, Female	72	172	42	437	6,069
Total Blacks, Male	51	111	46	572	11,220
White, Female	49	78	63	365	7,452
White, Male	8	16	50	108	13,446
Employees with a disability	0	1	0	0	0
TOTAL	180	378	48	1,482	8,233

TABLE 7.2 - Performance Rewards by Salary Band for Personnel below Senior Management Service

Salary Band	Number of Beneficiaries	Total Employment	Percentage of Total Employment %	Cost (R'000)	Average Cost per Beneficiary (R)
Skilled (Levels 3-5)	55	111	50	237	4,309
Highly skilled production (Levels 6-8)	66	119	56	524	7,939
Highly skilled supervision (Levels 9-12)	35	51	69	578	16,514
Contract (Levels 3-5)	18	78	23	63	3,500
Contract (Levels 6-8)	3	11	27	25	8,333
Contract (Levels 9-12)	0	2	0	0	0
TOTAL	177	372		1,427	8,062

TABLE 7.3 - Performance Rewards by Critical Occupation

Critical Occupations	Number of Beneficiaries	Total Employment	Percentage of Total Employment %	Cost (R'000)	Average Cost per Beneficiary (R)
Administrative related	14	21	67	200	14,286
Communication and information related	5	8	63	59	11,800
Economists	2	5	40	27	13,500
Finance and economics related	3	7	43	49	16,333
Financial clerks and credit controllers	1	5	20	16	16,000
Food services aids and waiters	0	1	0	0	0
General legal administration & rel. professionals	3	5	60	77	25,667
Human resources clerks	1	4	25	11	11,000
Human resources related	7	5	140	99	14,143
Information technology related	0	1	0	0	0
Legal related	10	11	91	136	13,600
Library mail and related clerks	4	3	133	27	6,750
Logistical support personnel	1	3	33	7	7,000
Other administrat & related clerks and organisers	113	266	43	588	5,204
Other administrative policy and related officers	6	10	60	62	10,333
Other information technology personnel.	2	5	40	25	12,500
Other occupations	0	2	0	0	0
Safety health and quality inspectors	0	1	0	0	0
Secretaries & other keyboard operating clerks	4	9	44	36	9,000
Security officers	1	2	50	16	16,000
Senior managers	2	3	67	36	18,000
Social work and related professionals	1	1	100	11	11,000
TOTAL	180	378		1,482	8,233

TABLE 7.4 - Performance Related Rewards (Cash Bonus) by Salary Band for Senior Management Service

SMS Band	Number of Beneficiaries	Total Employment	Percentage of Total Employment	Cost (R'000)	Average Cost per Beneficiary (R)	% of SMS Wage Bill	Personnel Cost SMS (R'000)
Band A	3	5	60	55	1,833	2	3,404
Band B	0	0	0	0	0	0	0
TOTAL	3	5	60	55	1,833	2	3,404

TABLE 8.1 - Foreign Workers by Salary Band

Salary Band	Employment at Beginning Period	Percentage of Total	Employment at End of Period	Percentage of Total %	Change in Employment	Percentage of Total %	Total Employment at Beginning of Period	Total Employment at End of Period	Total Change in Employment
Highly skilled supervision (Levels 9-12)	1	50	1	50	0	0	2	2	0
Senior management (Levels 13-16)	1	50	0	0	-1	0	2	2	0
TOTAL	2	0	1	0	-1	0	0	0	0

TABLE 8.2 - Foreign Workers by Major Occupation

Major Occupation	Employment at Beginning Period	Percentage of Total	Employment at End of Period	Percentage of Total %	Change in Employment	Percentage of Total %	Total Employment at Beginning of Period	Total Employment at End of Period	Total Change in Employment
Professionals and managers	1	50	1	50	0	0	2	2	0
Rank: chairperson (statutory institution - cat a1)	1	50	1	50	0	0	2	2	0
TOTAL	2	100	2	100	0	0	2	2	0

TABLE 9.1 - Sick Leave for Jan 2005 to Dec 2005

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Sick Leave	% of Total Employees using Sick Leave	Average Days per Employee	Estimated Cost (R'000)	Total number of Employees using Sick Leave	Total number of days with medical certification
Skilled (Levels 3-5)	885	73	100	29	9	198	345	645
Highly skilled production (Levels 6-8)	1,071	80	114	33	9	391	345	857
Highly skilled supervision (Levels 9-12)	295	70	49	14	6	212	345	206
Senior management (Levels 13-16)	39	56	5	1	8	67	345	22
Contract (Levels 3-5)	454	60	66	19	7	93	345	271
Contract (Levels 6-8)	89	82	10	3	9	29	345	73
Contract (Levels 13-16)	11	100	1	0	11	18	345	11
TOTAL	2,844	73	345	100	8	1,008	345	2,085

TABLE 9.2 - Disability Leave (Temporary and Permanent) for Jan 2005 to Dec 2005

Salary Band	Total Days	% Days with Medical Certification	Number of Employees using Disability Leave	% of Total Employees using Disability Leave	Average Days per Employee	Estimated Cost (R'000)	Total number of days with medical certification	Total number of Employees using Disability Leave
Skilled (Levels 3-5)	93	100	7	32	13	20	93	22
Highly skilled production (Levels 6-8)	359	100	12	55	30	143	359	22
Contract (Levels 3-5)	23	100	3	14	8	4	23	22
TOTAL	475	100	22	100	22	167	475	22

TABLE 9.3 - Annual Leave for Jan 2005 to Dec 2005

Salary Band	Total Days Taken	Average days per Employee	Number of Employees who took leave
Skilled (Levels 3-5)	2,472	21	118
Highly skilled production (Levels 6-8)	3,255	24	138
Highly skilled supervision (Levels 9-12)	1,230	20	61
Senior management (Levels 13-16)	140	20	7
Contract (Levels 3-5)	1,430	17	84
Contract (Levels 6-8)	197	18	11
Contract (Levels 9-12)	27	14	2
Contract (Levels 13-16)	27	9	3
TOTAL	8,778	21	424

TABLE 9.4 - Capped Leave for Jan 2005 to Dec 2005

	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2005	Number of Employees who took Capped leave	Total number of capped leave available at 31 December 2005	Number of Employees as at 31 December 2005
Skilled (Levels 3-5)	20	2	15	12	1,301	88
Highly skilled production (Levels 6-8)	75	5	46	14	4,246	93
Highly skilled supervision (Levels 9-12)	20	5	39	4	1,042	27
Senior management (Levels 13-16)	10	5	24	2	97	4
TOTAL	125	4	32	32	6,686	212

TABLE 9.5 - Leave Payouts

Reason	Total Amount (R'000)	Number of Employees	Average Payment per Employee (R)
Leave payout for 2005/06 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave payouts on termination of service for 2005/06	151	42	3,595
Current leave payout on termination of service for 2005/06	132	36	3,667
TOTAL	283	78	3,628

TABLE 10.1 - Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
None	

TABLE 10.2 - Details of Health Promotion and HIV/AIDS Programmes [tick Yes/No and provide required information]

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	X		Logan Chetty(Director:HR)
2. Does the department have a dedicated unit or have you designated specific staff members to promote health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		One Employee EAP Practitioner Budget R400 000
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of the programme.	X		Psychological Counselling Preventative programmes HIV/AIDS awareness & Education VCT Policy Development & monitoring Change management
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	X		Ayanda Mngadi Human resources Eunice Mahlangu CC Lena Pretorius Legal Division Silas Morumo Companies Maria Modiba IP Pat Da Silva Legal Jonie Thokwane Human Resources Grace Masuke Companies Lorraine Peterson Companies Marietjie Kruger Finance Jurel Tellie Human Resources

5. Has the department reviewed the employment policies and practices of your department to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X	HIV/AIDS policy and procedure Employee wellness strategy Substance abuse policy Funeral and bereavement policy Sexual harassment Disability management and procedure
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X	HIV/AIDS Strategy
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	X	VCT is held every three months to encourage safe sexual behaviour, and to raise awareness on the impact of the epidemic. The first testing session was held in March 2006, where 70 employees participated, the testing was done in-house
8. Has the department developed measures/indicators to monitor & evaluate the impact of your health promotion programme? If so, list these measures/indicators.	X	Impact surveys and assessment surveys are being conducted on a yearly basis to evaluate the impact of the programme

TABLE 11.1 - Collective Agreements

Subject Matter	Date
Contract Workers Agreement	21-Jul-2005

TABLE 11.2 - Misconduct and Disciplinary Hearings Finalised

Outcomes of disciplinary hearings	Number	Percentage of Total %	Total
Dismissal	5	83.3	6
No outcome	1	16.7	6
TOTAL	6	100	6

TABLE 11.3 - Types of Misconduct Addressed and Disciplinary Hearings

Type of misconduct	Number	% of total
Absenteeism	3	60
Corruption	1	20
Disregard for Policy(e-mail)	1	20
Total	5	100

TABLE 11.4 - Grievances Lodged

Number of grievances addressed	Number	% of total
Resolved	16	57.1
Not resolved	12	42.9
Total	28	100

TABLE 11.5 - Disputes Lodged

Number of disputes addressed	Number	% of total
Upheld	0	0
Dismissed	0	0
Total	0	0

TABLE 11.6 - Strike Actions

Strike Actions	Number	% of total
Total number of person working days lost		-
Total cost(R'000) of working days lost		0
Amount (R'000) recovered as a result of no work no pay		0

TABLE 11.7 - Precautionary Suspensions

Precautionary Suspensions	
Number of people suspended	1
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	60
Cost (R'000) of suspensions	11
	-

TABLE 12.1 - Training Needs identified

Occupational Categories	Gender	Employment	Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	49	0	51	0	51
	Male	36	0	101	0	101
Professionals	Female	0	0	0	0	0
	Male	0	0	0	0	0
Technicians and associate professionals	Female	0	0	0	0	0
	Male	0	0	0	0	0
Clerks	Female	213	0	125	329	454
	Male	80	0	49	112	161
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	0	0	0	0
	Male	0	0	0	0	0
Gender sub totals	Female	262	0	176	329	505
	Male	116	0	150	112	262
Total		378	0	326	441	700

TABLE 12.2 - Training Provided

Occupational Categories	Gender	Employment	Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	49	0	49	0	49
	Male	36	0	15	0	15
Professionals	Female	0	0	0	0	0
	Male	0	0	0	0	0
Technicians and associate professionals	Female	0	0	0	0	0
	Male	0	0	0	0	0
Clerks	Female	213	0	77	0	77
	Male	80	0	36	0	36
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	0	0	0	0	0
	Male	0	0	0	0	0
Gender sub totals	Female	262	0	126	0	126
	Male	116	0	51	0	51
Total		378	0	177	0	177

TABLE 13.1 - Injury on Duty

Nature of injury on duty	Number	% of total
Required basic medical attention only	8	100
Temporary Total Disablement	0	0
Permanent Disablement	0	0
Fatal	0	0
Total	8	

Table 14.1 - report on consultant appointments using appropriated funds

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
Furniture removals at Zanza Building	1	30	44,559
Administration and management of the Informix databases	1	180	357,846
Purchase and installation of an integrated fixed asset management system	1	30	1,243
Move furniture at Zanza building	1	30	101,519
Contract workers for Name reservations and Objections unit	11	150	1,060,166
PA to CEO ; Office assistant for Procurement	1	180	152,460
Procurement of services of an Oracle DBA for verification of Oracle installations, loading of Oracle patches and other database related issues	1	30	39,854
Employee wellness programme	1	365	129,114
Casual Labour - stock counts, asset verification			42,540
Short term acquisition of management capacity for the Corporate Information Unit	1	120	373,094
Webmaster (Maintenance of CIPRO internet)	1	365	198,989
Project leader to manage and maintain the ERMS system, SARS interface and integration of IP systems	1	365	518,871
Project manager for decentralising, annual returns and e-lodgement	1	365	829,359
Computer maintenance and support	1	180	1,532,799
Support function for legal services	1	365	298,395
Team leader for the knowledge team	1	365	31,628
Computer maintenance and support	1		161,880
Temporary staff		365	218,853
Project manager for Trademarks - legal advice, training and quality control	1	365	295,679
Private security for 202 Esselen Street	1	300	249,110

Temporary staff - Trademarks	11	150	-
To replace judge Spoelstra as presiding officer for formal hearings in the Tribunal of Trademarks	1	300	11,000
Temporary staff	6	180	364,986
Practitioner for quality of work life	1	365	28,950
Temporary staff	11	180	210,000
Outsourcing of verification services	1	365	4,208
Contract workers ICT	1	180	295,239
Printing solutions	1	30	120,000
Service provider to assist staff to deal with issues relating to the move to the new campus	1	60	19,478
Refurbishment 202 Esselen Street	1		52,613
Consultant - Legal Services (once off)	1	60	48,450
Paralegals - companies	11	150	828,370
Neutral chairperson to chair disciplinary hearing	1	60	13,338
Temporary staff	1	150	48,376
External consulting company to render labour relations services interventions	1	300	76,880
Project scheduler/co-ordinator for Transformation and Business Process Integration projects	1	150	303,914
Project manager to assist CIPRO with the transition to the new campus	1	60	102,036
Novell administrator	1	365	358,549
Temporary staff		365	928,048
Project Manager: new organisational process	2	180	980,400
Temporary staff - admin support	19	120	253,241
BAS system controller	1	365	232,965
Job evaluations	1	180	17,442
Provision of support and development service for the IP information systems (PTOLEMY and ACSEPTO)	2	365	2,880,896
Consultant	6	120	16,426
Training programme on presentation skills and power speaking	1	2	684

Business analyst to support the process changes during the transformation process	1	180	163,248
Design check on structural capability to support IP cardex system	1	30	4,389
Contract workers	2	365	203,350
Computer maintenance and support	1		16,575
Technical project leader to complete annual returns and revenue projects	2	365	660,882
Total			15,882,887

CORPORATE GOVERNANCE AND COMPLIANCE

The major role of the division is to ensure that the organization complies with the legislation administered by CIPRO as listed further in this report.

The internal audit department within the division follows a risk-based audit approach, whereby the impact of the risks drives our internal audit approach. Risk management and assessments are re evaluated on a one on one basis to assess the status of the current risks and to add additional risks at time of audit. A Major Risk Assessment will be performed during the 2006/07 financial period.

The unit also follows up on recommendations contained in the Auditor-General's (AG) report and does compliance testing to ensure that the policies and procedures are in place and in accordance with the Public Finance management Act (PFMA). Any shortcomings are reported to the Audit Committee and taken up with the divisional management for corrective action to be taken.

- CIPRO at all levels subscribes to the values of good corporate governance to the principles as laid down by the King II report and the requirements of the PFMA. By and large the in-house report has found that CIPRO is broadly compliant with the recommendations of King II. Where there are lapses, additional control measures will be introduced and implemented.
- CIPRO has also committed itself to conduct the rendering of services with authority, integrity, and transparency and in a socially responsible manner.
- CIPRO has submitted its Board approved Business Plan and Budget to **the dti** as per the PFMA and Treasury Regulations (TR). Monthly Income and Expenditure reports with variance explanations have not been submitted regularly as required by the acts.
- The Internal Audit unit has functioned with only one Internal Auditor, as the vacancies have not been filled due to the restructuring

process taking place within CIPRO (Process not yet finalized).

- Internal control processes are weak and priority needs to be taken as to the strengthening of the controls. Since the 2004 financial period issues were raised regarding the weaknesses (which has also resulted in a special investigation) but to date these weaknesses and risks were never minimized but have escalated. It must also be noted that key positions (i.e. CEO and CFO) have not as yet been filled during the current financial period under review. The note to be read in conjunction with the AG's report and financial statements.
- Fraud and Risk policy has been approved and work is underway to institute fraud prevention and reporting measures. Risk assessment was done three years ago and the risks revisited on a year-to-year basis with a further workshop to be planned in the 2006/07 period to address all the areas as serious flaws have appeared.
- Current Fraud and corruption cases have been handed over to the SAPS for further investigations and convictions.



Rocco De Lorenzo

Corporate Governance and Compliance Manager

**Companies and Intellectual Property
Registration Office (CIPRO)**

**Annual Financial Statements
for the year ended 31 March 2006**

Companies and Intellectual Property Registration Office

(A trading entity established in terms of section 1 of the Public Finance Management Act, Act No. 1 of 1999)

Annual financial statements

for the year ended 31 March 2006

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Accounting officer's responsibility for the annual financial statements

for the year ended 31 March 2006

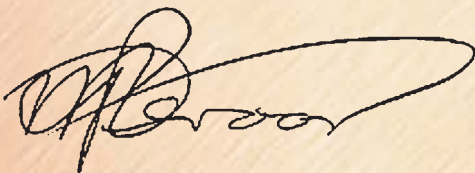
The accounting officer is responsible for the preparation and integrity of the financial statements and related information included in the Annual Report. In order for the accounting officer to discharge these responsibilities, as well as those bestowed on him in terms of the Public Finance Management Act and other applicable legislation, he has developed, and maintains, a system of internal controls.

The internal controls include a risk-based system of internal accounting 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 includes a regular review of their operations by the accounting officer and independent oversight by an audit committee.

The Auditor-General, as external auditor, is responsible for reporting on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and incorporate disclosure in line with the accounting philosophy of the entity and the requirements of the Public Finance Management Act 1999 (Act No. 1 of 1999). The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer approved and signed the annual financial statements for the year ended 31 March 2006, as set out on pages 73 to 97, on 03 August 2006.



Mr. MJ Pienaar

Acting Chief Executive Officer

Report of the Audit Committee

for the year ended 31 March 2006

We present our report for the year ended 31 March 2006

MEMBERSHIP AND ATTENDANCE

The Audit Committee consists of the members listed below. The Committee convened twice during the early part of the financial year, but not at all during the period from 28 July 2005 to 22 May 2006; on which basis the Committee could not operate effectively throughout the financial year. Ms Lindiwe Mthimunye tendered her resignation during November 2005. In May 2006 **the dti** nominated Ms Gloria Serobe and Mr Linda Yanta, both serving members of **the dti's** audit committee, as additional members of this Audit Committee. At the same time Mr Anthony Coombe was appointed Chairperson of this Audit Committee. There were two Acting CEO's during the year under review.

Member	Position	Date appointed	Meetings attended
Ms Lindiwe Mthimunye	Independent Chairperson	November 2002	2
Mr Anthony Coombe	Independent member nominated by the dti	March 2003	2
Ms Y Maya	Acting CEO	July 2005	1

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that, as it did not meet during the period from 28 July 2005 to 22 May 2006, it was not able to comply adequately with its responsibilities arising from section 38(1)(a) of the PFMA and Treasury Regulations 3.1.13. The Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs for the most part in compliance with this charter, but has not been able to discharge its responsibilities fully as contained therein.

EFFECTIVENESS OF INTERNAL CONTROLS

Based on our review and evaluation of the work of the Internal Audit Unit for the year under review, as well as feedback received from the Auditor-General, the Audit Committee is of the opinion that the system of internal control did not operate effectively throughout the past year. The weaknesses identified by Internal and External Audit have not been satisfactorily addressed by Management, particularly in the areas of procurement, revenue, cost management and control and inventory management.

The Audit Committee remains concerned that a risk management committee has not yet been constituted, and that higher risk areas are not being adequately monitored.

QUALITY OF MONTHLY AND QUARTERLY MANAGEMENT REPORTS

Management failed to provide the Audit Committee with adequate financial information in the form of monthly or quarterly management reports. Consequently, the Committee is unable to comment on the adequacy, reliability and accuracy of the monthly and quarterly reporting system in terms of the PFMA.

EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has:

- reviewed and discussed with the Auditor-General and the Chief Financial Officer the audited annual financial statements to be included in the annual report;
- reviewed the Auditor-General's management letter and Management's response thereto;
- reviewed the appropriateness of accounting policies and practices; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee concurs with and accepts the disclaimed opinion of the Auditor-General on the annual financial statements and recommends that the audited annual financial statements, read together with the report of the Auditor-General, be accepted.



A C Coombe
Chairperson of the Audit Committee

Report of the Auditor-General

for the year ended 31 March 2006



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE COMPANIES AND INTELLECTUAL PROPERTY REGISTRATION OFFICE FOR THE YEAR ENDED 31 MARCH 2006

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 73 to 97, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 544 of 2006*, issued in *Government Gazette* no. 28723 of 10 April 2006 and *General Notice 808 of 2006*, issued in *Government Gazette* no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. QUALIFICATION

3.1 Internal control environment

My audit revealed a generally weak internal control environment which could mainly be attributed to the level of vacancies, rate of staff turnover and various acting positions at senior management level and within the finance department. The entity does not have an approved staff establishment.

The following are the more significant observations which are also fundamental compliance requirements in terms of sections 38 and 40 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA):

- Policies and procedures are either non-existent, not strictly followed and enforced, or have not been updated in the recent past to take into account the changes within the operations of the entity; and
- Budgets, strategic and business plans not being approved timeously by the accounting officer and lack of proper financial and performance management systems.

The qualification paragraphs below are the direct results of inadequate policies or policies not being strictly enforced.

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3.2 Inventory and asset management

Weaknesses in inventory and asset management continue to exist at the Companies and Intellectual Property Registration Office (CIPRO). Consequently, obsolete stock and absence of physical assets recorded in the asset register are not timeously identified and addressed by management.

3.3 Trade and other receivables

Included in trade and other receivables (note 6 to the financial statements) is an amount of R576 704 which may not be recoverable as this amount relates to recoveries of telephone expenses from staff members of CIPRO on a ratio determined by management.

3.4 Recording of revenue

CIPRO has adopted the declining balance basis for customers to transact with CIPRO. This means that customers must deposit money in advance into CIPRO's bank account and as the customer transacts and transactions are billed against the customer, the billings are netted off against the amount on hand in the particular customer's account. System weaknesses were identified particularly for intellectual property transactions, where transactions were either not billed to the customer, or billed after some time. Instances were also identified where the customer did not deposit funds in advance but could still transact with CIPRO. No debtor was raised for these transactions. I could therefore not satisfy myself that revenue recognised in the financial statements of CIPRO is complete and accurate.

Furthermore, as a consequence of the weaknesses identified in the billing system I could also not obtain adequate audit assurance that the income received in advance of R20 752 545 as disclosed in note 11 to financial statements, actually exists and is correctly valued.

3.5 Procurement deviations

Further deviations from CIPRO's procurement procedural manual and policy document were identified during the financial year under review, similar to those reported in paragraph 4.2.1 of my previous audit report. Instances identified during this reporting period included, amongst others:

- Inadequate supporting documentation and procurement policies not adhered to as CIPRO was obliged to pay for expenditure where the required delegations were bypassed and were not involved in the procurement process or tender procedures were not followed.
- Possible fruitless expenditure for information technology services paid to a service provider, as my audit revealed that none of the milestones agreed with the service provider were met and payments still continue to be made for services rendered. Payments totalling R1.5 million were selected as part of my sample tested during the period under review. Furthermore, an amount of R1.1 million was approved by management during the period under review, but not paid out prior to year end, to be paid over to an equipment leasing company in order to terminate the contract. The payment was payable as contractually agreed between the parties at inception of the lease. Hence payments were made subsequent to year end for services not received. The accounting officer was not consulted in this decision.
- Irregular and fruitless and wasteful expenditure incurred as a result of non compliance with procurement procedures has not been disclosed in the financial statements and neither has action been taken as required in terms of section 55(2)(b) of the PFMA.

3.6 Trade and other payables

Whilst management have passed journal entries to effect adjustments of R1,249,380 identified during the execution of my audit procedures, a full exercise was not undertaken by management to identify all possible adjustments in order to ensure that all expenditure is recorded in the correct period and the accruals raised at year end are complete and correctly valued.

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4. DISCLAIMER OF AUDIT OPINION

Because of the significance of the matters discussed in paragraphs 3.1 to 3.6, I am unable to express an opinion on the financial statements.

5. EMPHASIS OF MATTER

Without further qualifying the audit opinion, attention is drawn to the following matters:

5.1 Internal audit and audit committee

The entity did not have a fully functional audit committee and internal audit function for a significant part of the financial year under review. This situation also arose mainly due to instability at senior management level and vacancies within the internal audit department. Consequently, the requirements of Treasury Regulations 3.1 and 3.2, which have been issued in terms of the PFMA were not fully complied with.

5.2 Non compliance with Treasury Regulation

A year end function for CIPRO staff was held during November 2005 and letters were sent out to business houses requesting sponsorship for the function. The approval of the accounting officer was not obtained and no disclosure is provided on the details of the sponsorships received in the notes to the financial statements, both of which are contrary to the requirements of Treasury Regulation 21.

5.3 Submission of financial statements

According to section 40(1)(c) of the PFMA, the accounting officer for a trading entity must submit financial statements within two months after the end of the financial year to me for auditing. Although the entity submitted financial statements on 31 May 2006 for auditing, adjustments were made to the financial statements submitted on the due date and the final approved set was received on 03 August 2006.

5.4 Investigation into procurement at CIPRO

A report on an investigation into possible procurement irregularities identified at CIPRO during the 2004/05 financial year, was finalised in July 2006.

The investigation focused on the procurement process of goods and services and the main findings are as follows:

- In general CIPRO did not comply with the internal procurement procedural manual and policy and other procurement prescripts such as the State Tender Board Regulations, 1998, the State Information Technology Agency Act, 1998 (Act No. 88 of 1998) and the PFMA.
- The supply chain management system was not implemented. Furthermore, a departmental tender committee was not established.
- CIPRO did not comply with various sections of the Preferential Procurement Regulations, 2001 as no preferential point system was implemented and Historically Disadvantaged Individuals and Black Economic Empowerment status was not taken into account in evaluating tenders and awarding contracts.
- Members of the previous Advisory Board of CIPRO had interests in businesses with which CIPRO contracted for services and no declarations of interest documents were signed.
- CIPRO did not obtain approval from the relevant legislature as required by Treasury Regulation 21.1.1 for a sponsorship amounting to R233 746. This amount is unrelated to the issue reported in paragraph 5.2 above.

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- A separate report on the investigation will be tabled in Parliament in due course.

5.5 Follow-up information systems audit of the general controls at CIPRO

A follow-up information systems (IS) audit of the general controls at CIPRO was completed in March 2006 and the findings were reported to the accounting officer. The accounting officer's comments, dated July 2006, referred to various corrective measures to be taken to address the weaknesses identified. The effectiveness of these measures will be evaluated during the next audit.

The follow-up audit indicated that little progress had been made in addressing the weaknesses identified during the previous audit, which was completed in July 2004. The most significant weaknesses identified were the following:

- A disaster recovery plan had not been formally approved and established. Consequently, CIPRO might not be able to recover normal business operations, should a disaster occur.
- Although user account management procedures had been formally established, they were not adhered to and the procedures did not address certain critical aspects.
- A change control committee had not been established to prioritise and approve program change requests, the approved change control procedures were not adhered to and programmers still had access to the production environment.
- Physical access and environmental controls were inadequate as the security of CIPRO servers stationed in the server room at the department of trade and industry (**the dti**) could not be ensured due to the fact that anyone authorised to enter the server room could access these servers. Furthermore, developers and network administrators all sat in an open area which did not offer any physical security.
- Backup procedures, as well as the testing and restoration procedures, were still inadequate. Backup reports were hardly ever reviewed by management and a service level agreement (SLA) had not been established for the off-site storage of backup tapes.
- Various logical security setting weaknesses were identified on the UNIX server at CIPRO. Inappropriate settings might increase the risk of unauthorised access to systems.
- The activities and performance of consultants were not monitored and controlled by means of policies and procedures. Formal contracts or SLAs were also not in place between CIPRO and certain suppliers.
- The duties of critical information technology functions were not adequately segregated.

6. APPRECIATION

The assistance rendered by the staff of CIPRO during the audit is sincerely appreciated.



F Joubert for Auditor-General

Pretoria

07 August 2006



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Balance Sheet

as at 31 March 2006

		2006	2005
		R	R
Assets	Note		
Non-current assets		10 627 730	12 197 782
Property, plant and equipment	3	9 411 738	10 017 517
Intangible assets	4	1 215 992	2 180 265
Current assets		117 746 084	26 521 221
Inventories	5	1 302 932	1 240 245
Trade and other receivables	6	921 747	574 801
Cash and cash equivalents	7	115 521 405	24 706 175
Total assets		128 373 814	38 719 003
Equity and liabilities			
Equity		88 936 524	870 193
Capitalisation reserve	8	4 562 148	4 562 148
Contingency reserve	22.2	-	1 000 000
Retained earnings		84 374 376	(4 691 955)
Non-current liabilities		4 188 127	7 244 510
Non-current provisions	9	3 310 573	3 604 826
Finance lease liability	10	877 554	3 639 684
Current liabilities		35 249 163	30 604 300
Trade and other payables	11	29 658 115	24 612 941
Current provisions	9	2 828 918	3 477 986
Current portion of finance lease liability	10	2 762 130	2 513 373
Total equity and liabilities		128 373 814	38 719 003

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Income Statement

for the year ended 31 March 2006

		2006	2005
		R	R
Revenue	Note 12	204 118 983	111 508 090
Other operating income	13	4 816 013	1 554 938
Total income from operations		208 934 996	113 063 028
Total operating expenditure		(125 289 116)	(122 321 624)
Communication costs		(3 060 957)	(2 834 313)
Consulting and professional fees	14	(15 882 887)	(28 871 226)
Depreciation and amortisation	15	(6 389 165)	(7 034 885)
Employee costs	16	(52 622 116)	(49 689 312)
Finance costs - finance leases		(480 951)	(459 796)
Travelling and subsistence		(1 302 717)	(824 213)
Publications, printing and stationery		(8 545 159)	(9 642 420)
Other operating expenses		(37 005 164)	(22 965 459)
Profit/(loss) from operations	17	83 645 880	(9 258 596)
Interest income	18	4 420 451	1 862 923
Net profit/(loss) for the year		88 066 331	(7 395 673)

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Statement of Changes in Equity

for the year ended 31 March 2006

	Capitalisation reserve R	Contingency reserve R	Retained earnings R	Total R
Balance at 31 March 2004	4 562 148	1 000 000	2 703 718	8 265 866
Loss for the year ended 31 March 2005 – as restated	-	-	(7 395 673)	(7 395 673)
Balance at 31 March 2005	4 562 148	1 000 000	(4 691 955)	870 193
Net profit for the year	-	-	88 066 331	88 066 331
Transfer to retained earnings (refer note 22.2)	-	(1 000 000)	1 000 000	-
Balance at 31 March 2006	4 562 148	-	84 374 376	88 936 524

Cash Flow Statement

for the year ended 31 March 2006

		2006	2005
		R	R
	Note		
Cash flows from operating activities		98 267 196	(10 975 187)
Cash generated from / (utilised in) operations	20	94 327 696	(12 378 314)
Interest income	18	4 420 451	1 862 923
Finance costs - finance lease		(480 951)	(459 796)
Cash flows from investing activities		(4 938 593)	(11 077 331)
Acquisition of property, plant and equipment	3	(4 481 718)	(9 330 288)
Acquisition of intangible assets	4	(456 875)	(1 747 043)
Cash flows from financing activities		(2 513 373)	6 153 057
(Repayment)/raising of finance lease liability	10	(2 513 373)	6 153 057
Net increase/(decrease) in cash and cash equivalents		90 815 230	(15 899 461)
Cash and cash equivalents at beginning of year		24 706 175	40 605 636
Cash and cash equivalents at end of year	7	115 521 405	24 706 175

Notes to the Annual Financial Statements

for the year ended 31 March 2006

1 Accounting policies

1.1 Principal accounting policies

The principal accounting policies and the disclosures made in the financial statements conform to South African Statements of Generally Accepted Accounting Practice (SA GAAP) on a basis consistent with prior years, except for the recognition of revenue from annual returns.

1.2 Basis of preparation

The financial statements are prepared on the historical cost basis.

1.3 Establishment of the entity

The entity was administratively separated from the Department of Trade and Industry during 2002. In line with prevailing government accounting practices the Department of Trade and Industry had reported its financial results in terms of the modified cash basis. The result is that assets and liabilities that had never been accounted for in the books of account of the Department of Trade and Industry at the date of inception of this entity (1 April 2002). The balances at inception (refer to note 8) for such assets and liabilities have been recorded at carrying values in a capitalisation reserve.

1.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided on the straight-line basis, over the estimated useful lives of assets on the following basis:

	Number of years
Computer equipment	3
Furniture and other equipment	5

The assets' residual values and useful lives are reviewed and adjusted where appropriate at each balance sheet date.

The gain or loss arising on the disposal of an asset is determined as the difference between sale proceeds and the carrying amount of the asset and is recognized in the income statement in the year in which it occurs.

Maintenance and repairs, which neither materially add to the value of the assets nor appreciably prolong their useful lives, are recognised in the income statement in the year incurred. Minor asset items (i.e. those where the cost price is less than R1 000) are expensed in the income statement in the year incurred.

1.5 Intangible assets

Intangible assets represent directly attributable costs associated with the acquisition, development and installation of software systems, computer software and licenses. The cost of minor computer software is expensed directly against income. (i.e. those where the cost price is less than R10 000).

Notes to the Annual Financial Statements

for the year ended 31 March 2006

Software which is not an integral part of related computer hardware, is classified as intangible assets.

Capitalised computer software, license and development expenditure is stated at cost less accumulated amortisation and any impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, which has been set at three years.

The difference between the net disposal proceeds and the carrying amount of an intangible asset is the gain or loss on disposal of that asset. These gains and losses are recognised in the income statement in the year in which they occur.

1.6 Impairment

The carrying amounts of all the entity's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of net selling price and value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment been recognised in prior years.

1.7 Leases

Finance leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are capitalised as property, plant and equipment at their cash equivalent cost. The corresponding liability is included in the balance sheet as finance lease obligation. The cash equivalent cost is the lower of the fair value of the asset and the present value of the minimum lease payments at inception of the lease. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

Rentals in respect of operating leases with fixed escalations are recognised as an expense on a straight-line basis over the term of the lease so as to account for the time pattern of the lessee's

Notes to the Annual Financial Statements

for the year ended 31 March 2006

benefit. Previously the operating lease payments were recognised in the income statement in the period incurred.

1.8 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Where applicable, provision is made through the income statement for slow-moving and redundant inventories.

1.9 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

The carrying values of all financial assets and liabilities approximate their fair values due to the short-term maturity of these financial assets and liabilities.

Trade and other receivables

Trade and other receivables originated by the entity are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

Trade and other payables are recognised at cost, comprising original debt less principal payments and amortisations.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss in the period in which the change arises.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Management of financial risk

Interest rate risk

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.

Credit risk

Reputable financial institutions are used for investing and cash handling purposes.

At balance sheet date there were no significant concentrations of credit risk.

Notes to the Annual Financial Statements

for the year ended 31 March 2006

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after taking into account that all debtor services are now paid for in advance.

1.10 Revenue recognition

Income

Revenue represents fees for services rendered and is recognised on registration of the application for South African registrations and other services, and on transferring of the application files abroad for international registrations. Advance payments on debtor accounts are only recognised on the rendering of services.

Revenue on annual returns is recognised on the cash basis due to the nature of the services rendered. Companies liable for paying annual returns are not considered as debtors, but are deregistered on failure to pay the due fees.

The two relevant sections regarding annual returns in the Companies Act, 1973 as amended, which CIPRO has complied with are sections 73 and 173. It is important to note that the two sections must be read in conjunction with each other.

Government grants

Government grants received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs are recognised in income in the period in which they become receivable.

1.11 Interest income

Interest is recognised on a time-proportion basis, taking account of the principal amount outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the entity.

1.12 Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money, and where appropriate, the risk specific to the liability.

1.13 Employee benefits

Post-employment benefits

Retirement

The entity provides a defined benefit fund for the benefit of its employees, which is the Government Employees' Pension Fund. The fund is funded by payments from employees and the entity. The entity's contributions to the Government Employees' Pension Fund are charged to the income statement in the year to which they relate.

The entity is not liable for any deficits due to the difference between the present value of the benefit obligations and the fair value of the assets managed by the Government Employees' Pension Fund. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of CIPRO.

Notes to the Annual Financial Statements

for the year ended 31 March 2006

Medical

No contributions are made by the entity to the medical aid of retired employees.

Short and long-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, is recognised during the period in which the employee renders the related service.

The vesting portion of long-term benefits is recognised and provided for at balance sheet date, based on current salary rates.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The entity recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefit falls due more than 12 months after balance sheet date, they are discounted to present value.

1.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits on call, net of any bank overdrafts, all of which are available for use by the entity unless otherwise stated.

Notes to the Annual Financial Statements

for the year ended 31 March 2006

2 Retrospective restatement of error

During 2006, CIPRO discovered that a finance lease liability in terms of a finance lease agreement was incorrectly treated as an operating lease in 2005.

The 2005 financial statements have been restated to correct this error. The effect of the restatement on those financial statements is summarized below:

	Effect on 2005
	R
Decrease in operating lease payments	(2 355 923)
Increase in depreciation and amortisation	1 514 445
Increase in maintenance and repairs	260 611
Increase in interest paid	459 796
Decrease in 2005 deficit	(121 071)

Increase in property, plant and equipment – carrying amount	5 294 085
Increase in intangible assets – carrying amount	980 043
Increase in finance lease liability	(6 153 057)
Increase in 2005 equity	121 071

Notes to the Annual Financial Statements

for the year ended 31 March 2006

2006
R

2005
R

2.1 Public sector practices and policies

2.1.1 Inter-relationship with other government entities

The entity operates as a trading entity of the Department of Trade and Industry within the South African Government environment. In line with prevailing government practices the entity is not entitled to accrue for certain of its revenue. On the other hand, it is also not obligated to pay for certain expenditure. The income and expenditure not recorded in the entity's income statement are, for disclosure purposes only, as follows:

Income

CIPRO services are rendered free of charge to other government entities. The total amount for such services rendered cannot be quantified.

Expenditure

Rental of building carried by the Department of Public Works	-	8 061 166
Municipal service charges for above building	-	29 121

CIPRO utilises the call centre facilities of **the dti**. CIPRO's share of the costs are absorbed by **the dti**.

Payments made by CIPRO to related parties Rental for Block F at the dti Campus to the dti	10 195 059	-
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The above services are classified as related party transactions. Other related party transactions are disclosed in notes 13 and 17 to the financial statements.

Notes to the Annual Financial Statements

for the year ended 31 March 2006

	2006	2005
	R	R
2.1.2 Public Finance Management Act reporting requirements		
Section 40(3)(b)		
No material losses have occurred during the current financial year due to criminal conduct nor any unauthorised expenditure, irregular expenditure, fruitless expenditure or wasteful expenditure, except as indicated below:		
Inventory loss (refer to note 5)	-	1 365 478
Loss of property, plant and equipment (refer note 17)	-	34 861
Fruitless and wasteful expenditure *	191 413	-
	<hr/> <hr/>	<hr/> <hr/>
	191 413	1 400 339

***Fruitless and wasteful expenditure**

This expenditure is due to damage to AVIS cars (R102 413) and the reprint of the 2004/05 Annual Report (R89 000).

Management determined that no individuals could be held liable for the related incidents.

Irregular expenditure

The entity entered into finance lease arrangements as defined in SA GAAP statement IAS 17 and Treasury Regulation 13.2.2. The agreements for the lease of computer equipment and software substantially transfers all the risks and rewards incidental to ownership of assets, to CIPRO, although title is not transferred. Treasury Regulation 13.2.5 prohibits the entity from entering into finance lease transactions. However, it was the intention of management solely to acquire use of the assets and not to incur any irregular expenditure, thus no individuals could be held liable for incurrence of such expenditure.

Notes to the Annual Financial Statements

for the year ended 31 March 2006

3 Property, plant and equipment

3.1 Owned Property, Plant and Equipment

	Cost R	Accumulated depreciation R	Carrying amount R
31 March 2006			
Computer equipment	11 197 820	(6 240 424)	4 957 396
Furniture & other equipment	3 641 900	(2 290 987)	1 350 913
	14 839 720	(8 531 411)	6 308 309
31 March 2005			
Computer equipment	9 244 595	(6 445 096)	2 799 499
Furniture & other equipment	3 621 505	(1 697 572)	1 923 933
	12 866 100	(8 142 668)	4 723 432

Reconciliation of carrying amounts

	Computer equipment R	Furniture and other equipment R	Total 2006 R	Total 2005 R
Opening balance: 1 March	2 799 499	1 923 933	4 723 432	6 418 329
Additions during the current year	4 454 706	27 012	4 481 718	2 758 320
Disposals during the current year	(109 652)	(9 829)	(119 481)	(871 943)
Depreciation for the current year	(2 192 973)	(639 969)	(2 832 942)	(3 581 273)
Asset adjustment at net book value	5 816	49 766	55 582	-
Carrying amount at end of year	4 957 396	1 350 913	6 308 309	4 723 432

Notes to the Annual Financial Statements

for the year ended 31 March 2006

3.2 Leased Property, Plant and Equipment

	Cost R	Accumulated depreciation R	Carrying amount R
31 March 2006			
Computer equipment	6 571 968	(3 468 539)	3 103 429
31 March 2005			
Computer equipment	6 571 968	(1 277 883)	5 294 085

Reconciliation of carrying amounts

	Computer equipment R	Total 2006 R	Total 2005 R
Opening balance: 1 March	5 294 085	5 294 085	-
Additions during the current year	-	-	6 571 968
Disposals during the current year	-	-	-
Depreciation for the current year	(2 190 656)	(2 190 656)	(1 277 883)
Carrying amount at end of year	3 103 429	3 103 429	5 294 085

The leased assets comprise computer hardware and are encumbered as detailed in note 10.

3.3 Total Property, Plant and Equipment

	Cost R	Accumulated depreciation R	Carrying amount R
31 March 2006			
Owned assets	14 839 720	(8 531 411)	6 308 309
Leased assets	6 571 968	(3 468 539)	3 103 429
	21 411 688	(11 999 950)	9 411 738
31 March 2005			
Owned assets	12 866 100	(8 142 668)	4 723 432
Leased assets	6 571 968	(1 277 883)	5 294 085
	19 438 068	(9 420 551)	10 017 517

Notes to the Annual Financial Statements

for the year ended 31 March 2006

4 Intangible assets

4.1 Owned assets	Cost R	Accumulated amortisation R	Carrying amount R
31 March 2006			
Capitalised computer software and licences	6 407 541	(5 766 057)	641 484
31 March 2005			
Capitalised computer software and licences	5 950 666	(4 750 444)	1 200 222

Reconciliation of carrying amounts:	2006 R Total	2005 R Total
Opening balance: 1 March	1 200 222	2 608 951
New capitalisation during the current year	456 875	530 438
Amortisation for the current year	(1 012 494)	(1 939 167)
Asset adjustment at net book value	(3 119)	-
Carrying amount at end of year	641 484	1 200 222

4.2 Leased assets

	Cost R	Accumulated amortisation R	Carrying amount R
31 March 2006			
Software	1 216 605	(642 097)	574 508
31 March 2005			
Software	1 216 605	(236 562)	980 043

Notes to the Annual Financial Statements

for the year ended 31 March 2006

Reconciliation of carrying amounts

	Total 2006 R	Total 2005 R
Opening balance: 1 March	980 043	-
Additions during the current year	-	1 216 605
Disposals during the current year	-	-
Amortisation for the current year	(405 535)	(236 562)
Carrying amount at end of year	<u>574 508</u>	<u>980 043</u>

The leased assets comprise computer software and are encumbered as detailed in note 10.

4.3 Total Intangible Assets

	Cost R	Accumulated amortisation R	Carrying amount R
31 March 2006			
Owned assets	6 407 541	(5 766 057)	641 484
Leased assets	1 216 605	(642 097)	574 508
	<u>7 624 146</u>	<u>(6 408 154)</u>	<u>1 215 992</u>
31 March 2005			
Owned assets	5 950 666	(4 750 444)	1 200 222
Leased assets	1 216 605	(236 562)	980 043
	<u>7 167 271</u>	<u>(4 987 006)</u>	<u>2 180 265</u>

Companies and Intellectual Property Registration Office

(A trading entity established in terms of section 1 of the Public Finance Management Act, Act No. 1 of 1999)

Notes to the Annual Financial Statements

for the year ended 31 March 2006

	2006 R	2005 R
5 Inventories		
Stationery and consumable stores	1 302 932	2 605 723
Stock write-off	-	(1 365 478)
	<u>1 302 932</u>	<u>1 240 245</u>
6 Trade and other receivables		
Trade debtors	-	1 005 483
PCT debtor	125 490	78 300
Provision for doubtful debts	-	(709 235)
	<u>23 812</u>	<u>374 548</u>
Employee advances	694 852	125 652
Deposits	77 593	74 601
	<u>921 747</u>	<u>574 801</u>
7 Cash and cash equivalents		
Bank balance	8 584 199	8 038 459
Cash on hand	20 000	10 000
Call account (investment)	106 917 206	16 657 716
	<u>115 521 405</u>	<u>24 706 175</u>
8 Capitalisation reserve		
<p>The Department of Trade and Industry transferred certain assets and liabilities to the entity on its establishment in April 2002. The carrying amounts of assets and liabilities, taken over at fairly determined carrying values, are:</p>		
Total assets	10 036 194	10 036 194
Total liabilities	(5 474 046)	(5 474 046)
	<u>4 562 148</u>	<u>4 562 148</u>

Companies and Intellectual Property Registration Office

(A trading entity established in terms of section 1 of the Public Finance Management Act, Act No. 1 of 1999)

Notes to the annual financial statements

for the year ended 31 March 2006

9 Provisions

2006	Opening balance	Provision raised/ (reversed)	Provision utilised	Closing balance	Current portion	Non-current
	R	R	R	R	R	R
Leave pay benefits	4 139 826	(6 150)	(535 000)	3 598 676	(288 103)	3 310 573
Service bonus	1 419 986	1 554 215	(1 419 986)	1 554 215	(1 554 215)	-
Provision for legal cases *	23 000	4 600	(8 000)	19 600	(19 600)	-
Merit awards	1 500 000	807 719	(1 340 719)	967 000	(967 000)	-
	7 082 812	2 360 384	(3 303 705)	6 139 491	(2 828 918)	3 310 573

2005	Opening balance	Provision raised/ (reversed)	Provision utilised	Closing balance	Current portion	Non-current
	R	R	R	R	R	R
Leave pay benefits	4 034 879	1 048 393	(943 446)	4 139 826	(535 000)	3 604 826
Service bonus	1 320 885	1 419 986	(1 320 885)	1 419 986	(1 419 986)	-
Provision for legal cases *	790 000	(608 496)	(158 504)	23 000	(23 000)	-
Merit awards	-	1 500 000	-	1 500 000	(1 500)	-
	6 145 764	3 359 883	(2 422 835)	7 082 812	(3 477 986)	3 604 826

* Provision has been made for settlement costs expected to be incurred in respect of legal cases against CIPRO, which existed at year-end but not yet settled.

Notes to the annual financial statements

for the year ended 31 March 2006

	2006	2005
	R	R
10 Finance lease liability		
Finance lease liability	877 554	3 639 684
Total finance lease liability	3 639 684	6 153 057
Less: short term portion included in current liabilities	(2 762 130)	(2 513 373)

The finance lease liability is secured by the leased assets referred to in notes 3.2 and 4.2. The liability is repayable in monthly instalments totalling R249 527, payable in advance, commencing on 1 June 2004. The finance lease term is 3 years and has a renewal option. Interest is charged at prime rate.

Total future minimum finance lease payments under non-cancellable finance leases.

	Total	Interest	Principal
	R	R	R
2006			
Less than one year	2 994 323	232 193	2 762 130
Between two to five years	899 010	21 456	877 554
	3 893 333	253 649	3 639 684
2005			
Less than one year	2 994 323	480 950	2 513 373
Between two to five years	3 893 333	253 649	3 639 684
	6 887 656	734 599	6 153 057

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Notes to the annual financial statements

for the year ended 31 March 2006

	2006 R	2005 R
11 Trade and other payables		
Trade creditors and accruals	8 848 608	12 617 048
Employee related accruals	56 962	11 763
Income received in advance	20 752 545	11 984 130
	<u>29 658 115</u>	<u>24 612 941</u>

12 Revenue

Revenue has increased significantly year-on-year due to the review of application fees, the abolishment of revenue stamps on intellectual property applications, as well as the implementation of annual return lodgements for private companies.

Intellectual property	15 138 847	1 373 473
Corporate information	11 248 796	7 244 853
Companies and close corporations	62 567 250	47 579 116
Increase in company share capital	32 954 775	38 643 177
Annual returns - companies	82 209 315	16 667 471
	<u>204 118 983</u>	<u>111 508 090</u>

13 Other operating income

Grant received from the South African Government	-	1 200 000
Grant received from the dti : Co-operatives	4 251 000	-
Other income	176 813	207 953
Donation received in kind*	245 467	-
Recovery of expense (in respect of staff telephone accounts)	142 733	146 985
	<u>4 816 013</u>	<u>1 554 938</u>

*Transfer of assets from the Department of Agriculture at fairly determined carrying values.

14 Consulting and professional fees

The amount consists of payments made to consultants for services rendered, as well as to procure short-term resources to address staff shortages.

<u>15 882 887</u>	<u>28 871 226</u>
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Companies and Intellectual Property Registration Office

(A trading entity established in terms of section 1 of the Public Finance Management Act, Act No. 1 of 1999)

Notes to the annual financial statements

for the year ended 31 March 2006

	2006 R	2005 R
15 Depreciation and amortisation		
Depreciation		
-Computer equipment	4 377 814	3 546 034
-Furniture and other equipment	590 203	1 313 122
Amortisation of intangible assets	1 421 148	2 175 729
	<u>6 389 165</u>	<u>7 034 885</u>
16 Employee costs		
Total per the income statement	52 622 116	49 689 312
Employee costs include the gross remuneration of the following senior staff:		
Chief Executive Officer	-	458 298
*Acting Chief Executive Officer	144 095	92 876
Chairman of the Board	191 256	573 768
Registrar of Companies	-	514 400
*Acting Registrar of Companies	173 352	-
Registrar of Intellectual Property	453 147	433 908
Chief Financial Officer	240 616	503 541
*Acting Chief Financial Officer	72 324	-
Director: Corporate Governance	466 839	433 908
Director: Human Resources	453 147	427 497
Director: Legal Services	453 147	427 497
Registrar of Co-Operatives	63 190	-
Chief Director: Information Communication Technology	4 387	503 541
*Acting Chief Director: Information Communication Technology	15 396	-
Director: Information Communication Technology	453 147	427 497
Director: Project Management Office	453 147	427 497
	<u>378</u>	<u>379</u>
Headcount at 31 March		
* Acting allowance received.		

Companies and Intellectual Property Registration Office

(A trading entity established in terms of section 1 of the Public Finance Management Act, Act No. 1 of 1999)

Notes to the annual financial statements

for the year ended 31 March 2006

	2006 R	2005 R
17 Profit/(loss) from operations		
Profit/(loss) from operations include the following:		
Board fees	99 859	85 417
Audit committee	12 345	18 047
External audit fees	2 011 756	547 334
Regularity audit	1 707 388	547 334
Forensic investigation	304 368	-
Internal audit fees	-	1 113 674
Donations ^a	119 481	871 943
Loss of property, plant and equipment	-	34 861
Legal fees	239 439	(555 642)
- Provision for legal fees reversed	(3 400)	(608 496)
- Other legal fees	242 839	52 854
Operating lease charges	11 649 586	2 442 500
- Vehicles	256 746	887 877
- Furniture and other equipment ^b	701 335	211 173
- Property ^c	10 691 505	1 343 450
18 Interest income		
Interest received – bank accounts	4 420 451	1 862 923

^a Donations of furniture and computer equipment were made to the Department of Education at net carrying values.

^b Rental of photocopiers.

^c Rental of buildings for office administration.

Notes to the annual financial statements

for the year ended 31 March 2006

19 Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases.

	0 –1 Year R	2-5 Years R	Total R
2006			
Photocopier machines	748 145	-	748 145
Buildings	496 446	1 476 141	1 972 587
Motor vehicles	40 505	-	40 505
	<hr/>	<hr/>	<hr/>
	1 285 096	1 476 141	2 761 237
2005			
Photocopier machines	730 110	748 145	1 478 255
Buildings	694 733	1 395 590	2 090 323
Motor vehicles	243 033	40 505	283 538
	<hr/>	<hr/>	<hr/>
	1 667 876	2 184 240	3 852 116

Off-site file storage

A tender was entered into for a ceiling amount of R21 million for off-site files storage over a five-year period. To date an amount of R8 434 420 has been incurred.

The dti Campus lease

CIPRO has not signed an agreement in respect of the premises it occupies at **the dti** Campus. The entity has committed R10.3 million in rental for the year 2006/7 which was included in the budget for the financial year. This amount has therefore not been included in the above mentioned operating lease commitments.

Notes to the annual financial statements

for the year ended 31 March 2006

	2006 R	2005 R
20 Notes to the cash flow statement		
Profit/(loss) from operations	83 645 880	(9 258 596)
Adjusted for non-cash flow items:		
Depreciation of property, plant and equipment	4 968 016	4 859 156
Amortisation of intangible assets	1 421 148	2 175 729
Provision for leave pay	(541 150)	104 947
Provision for service bonus	134 229	99 102
Provision for merit award	(533 000)	1 500 000
Provision for legal cases	(3 400)	(767 000)
Donations	119 481	871 943
Finance costs	480 951	459 796
Cash flows before changes in working capital	89 692 155	45 077
(Increase)/decrease in inventories	(62 687)	158 393
(Increase)/decrease in trade and other receivables	(346 946)	654 243
Increase/(decrease) in trade and other payables	5 045 174	(13 236 027)
Cash generated from /(utilised in) operations	94 327 696	(12 378 314)

21 Taxation

The entity is not liable for any income tax in terms of section 10(1)(a) of the Income Tax Act, as amended. The entity is not registered for value-added taxation in terms of the Tax Authorities' media statement dated 27 September 1991, which was subsequently confirmed by a value-added tax directive dated 21 January 2003.

22 Contingent liabilities

22.1 Housing guarantees

There are contingent liabilities in respect of guarantees given by CIPRO in terms of public service assistance for staff housing loans to the value of -

625 383

700 386

Notes to the annual financial statements

for the year ended 31 March 2006

2006
R

2005
R

22.2 Contingency reserve

The contingency reserve was created to protect the operating capacity of the entity against unforeseen events which could have placed strain on the entity's cash flow.

Management elected to transfer the contingency reserve of R1 million to retained earnings during the year.

23 PCT Trust Account

Funds received to which CIPRO is not entitled, are accounted for separately and deposited into a separate bank account. Only the amount relating to services rendered by CIPRO have been accounted for in CIPRO's books.

PCT Creditors

689 789

871 607

- Funds received from South African clients to be paid over to the World Intellectual Property Organisation and the International Searching Authority

665 976

793 307

- Amounts due to CIPRO for services rendered

23 813

78 300

Balance in the PCT bank account

689 789

871 607

Any cost associated with the maintaining of the separate trust bank account, or any interest received on such trust funds, is for the account of CIPRO.

ACTS AND TREATIES

APPENDIX A: ACTS

For the year ending 31 March 2006

CIPRO administers the following Acts:

INTELLECTUAL PROPERTY

- Patents Act (Act 57 of 1978)
- Trademarks Act (Act 62 of 1963 and Act 194 of 1993)
- Designs Act (Act 57 of 1967 and Act 195 of 1993)
- Copyright Act (Act 98 of 1978)
- Registration of Copyright in Cinematography Films Act (Act 62 of 1977)
- Merchandise Marks Act (Act 17 of 1941 - amended 2002)
- Intellectual Property Laws Rationalisation Act (Act 107 of 1977)
- Counterfeit Goods Act (Act 37 of 1997)
- Performer's Protection Act (Act 11 of 1967)
- Unauthorised Use of Emblems Act (Act 37 of 1961)
- Stem van Suid-Afrika Act (Act 2 of 1959)
- Vlaglied Copyright Act (Act 9 Of 1974)

COMPANIES

- Companies Act (Act 61 of 1973)
- Close Corporations Act (Act 69 of 1984)
- Shore Blocks Control Act (Act 59 of 1980)
- Business Names Act (Act 27 of 1960)
- Rationalisation of Corporate Laws Act (Act 45 of 1996)

CO-OPERATIVES

- Co-operatives Act (Act 14 of 2005)

APPENDIX B: MEMBERSHIPS

CIPRO is a member of the following treaties and bodies:

- Paris Convention Treaty
- Patents Cooperation Treaty
- Berne Convention Treaty
- Budapest Treaty
- TRIPS Agreement Treaty
- Corporate Registers Forum
- International Association of Commercial Administrators

ACRONYMS

AG	Auditor-General
ARIPO	African Regional Industrial Property Organisation
ASGI-SA	Accelerated Shared Growth Initiative of South Africa
CC	Close Corporation
CCC	Customer Contact Centre
CCRD	Consumer and Corporate Regulatory Division
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPR	Commission of Intellectual Property Rights
CIPRO	Companies and Intellectual Property Registration Office
CIU	Corporate Information Unit
CRM	Custom Relations Manager
CSIR	Council for Scientific and Industrial Research
EPC	European Patent Convention
EPO	European patent Office
EU	European Union
FIFA	Federated International Football Association
GAAP	Generally Accepted Accounting Practice
GATT	General Agreement on Trade and Tariffs
GSSSD	Group Systems and Support Service Division
HDI	Historically Disadvantaged Individual
ICT	Information and Communication Technology
IP	Intellectual/Industrial Property
JIPSA	Joint Initiative on Priority Skills Acquisition
IPRs	Intellectual Property Rights
JPO	Japan Patent Office
KU	Knowledge Unit
Ltd	Limited
LED	Local Economic Development

LIBSA	Limpopo Business Support Agency
MFMA	Municipal Finance Management Act
MTEF	Medium Term Expenditure Framework
NAFCOC	National African Federation Chamber of Commerce and Industry
NEPAD	New Partnership for Africa's Development
OHIM	Office for Harmonization of International Markets
PCT	Patent Cooperation Treaty
PFMA	Public Finance Management Act
PMO	Projects Management Office
(Pty) Ltd	Proprietary Limited
SAC	Standing Advisory Committee
SACRO	South African Companies Registration Office
SADC	Southern African Development Community
SAITEX	South African International Trade Exhibition
SAPO	South African Post Office
SAPTO	South African Patents and Trademarks Office
SARS	South African Revenue Service
SEDA	Small Enterprise Development Agency
SLA	Service Level Agreement
the dti	The Department of Trade and Industry, South Africa
TR	Treasury Regulations
TRIPS	Trade Related Aspects of Intellectual Property Standards
UKPO	United Kingdom Patent Office
USPTO	United States Patents and Trademarks Office
WAP	Wireless Application Protocol
WCT	WIPO Copyright Treaty
WIPO	World Intellectual Property Office
WSSD	World Summit on Sustainable Development
WTO	World Trade Organisation

ADDRESS AND CONTACT DETAILS

Business Address

the dti Campus Block F
77 Meintjies Street
Sunnyside, Pretoria
0002

Postal Address for Co-operatives

Private Bag X237
Pretoria
0001

Postal Address for Intellectual Property

Private Bag X400
Pretoria
0001

Postal Address for Companies and Close Corporations

PO Box 429
Pretoria
0001

Customer Contact Centre:	0861 843 384
International Number:	+27 12 3949500
Fax Number:	0861 843 888
International Fax Number:	+27 12 3949501
Web Address:	http://www.cipro.co.za
Wap Address:	http://www.cipro.co.za/mobile
E-mail Address:	contactcentre@cipro.gov.za
Docex:	256

BUSINESS ADDRESS

Block F (ENTFUTFUKWENI)

77 Meintjies Street

Sunnyside

Tshwane

<http://www.cipro.co.za>