

ANNUAL REPORT 2012/13



Companies and Intellectual
Property Commission

a member of **the dti** group



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LIST OF ACRONYMS AND ABBREVIATIONS

Abbreviation	Explanation
AIDS	Acquired Immune Deficiency Syndrome
APP	Annual Performance Plan
ARIPO	African Regional Industrial Property Organisation
AMDP	Advanced Management Development Programme
BUSA	Business Unity South Africa
BRR	Business Registration Reform
BRP	Business Rescue Practitioner
CAN	Change Agent Network
CAR	Compliance, Audit and Risk
CC	Close Corporation
CCB	Change Control Board
CCC	Customer Contact Centre
CCRD	Consumer and Corporate Regulatory Division
CFO	Chief Financial Officer
CET	CIPC Executive Team
CIPC	Companies and Intellectual Property Commission
CIPRO	Companies and Intellectual Property Registration Office
CIU	Customer Interface Unit
CMT	CIPC Management Team
COTII	Council of Trade and Industry Institutions
COO	Chief Operating Officer

Abbreviation	Explanation
CPD	Continued Professional Development
CRF	Corporate Registers Forum
CRM	Customer Relation Management
CSS	Customer Satisfaction Survey
DC	Deputy Commissioner
DED	Department of Economic Development
DHA	Department of Home Affairs
DMS	Debtors Management System
DPSA	Department of Public Service and Administration
DPR	Disqualified Persons' Register
DPW	Department of Public Works
DR	Disaster Recovery
EA	Enterprise Architecture
EAP	Employee Assistance Programmes
EBI	Ekurhuleni Business Initiative
ECDC	Eastern Cape Development Corporation
ECM	Enterprise Content Management
EMDP	Executive Management Development Programme
ENE	Estimates of National Expenditure
EPO	European Patent Office
FNB	First National Bank

Abbreviation	Explanation
FRSC	Financial Reporting Standards Council
HIV	Human Immunodeficiency Virus
ICT	Information and Communication Technology
ID	Identity Document
IFC	International Finance Corporate
IP	Intellectual Property
IRBA	Independent Regulatory Board for Auditors
ITED	International Trade and Economic Development Division
ITIL	IT Infrastructure Library
JICA	Japan International Cooperation Agency
LED	Local Economic Development
LIBSA	Limpopo Business Support Agency
MISS	Minimum Information Security Standards
MoU	Memorandum of Understanding
MTREF	Medium-term Revenue and Expenditure Framework
NAFCOC	National African Federation Chamber of Commerce
NEDLAC	National Economic Development and Labour Council
NEPAD	New Partnership for Africa's Development
NPA	National Prosecuting Authority
NT	National Treasury
NYDA	National Youth Development Agency

Abbreviation	Explanation
OHIM	Office for Harmonization of International Markets
OPBDC	Off-site Paper-based Disclosure Centre
PCT	Patent Cooperation Treaty
PDA	Performance Development Assessment
PDE	Performance Development and Evaluation
PFMA	Public Finance Management Act
PILIR	Policy on Incapacity Leave and Ill-health Retirement
PKI	Public Key Infrastructure
PM	Project Management
PMO	Project Management Office
PRC	Project Review Committee
PSETA	Public Service SETA
PWC	Price Waterhouse Coopers
QMS	Quality Management System
R&D	Research and Development
RFQ	Request for Quotation
SABS	South African Bureau of Standards
SABRIC	South African Banking Risk Information Council
SADC	Southern African Development Community
SAICA	South African Institute for Chartered Accountants

List of acronyms and abbreviations

Abbreviation	Explanation
SAIPA	South African Institute for Professional Accountants
SAITEX	South African International Trade Exhibition
SAPO	South African Post Office
SAPS	South African Police Service
SASQAF	South African Statistical Quality Assessment Framework
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SEDA	Small Enterprise Development Agency
SLA	Service Level Agreement
SM	Senior Manager
SMEs	Small and Medium Enterprises
SMS	Short Message Service
SP	Service Provider
SSD	Strategic Support Division
StatsSA	Statistics South Africa
The dti	The Department of Trade and Industry
TO	Temporary Officials
TQM	Total Quality Management
TRP	Takeover Regulatory Panel
VCT	Voluntary Counseling and Testing
VRM	Vendor Registration Module
WIPO	World Intellectual Property Organisation
WPPT	WIPO Performances and Phonograms Treaty
WSP	Workplace Skills Plan





Section 1: Overview

FOREWORD BY THE MINISTER



Dr Rob Davies
Minister of Trade and Industry

Government has prioritised the growth of small and medium enterprises (SMEs). According to a recent Acceleration of Entrepreneurship Survey conducted by the Monitor Group, South Africa continues to experience relatively low rates of entrepreneurial activity, only 6%, compared to other low-income countries that average 15% growth.

One of the obstacles to entrepreneurial activity identified in the survey is the perceived regulatory burden on small enterprises. The Department of Trade and Industry (**the dti**) strives to improve the business environment, and, in particular, the ease of doing business and encourages all efforts to increase enterprise development and growth. The Companies and Intellectual Property Commission (CIPC), as an entity charged with the registration of corporate entities and the enforcement of market conduct rules for business, has a key role in ensuring that the legal framework it administers and its processes do not impose an unnecessary burden on businesses.

To this end, the CIPC has made considerable effort in the past year to improve its service delivery to the public. Despite the progress, it must be acknowledged that much work remains in this regard. The CIPC has put in place a transformation process that will show results over the next three years, and I am confident that there will be progressive improvement.

Collaboration between government agencies to avoid duplication of information and requirements is another factor in improving the ease of doing business. The CIPC and South African Revenue Service (SARS) have been working together to identify the best ways in which this can be achieved between the two agencies of

government. Integrated tax and company registration is on the cards for the new financial year.

The CIPC has also extended its collaborative approach to the private sector and is set to roll out a joint project with First National Bank (FNB) around integrated bank account opening and company registration in the next financial year. These two collaboration projects will have a fundamental impact on the South African business environment and the ease of starting a business, as well as will contribute to enhancing the customer experience.

South Africa is currently ranked 39th out of 183 countries in the latest World Bank Doing Business Report, and 52nd in terms of the ease of starting a business. The collaborative initiatives by the CIPC elicited excitement amongst participants at the fourth World Bank Regional Ease of Doing Business Conference, which was recently hosted by the CIPC and a number of regulators in South Africa. These initiatives may very well have a positive impact on South Africa's overall ranking in future surveys.

CIPC has managed to stabilise its operating environment and has the basics in place. I am cautiously optimistic that the next financial year will show continuous improvement in service delivery and ease of transacting.

A handwritten signature in black ink, appearing to read 'R. Davies', written over a white background.

Dr Rob Davies
Minister of Trade and Industry

SUBMISSION OF THE ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

On behalf of the Companies and Intellectual Property Commission, it is with great pleasure that I, Astrid Ludin, as the Accounting Authority, submit the performance and progress of the entity for the financial year 2012/13 in terms of the Public Finance Management Act, Act No. 1 of 1999 (PFMA).

STATEMENT OF RESPONSIBILITY

Vision

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

Mission

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

Providing easy, accessible and value-adding registration services for business entities, intellectual property rights holders and regulated practitioners;

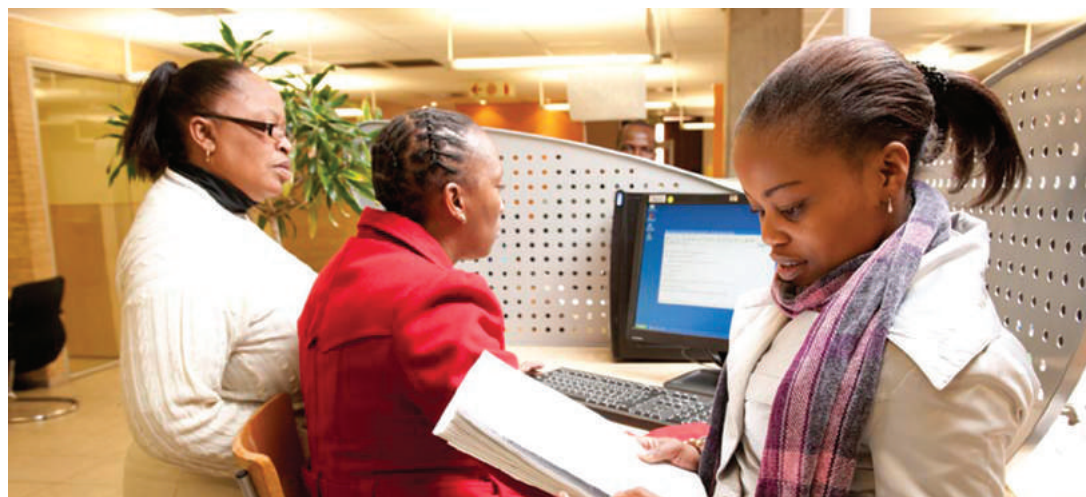
Maintaining and disclosing secure, accurate, credible and relevant information regarding business entities, business rescue practitioners, corporate conduct and reputation, intellectual property rights and indigenous cultural expression;

Increasing awareness and knowledge of company and intellectual property laws, inclusive of the compliance obligations and opportunities for business entities and intellectual property rights holders to drive growth and sustainability, as well as the knowledge of the actual and potential impact of these laws in promoting the broader policy objectives of government;

Taking the necessary steps to visibly, effectively and efficiently monitor and enforce compliance with the laws that the CIPC administers.

Values

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



COMMISSIONER'S REPORT



Astrid Ludin
Commissioner

It is with pleasure that I present the annual report of the newly established Companies and Intellectual Property Commission (CIPC) for 2012/13. The CIPC came into being on 1 May 2011 as one of the key implementing agencies of the new Companies Act, 2008 (Act 71 of 2008).

Executive Summary

During the first year of CIPC's operation, extending from 1 May 2011 to 31 March 2012, the internal emphasis of the organisation was on bedding the legislative change, understanding the new

mandate and stabilising the organisation. The period under review is the CIPC's second year of operation. During this period, the emphasis was on improving service delivery, understanding the root causes for persistent problems, such as the ICT infrastructure, and designing the constituent elements of a new organisation, including the initial ICT requirements, the new service delivery model and an organisational structure aligned with the new service delivery model. The CIPC was able to improve service delivery in the second year of operation, with fewer staff members and higher volumes of transactions. Much still needs to be done as we are only at the beginning of our transformation journey. However it is important to acknowledge the hard work and commitment of our staff in achieving improved service delivery.

The organisational structure was finalised internally and submitted for approval to the Minister of Trade and Industry during December 2012. The approval process is dependent on concurrence between the Ministers of Trade and Industry and Finance. The proposed new organisational structure is critical for the full implementation of the new service delivery model, and the CIPC is hopeful that the necessary approvals will be obtained from the Minister of Finance during the new financial year.

A key emphasis for the CIPC is improving the ease of doing business through making it easier to transact with CIPC directly and also through collaborative efforts with selected partners in all spheres of the CIPC's regulatory mandate. An e-filing module has been developed for intellectual property transactions and has been tested in

the period under review. E-filing for all intellectual property domains will be rolled out in the new financial year.

Another area of concern for the CIPC has been the integrity of its registers. A number of activities were undertaken to enhance data accuracy and completeness during the period under review. An external service provider was contracted for a comprehensive data cleansing exercise and data was also reviewed internally. Data cleansing will be conducted on a regular basis internally and will be dealt with in a structured manner. CIPC is also focusing on improving its ability to contact end users of most of our services, namely the owners and managers of enterprises. In this regard we have agreed to exchange contact details with financial institutions and with SARS and are also encouraging directors and members to ensure that their contact details with CIPC are correct.

An area of concern remains our ability to respond to customer calls and queries. It remains a major focus for the leadership of the organisation and steps have been put in place to improve our responsiveness as an organisation. We acknowledge that it will take some time before we are able to respond in a manner that is optimal, but the process of improvement has been initiated.

CIPC's journey to transform the organisational culture from a trading entity situated in a national department to that of a regulator in the broader economic environment is well underway, despite the remaining inefficiencies. We are committed to continuously improving all aspects of the CIPC to ensure that we are indeed a gateway to formal economic participation.

Strategic Journey

Achievements against the Business Plan

A considerable amount of time was spent on detailed planning in the first quarter of the period under review. This was aimed at ensuring that the business plan, which outlined detailed activities to support the Annual Performance Plan (APP) and strategy, was aligned. The business plan contained a series of stretch targets that were aimed at both stabilising the environment and elevating the operations of the organisation to higher levels of performance.

The detailed business plan contained 275 targets of which the performance of 215 was measured throughout the year. An assessment of the business plan result shows that the organisation fully achieved 66% of the deliverables contained in the plan.

Organisational Design

During the period under review, the internal organisational focus was on refining the organisational structure and undertaking activities related to its implementation. The development of the structure and drafting of over 250 detailed job profiles was done in-house with outside expertise being sourced for job grading, developing an organisation wide competency framework, researching and recommending a new remuneration framework and related policies and assisting with the matching and placing aspects of the programme.

The organisational design process was fully consultative and the leadership of the organisation and organised labour were actively engaged until an agreement was signed internally. Several sessions were held with between the above parties and an independent facilitator, to ensure fairness and impartiality.

In December 2012, the draft structure, with a proposed Remuneration Framework, was submitted to the Minister of Trade and Industry for approval. The approval

process requires the concurrence of the Minister of Finance. At the time of finalising this report, consultations with National Treasury and the DPSA were still underway.

Building a new culture and leadership development

A number of interventions took place in the period under review to enhance service delivery, enable strategic alignment and improve the understanding of the CIPC's regulatory role.

A two-day leadership conference was held for the organisation's 120 supervisory and management staff as well as representatives from organised labour. Speakers included senior delegates from Home Affairs (which is considered a model for other government departments in its successful turnaround of service delivery) and First National Bank (which has been ranked the world's most innovative bank). Experts in the areas of teamwork, collaboration and performance management shared their insights with the attendees.

The CIPC and the dti partnered in offering a three-day course on Regulation by a Harvard University professor to 30 CIPC officials as well as executives in other regulatory agencies affiliated with the dti. One key principle that the CIPC found of tremendous value is that of "managing by objectives" and the revised 2013/14 APP and business plan are based on this methodology.

A two-day Leadership, Management and Service Strategies Seminar by Lee Cockerell, Executive Vice President (Retired) of Walt Disney World Resort Operations was held for 60 CIPC officials in February 2013. Great insight was provided on how Disney World achieves business results through leadership, the staff environment and customer satisfaction.

The organisation remains in a process of rapid transformation and therefore it is necessary to engage staff on matters related to the organisation at dedicated sessions. The Commissioner and Deputy Commissioner interacted with staff at several smaller group discussion sessions during the year. Coffee sessions with all staff were held three times in the year, engaging staff on the strategy, business plan and organisational design issues.

In an attempt to foster a culture of team cohesion, monthly informal staff sessions were held where staff was afforded the opportunity to interact with one another and to enhance the work environment.

Customer Segmentation

During the period under review, the CIPC initiated a customer segmentation exercise to enable CIPC to better understand customer needs in relation to CIPC services and customer's interaction with CIPC. The aim of this exercise was to assist CIPC to become more customer-centric. A survey, comprising telephonic, online and face-to-face interviews, was conducted on selected products and services offered with regard to Business Entities (companies, close corporations and co-operatives). Most of the respondents were from Gauteng (47%) followed by Western Cape (16%), KZN (13%) and then the rest of the provinces (24%). Interestingly, this pattern correlates directly with the number of business entities on the CIPC's database and GDP contribution by provinces.

The most recent transactions that customers concluded, related to business entity registration (36%), annual returns (28%) and business entity amendments, particularly changes of directors or members (18%). The main reason why customers wanted to formalise their business, was as a result of identifying a business opportunity (52%).

The survey indicated that most of the customers were satisfied with the CIPC website and preferred to transact through the website and cellular phones. Respondents indicated that the least preferred method of transacting was to physically visit the CIPC offices. Similarly, customers prefer to communicate through the website, e-mails and sms channels, respectively. An average of 95% of customers have an active e-mail account, while an average of 94% have access to internet services. This suggests that there are great opportunities for the CIPC to leverage against these platforms to simplify transactions and communicate effectively with customers.

Reputation building and collaboration

One of the core values of the CIPC is collaboration and as a value-based organisation, every effort is made to demonstrate the new values in the organisation's activities. Internal and external collaboration is particularly significant for the organisation.

In the past year, we continued to strengthen our relations with public and private institutions. On a quarterly basis we met with the Banking Association of South Africa (BASA) to engage on issues that are relevant for the mutual customer and the banks. Furthermore, the CIPC offered training to BASA members on the life cycle management of business entities in relation to annual return obligations as well as the deregistration and restoration processes.

In its 2011/12 annual report, the CIPC reported on its collaborative efforts with First National Bank, which resulted from an invitation for collaboration that was extended to all the major banks, to which FNB was the only one that responded. Currently the collaboration includes:

Sharing of contact details of the bank and the CIPC's mutual customers within the privacy legislative environment. The benefit for the CIPC is that it puts CIPC in a better position to have targeted communication with its customers.

Pro-active notification of annual return compliance by the bank to its customers. This encourages increased voluntary compliance to annual returns. After the pilot period, from September last year, approximately 75 000 entities are being notified by the bank on a monthly basis to fulfill their annual return obligations.

Development of a seamless bank account opening and company registration process. The CIPC developed a web-service that will enable the bank to send company application data for the registration of companies as an integrated service. It is envisaged that this process will be piloted from the end of May 2013 and will be available for primarily those entities that wish to register a company without reserving a name. The Companies Act allows for such registrations.

Commissioner's Report

It is believed that an integrated company registration and bank account opening process is a world first and that it can have considerable implications for South Africa's ranking in the World Bank Doing Business survey, going forward.

The CIPC's strategy is to partner with other banks to offer similar services through web-service interactions.

The CIPC, together with other government institutions, partnered with the Monitor Group to conduct a survey on Entrepreneurship last year. The CIPC published the survey on its website and 1 179 responses were received. A total of 353 were complete and 826 partially complete. Further 70% of respondents accessed the survey from the CIPC website. One of the most interesting findings of the survey was that South Africa's entrepreneurial activity is very low at 6% compared to 15% in other low income countries.

According to the survey, South Africa's legislation favours large businesses because they can absorb the costs of compliance. SMEs find the legislative and regulatory environment challenging. There are different challenges for low versus the high growth entrepreneurs. The Monitor Group therefore recommended that government should focus on decreasing the compliance burden of SMEs. The survey also showed that there is limited co-ordination of interventions. Business support co-ordination should be improved and standardised information resources developed.

The CIPC continues to collaborate with SARS on various aspects of integrated services, database comparisons and activities related to improving both the tax register and corporate register's integrity. It is envisaged that the collaboration with SARS will include Statistics South Africa (StatsSA), the Department of Home Affairs and the Deeds Office to provide integrated filing services of annual returns, company tax returns and financial statements; the latter being a prerequisite of both SARS and the CIPC.

Stabilising the ICT environment

During the 2012/13 financial year, the information and communication technology (ICT) infrastructure was stabilised and its performance improved. The

website and annual return system was also stabilised. ICT governance has also been strengthened. An ICT strategy that aligns plans, programmes and budgets has been developed and adopted. The relationship between business units and the ICT division has improved tremendously.

The ICT strategy includes an ambitious programme to improve and upgrade the CIPC ICT infrastructure as a first step, before enhancing the legacy applications. During the next financial year, progressive upgrades and maintenance will be conducted, which may have an impact on the stability of systems in the short term. However, these changes will enhance the systems availability and performance.

Data integrity

A number of concurrent activities were undertaken to enhance the integrity of CIPC's registers.

To further enhance the integrity of CIPC's registers, an Annual Return Management System has been developed and is continuously being refined. The information on the document management system (DMS) contains the updated details of customers who lodge annual returns. Therefore, it puts the organisation in a position to prompt customers to update details through the amendment processes as outlined in the Companies Act and the Regulations, should discrepancies between the DMS and the main database be found.

The bulk deregistration of 6 867 companies and 85 306 close corporations in March 2013, due to annual return non-compliance, was a further attempt to ensure that the company and close corporation register is a true reflection of actual active entities. A further bulk deregistration of approximately 345 000 entities is envisaged in the foreseeable future. Thereafter the CIPC plans to deregister non-compliant entities on a monthly basis. Collaboration with creditors is essential to ensure that only dormant entities are deregistered.

Stricter control measures relating to the restoration process has been implemented in an attempt to drive greater compliance and to limit the risks associated with the easy restoration of entities. Such risks include misleading the public about the track record of entities that might have been inactive for a very long time. It

is only under exceptional circumstances that entities are allowed to be restored. Such circumstances include:

Creditors requesting restoration

Entities that can prove that it has been trading at the time of deregistration.

Entities holding property

Functionality was developed to communicate with customers through e-mails and sms services. A challenge remains that only a limited number of customers' e-mail addresses and cellular phone numbers are captured on the CIPC system. A concerted effort will be made to obtain this information to ensure more targeted communication in the future.

Continuous improvement of operational performance

The CIPC continues to provide the following services on-line: the registration of companies, the filing of annual returns, the changes to directors' details, and the amendment of close corporations.

The hybrid online functionality for the registration of companies through a standard Memorandum of Incorporation (Mol) was well received by customers. CIPC consistently registered between 60% and 70% of all companies through this online functionality.

Fax and scan to e-mail options were introduced in February 2013 to allow customers to submit documentation for the following transactions:

- name and defensive name reservations and extensions;
- close corporations to company conversions;

- company changes;
- company and close corporations deregistration; and
- company and close corporations reinstatements.

A benchmarking exercise with the Swedish Company Authority led to the CIPC revising its business model in an attempt to better serve its customers. The "Swedish model to improve customer service" was in a pilot phase by the end of the period under review. The project's rationale was to increase the number of staff who will be taking calls, in order to absorb the high volume of calls received by the CIPC. The model relies on the principle that staff would volunteer an hour per day to answering telephone calls. All volunteers have to undergo a training process on the CIPC products and services including telephone etiquette and using the CIPC system. It is envisaged that having a high number of volunteers on board will increase the call answering rate and reduce the abandonment rate of calls. A total of 72 staff members are part of this project.

In September 2012, a quality systems benchmark exercise was conducted with the Companies and Intellectual Property registration offices of New Zealand and Australia. The purpose was to determine the level of entrenchment of quality, and identifying good best practices to implement at CIPC. As a result, CIPC is developing a service delivery charter that will be published on the CIPC website. This will include results of the service standards audits and stakeholder surveys. A customer feedback and improvement suggestion system will also be introduced. In alignment with the Performance Management Policy, quality standards will be included in staff's performance agreements and monthly quality awards will be awarded to staff members recommending quality improvements and/or performing error-free work.

Conclusion

In the past year the CIPC established itself strategically as a credible regulator while still attending to building its foundation. It continued to enhance its service delivery with a number of initiatives being undertaken to ensure internal improvements.

Commissioner's Report

A great deal of work has been undertaken to establish a strong foundation for the organisation. Although both operation and strategic challenges are still present, the CIPC is confident it will continue to improve service delivery to its customers.



Astrid Ludin
Commissioner

OPERATIONAL OVERVIEW



Rory Voller
Deputy Commissioner

6.1 Corporate Registries

6.1.1 Companies, Close Corporations and Cooperatives

During the period under review, a total of 222 146 new companies were registered, with 68% (151 784) of these companies registered via the hybrid online and manual system and 32% (70 362) through manual registrations.

A more stable production environment was experienced in the companies and close corporation segments as compared to previous years, and especially in comparison with 2011/2012.

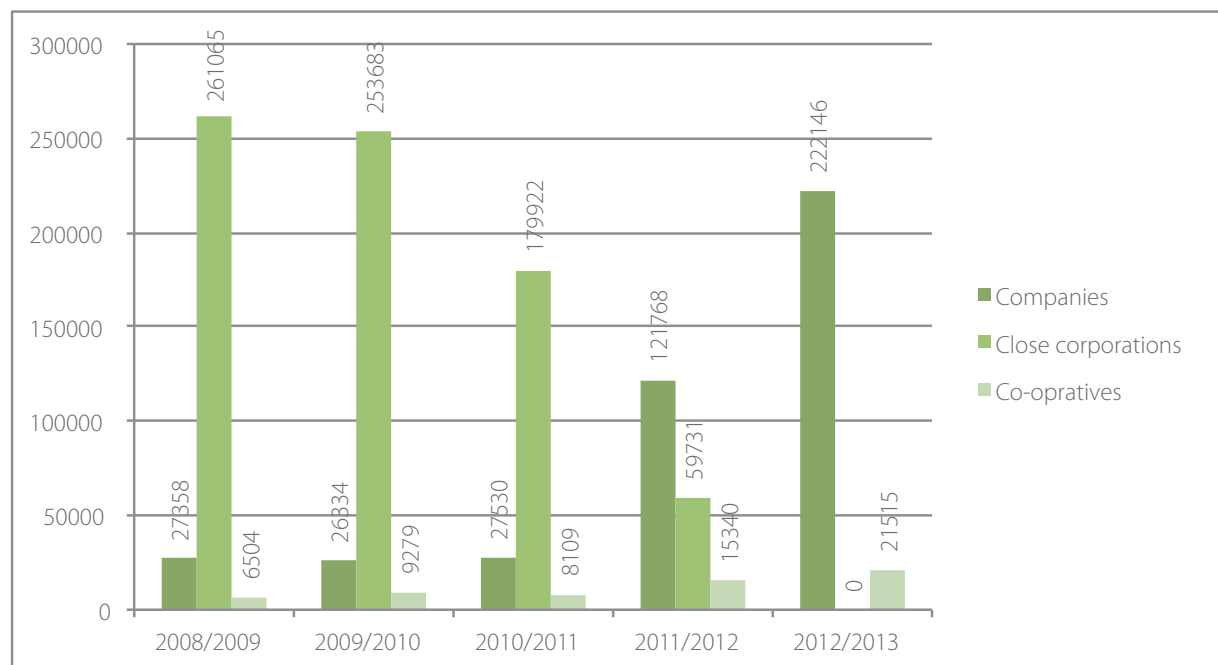
The introduction of service delivery standards assisted the organisation to focus on its production efforts and provided an assurance mechanism to customers of what to expect. Service delivery standards were largely met although sporadic backlogs were experienced. These were quickly addressed. The overall quality of work also improved steadily throughout the year. The introduction of the electronic filing system for new companies contributed significantly to this continued improvement effort. The quality and integrity of our CIPC databases still require concerted efforts. Missing data or incorrect data within the CIPC registers in the annual returns and close corporation amendments categories are examples of such issues.

The high number of companies registered, underscores the relatively smooth transition to the new Company Law regime. The level of company registration is now close to former levels of close corporation registrations.

In the past financial year 21 515 new co-operatives were registered. Co-operative registrations have increased by 40.3% compared to the previous year. The Co-operatives Amendment Bill was approved by Cabinet and introduced to Parliament during the period under review. It was approved by the Portfolio Committee on Trade and Industry as well as the National Assembly.

Operational Overview

The graph below reflects the company, close corporation and co-operative registration statistics over a five-year period.



Graph 1 - Company, Close Corporation and Co-Operative Registration Statistics over a five-year period

During the period under review, the CIPC also processed 80 860 applications for director changes. Of these, 41 810 (52%) were submitted electronically. A further 34 161 applications for changes in auditors were processed.

The table below provides a breakdown of the monthly requests for director changes, changes in auditors and address changes during the reporting period.

	2011-2012	2012-2013
Change of Directors (Manual)	39 047	45 612
Change of Directors (Electronic)	4 580	50 968
Change of auditors	Stats not collected	34 161
Change of Address	Stats not collected	43 144

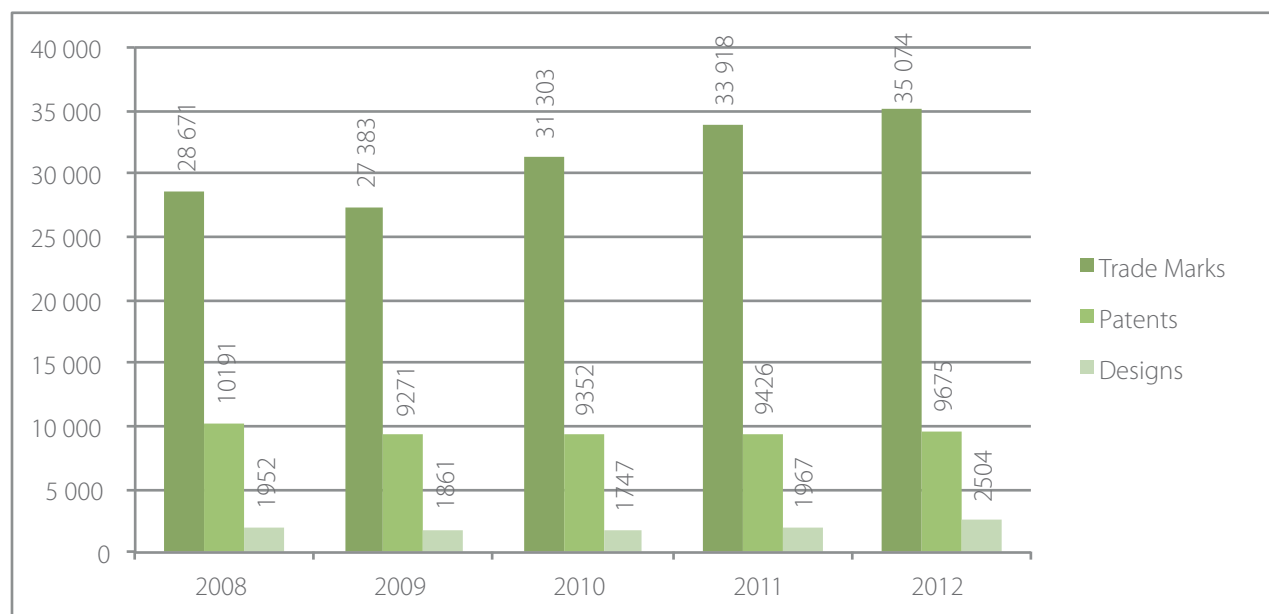
Table 1 - Change of directors, auditors and address 2011/12 vs 2012/13

6.2 Intellectual Property Registries

6.2.1 Trade Marks, Patents and Designs

During the period under review, the CIPC received the highest number of trade mark applications in the past ten years. As is evident from the table below, trade mark applications have increased steadily over the past five years and there is a similar trend internationally.

Similarly, applications for patents and designs have grown consistently over the past five years, although the proportionate increase in designs is substantially higher than patents (27% year-on-year growth for designs, as opposed to 3% year-on-year growth for patents).



Graph 2 - Trade Marks, Patent and Design applications over a five-year period

In terms of local versus international filings, there seems to be a bigger interest in protecting local brands than other IP offerings. 58% of all trademarks filed over the past financial year were from local citizens compared to 31% local patents and 45% local designs filed.

Operational Overview

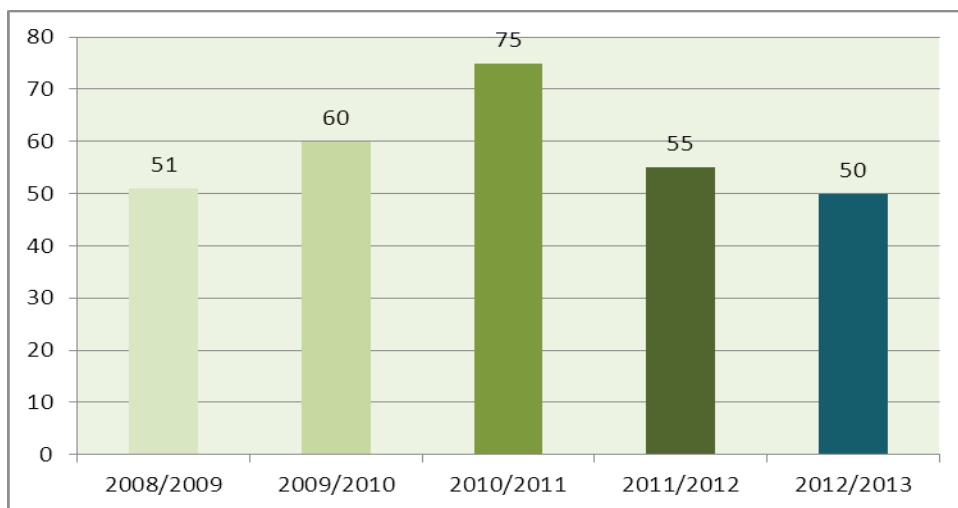
Type of IP applications filed	Local	International	Total
Trade Marks	20 288 (58%)	14 786 (42%)	35 074
Patents	2 964 (31%)	6 711 (69%)	9 675
Designs	1 049 (45%)	1 296 (55%)	2 345

Table 2 – Types of IP applications filed

6.2.2 Copyright and Indigenous Knowledge Systems (IKS)

6.2.2.1 Cinematograph Films Registration

During the period under review, the CIPC received 81 cinematograph films applications, of which 15 (19%) were from South Africans applicants. Of the 81 applications received, only 50 were successfully registered.



Graph 3 - Copyright in film registrations over a five year period

6.2.2.2 Collecting Societies

A key mandate of CIPC in terms of the Copyright Act, 1978 and the Regulations on Collecting Societies is to accredit and regulate Collecting Societies in the music industry with regard to rights in sound recordings. The recognition of these rights is a response to the WIPO Performances and Phonograms Treaty, 1996 (WPPT), even though South Africa has not yet deposited this international legal instrument.

The Collecting Societies, protect the rights of their members, (either the owners of sound recording or performing artists), by suing offenders or to enforce payment of royalties for use of their members' usage on sound recordings. As part of its regulatory functions, CIPC has to ensure that accredited Collecting Societies discharge their obligations in accordance with the Copyright Act, 1978, the Performers Protection Act, 1967 and the Regulations on Collecting Societies. When civil proceedings in the form of referrals are instituted against any user by the Collecting Societies, the office of the Registrar of Copyright is responsible for case management of the referral and assumes the role of the Registrar of the Copyright Tribunal. This includes approaching the Judge President of the High Court to allocate a Commissioner and a date of hearing. The Registrar then prepares a notice of set down and advises the parties accordingly once a date has been determined by the Judge President.

The Registrar keeps a register of all accredited Collecting Societies established under the Copyright Act, 1978 and the Regulations on Collecting Societies. Accredited Collecting Societies have to keep the Registrar informed of its organisational structure and operational features, and also changes to the persons entitled to represent it by law. The Registrar should be notified in writing by the Collecting Societies on all these changes. Accredited Collecting Societies license and collect royalties from usage of sound recording and formulate a distribution plan which shall be submitted to the Registrar of Copyright for approval. A distribution plan is a plan which indicates how the collected royalty will be paid to the owners of sound recording and performing artists. Distribution of royalties is an essential part of any collective management of rights and it demonstrates the legal route the collected monies will travel to reach beneficiaries. The distribution plan must comply with all the requirements of the law to ensure approval by the Registrar.

The Registrar is also empowered with the powers to withdraw accreditation if

the collecting society does not comply with its obligations or apply to court for appropriate relief.

During the period under review, the CIPC renewed the accreditation of both SAMPRA and SAMRO. Three court cases that have been ongoing have an impact on the supervision of Collecting Societies, the collection of needle time royalties and the distribution of such royalties.

Progress on these cases is outlined below.

SAMPRA vs Registrar of Copyright

In this case the review application is against the Registrar's decision for disapproving SAMPRA's distribution plan on collected royalties. The parties met in March 2013 to explore an out of court settlement. The spirit of the meeting was to avoid a lengthy and expensive litigation process which might have the effect of disadvantaging the beneficiaries of the needle-time right system and the music fraternity at large. SAMPRA has submitted proposed administrative steps on how it intends to deal with the distribution of the collected royalties. The office of the Registrar will consider the proposed steps and make a decision. Should the Registrar consider the proposed administrative steps by SAMPRA legally sound and appropriate, SAMPRA's distribution plan will be approved. The approval will result in distribution of collected royalties to both owners of sound recordings and performing artists.

It is the intention of the Registrar to ensure accountability and transparency on the administration of needle-time rights by accredited Collecting Societies and due observance of the applicable law.

SAMPRA vs National Association of Broadcasters

In this matter relief sought by SAMPRA as applicant or referrer, is for the determination of royalties payable when a sound recording is used for commercial purposes. A judgment has been delivered, which made a determination at a rate of 7% of the total advertising revenue generated or accumulated by the National Association of Broadcasters. The only legal principle, which is yet to be determined, is the date from which such royalties become payable.

Operational Overview

The National Association of Broadcasters has lodged a petition with the Supreme Court of Appeal and such petition has been granted. A date of hearing for the appeal will be determined in due course.

SAMPRA vs Foschini Group Pty Ltd and 9 others

This matter also relates to a determination of royalties. A first hearing took place over a period of three weeks but the presiding judge could not hear all the testimony and arguments, which necessitated a further hearing. After consultation with the office of the Judge President of the North Gauteng High Court the parties agreed to another hearing, scheduled from 22 October to 9 November 2012. Another few days were set aside for the closing of arguments by the parties. This matter was characterised by many overseas expert witnesses which demonstrated the complexities attached to the issues. The Judge finally heard the matter and reserved judgement assuring the parties that the judgment may be delivered not later than August 2013.

6.2.2.3 Indigenous Knowledge Systems (IKS)

As the implementation office of the Intellectual Property Laws Amendment Bill, 2010, the CIPC has embarked on preparatory work to implement the recording and registration of indigenous knowledge manifestations. To date the CIPC has developed information technology technical specifications to inform software application for recording and retrieval of indigenous knowledge. As part of this process, the CIPC embarked on education and awareness programmes on the Bill, which will target the indigenous groups and relevant government departments and structures. Internal workshops within the CIPC took place to ensure that its mandate on indigenous knowledge is well understood.

The stakeholders already visited include:

- Limpopo House of Traditional Leaders in its full sitting in Bela-bela
- Department of Co-operative Governance and Traditional Affairs in Pretoria
- Afrikaner Handel Institute in Pretoria

- Participated in the dti programme of "Taking the dti to the People" and disseminated information on the Indigenous Knowledge Bill. This programme included visits to many provinces.

6.3 Enforcement and Compliance

6.3.1 Investigations

Since the inception of the CIPC and the implementation of the Companies Act, 2008, the CIPC has received 694 complaints (including 9 cases carried over from the previous Companies Act, 1973), of which 420 cases have been finalised. The majority of cases related to unauthorised director changes, reported irregularities from IRBA and internal company disputes

	2011/12	2012/13
Cases brought forward	9	48
Complaints received	102	583
Total cases investigated	111	631
Cases finalised (percent of total cases investigated)	63 (57%)	357 (57%)
Cases pending as at financial year-end	48	274

Table 3 - Investigations between May 2011 and March 2013

6.3.1.1 Unauthorised director changes

A total of 88 matters of unauthorised director changes were investigated from July 2011 and 31 March 2013. Of these cases, 69 cases have been closed, while 19 were still pending at the end of the period under review.

Where 'unknown persons' are allegedly involved in the removal of directors or members, the complainants are advised to open criminal cases with the SAPS. The

CIPC continues with a matter if it appears that false information was knowingly provided to the CIPC (see Section 215 (2) (e) of the Companies Act, 2008). Should this be confirmed through a CIPC investigation, the CIPC opens a case with the SAPS to be investigated and also forwards the complaint to the National Prosecuting Authority (NPA) for possible prosecution. Regulation 174 provides the CIPC with the opportunity to “facilitate the discovery and correction of any error or falsification”. Corrections or reversals of directors have been made following investigations where it was determined that the change was erroneously effected.

In many cases the allegations of the fraudulent removal of directors or members, or the removal of directors or members without their knowledge constituted internal disputes between directors or members. Investigations will normally continue in these matters in addition to the SAPS investigations. There is very good co-operation between the Investigation's unit and the South African Police Service.

During the period under review, the CIPC referred a test case in relation to the submission of false information to the NPA.

6.3.2 Business Rescue

Business rescue as a remedy became available from 1 May 2011 with the implementation of the new Companies Act, 2008. Business rescue aims to provide distressed companies that can be turned around with an opportunity to reorganise and restructure to the benefit of all affected parties.

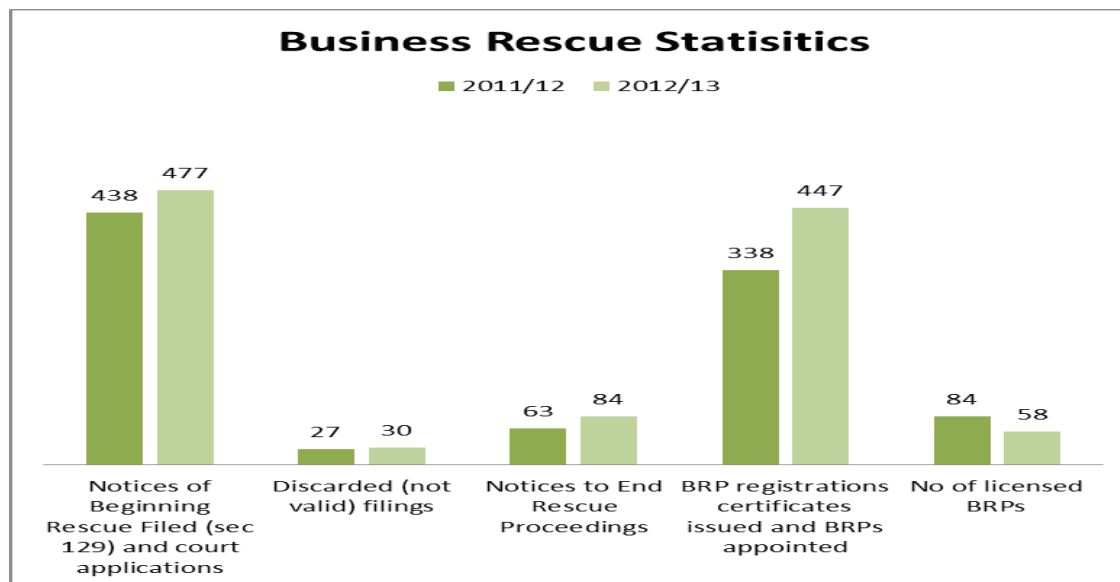
The CIPC's role in business rescue is to record notices by companies that they are entering into business rescue, to monitor compliance with the requirements of business rescue and to accredit business rescue practitioners. The success of a business rescue initiative depends on the viability of the company, the plan developed by the business rescue practitioner, as well as the co-operation of creditors. It is critical that creditors have confidence in the business rescue practitioner. For this reason, the CIPC takes its responsibility to accredit business rescue practitioners very seriously and seeks to ensure that competent practitioners are appointed. The CIPC issues “interim conditional licenses” for persons who want to be appointed as business rescue practitioners for companies in distress. Such licenses are considered on an urgent basis and issued within three working days.

Since 1 May 2011, the CIPC cumulatively accredited 142 business rescue practitioners to guide 858 business rescue initiatives. The majority of businesses (companies and close corporations) that entered into business rescue during the period under review were private companies (Pty) Ltd with a public interest score of less than 100 and classified as small businesses in terms of the Companies Act, 2008.

Business Rescue	2011/12	2012/13	Total
Notices of Beginning Rescue Filed (sec 129) and court applications	438	477	915
Discarded (not valid) filings	27	30	57
Notices to End Rescue Proceedings	63	84	147
BRP registrations certificates issued and BRPs appointed	338	447	785
No. of licensed BRPs	84	58	142

Table 4 – Year on year Business Rescue

Operational Overview



Graph 4 – Business Rescue Statistics

6.3.3 Customer Service

One of the CIPC's biggest challenges remains the organisation's inability to effectively deal with its large call volumes at its call centre. Of the approximately 46 000 calls received every month, the CIPC currently only answers between 21% - 30% of these calls. The CIPC's recognition of the problem has resulted in it exploring other alternatives and ultimately the introduction of a new call answering approach. This approach is explained under the Strategic Journey section (pg x) of the report.

The organisation introduced service delivery standards for 38 of its core processes in the last financial year. Half of these standards were audited and the average adherence to the audited standards was 76%.

The standards have been revised in the 2013/14 financial year and internal standards will be introduced to ensure improved service delivery.

7. FRAUD PREVENTION

As part of its regulatory function, the CIPC has a Fraud hotline through which members of the public can report suspected fraudulent activities relating to corporate entities. In the past year, the CIPC received 283 such complaints. These 283 matters together with the 11 remaining from the previous year was either investigated by the enforcement or internal audit units in the CIPC, or were referred to other enforcement authorities.

The chart below depicts the composition of fraud alerts received during the financial year 2012/3 by category.

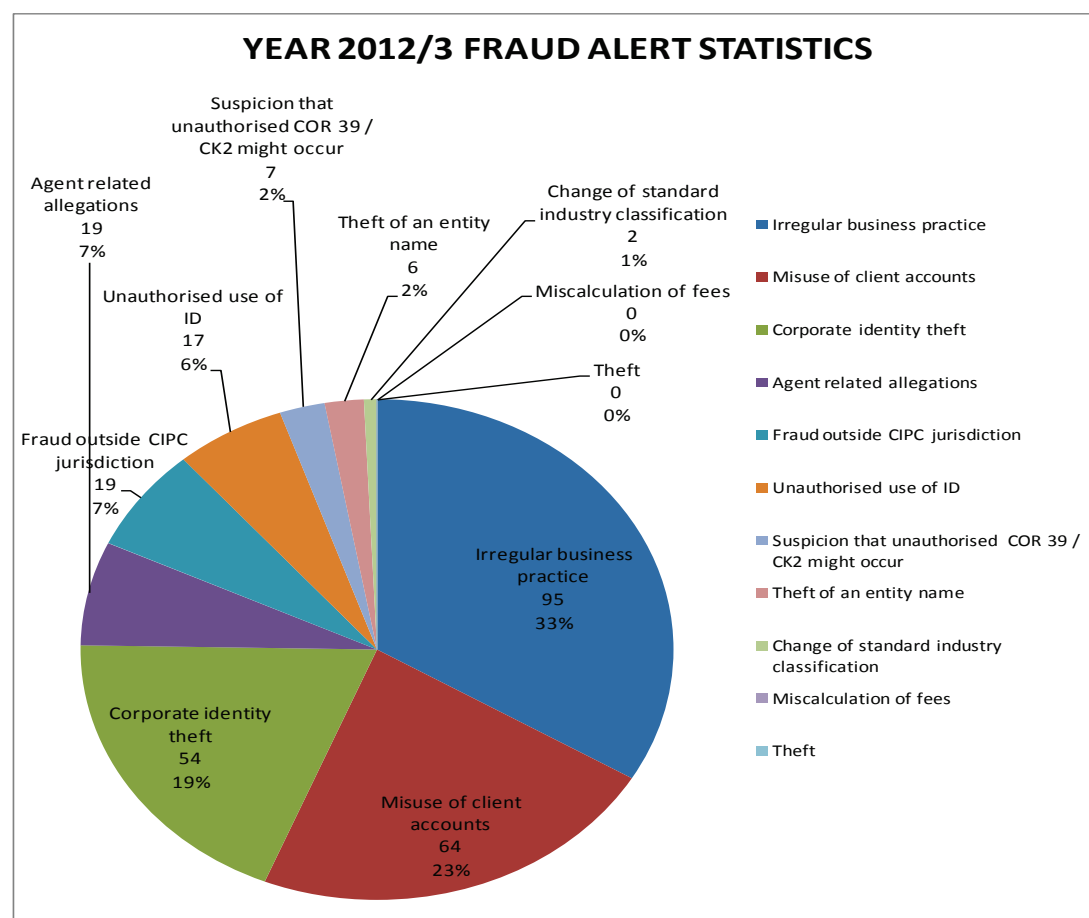


Figure 1 – 2012/13 Fraud Alert Statistics

Operational Overview

The three categories: irregular business practices, misuse of customers' accounts and corporate identity theft, together constituted 75% of the fraud alerts received. The CIPC investigated each case and where there is a suspicion of fraud; matters are referred to co-sourced forensic investigation services. It should be noted that irregular business practices constitute a wide array of cases that either fall outside the mandate of the Internal Audit unit or relate to inconsistencies with or contraventions of the Companies Act. The Internal Audit unit closes such cases and advises the complainants to report the cases to CIPC's Investigations Unit. The Investigations Unit reports separately on the disposition of the cases.

8. HUMAN CAPITAL

The vacancy level in the CIPC has increased from 17% in 2011/12 to 23% in 2012/13. This is due to no recruitment efforts being undertaken during the year under review, as a result of an agreement between the leadership of the CIPC and organised labour, placing an embargo on recruitment during the negotiation, agreement and approval process of an appropriate structure for the CIPC. Only the position of Chief Technology Officer in the position of Chief Information Officer was effected during the year under review.

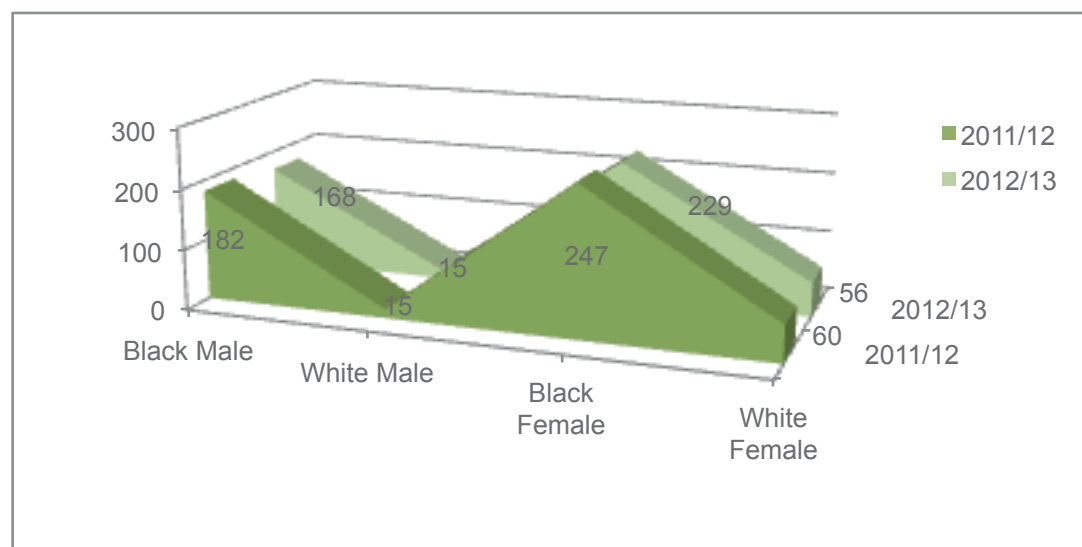
The CIPC leadership and organised labour agreed on a new structure, new job profiles for all the positions, as well as job grades. A proposed structure and remuneration framework was submitted to the dti for approval during December 2012 and is still awaiting approval from the Minister of Finance.

To offset the high vacancy levels, the CIPC introduced an internship programme and appointed 56 interns in different business units. At the end of the reporting period an assessment on the value of the internship programme was underway.

Below is a table outlining the comparative statistics over the past two years on employment equity.

	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	Black Male	Black Male	White Male	White Male	Black Female	Black Female	White Female	White Female	Total	Total
Total organisation	182	168	15	15	247	229	60	56	504	468
	36%	36%	3%	3%	49%	49%	12%	12%	100%	100%
Senior Management	15	13	3	3	6	4	7	6	31	26
	48%	50%	10%	12%	19%	15%	23%	23%	100%	100%
Employees with disabilities	6	5	1	1	0	0	3	3	10	9
	60%	56%	10%	11%	0%	0%	30%	33%	100%	100%

Table 5 - Employment Equity comparative Statistics



Graph 5 - Employment Equity comparative Statistics

The table below depicts the changes in the organisational structure over a two-year period, from April 2011 until March 2013.

Occupational Bands	Permanent		Contract		Vacancies		Total Posts	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/2013
Senior Management	27	23	4	3	6	12	37	38
Professionally qualified and experienced specialists and mid-management	94	88	4	6	41	41	139	135
Skilled technical and academically qualified workers, junior management, supervisors, foremen	293	117	72	6	54	34	419	157
Semi-skilled and discretionary decision making	10	173	0	52	1	51	11	276
Total	424	401	80	67	102	138	606	606

Table 6 – Changes in the organisational structure over a two year period

A photograph of a modern building with a courtyard and trees. The building is a multi-story structure with a light-colored brick facade and large glass windows. It is situated in an urban environment with other buildings visible in the background. The foreground features a paved courtyard area with some greenery and trees. The sky is clear and blue.

Section 2: Performance Matrix

PERFORMANCE MATRIX

PROGRAMME 1: BUSINESS REGULATION AND REPUTATION

Goal statement	To improve the competitiveness of the South African economy by enhancing the reputation of South African business environment.				
Outputs	Performance Indicator	Estimated Performance 2011/12 (Baseline)	Annual Target 2012/13	Progress/ Achievements	Challenges/Reason for Deviation
Strategic objective 1.1 :Encourage the formalisation of South African businesses and their identity					
Accurate and credible corporate entity and identity registers	% of small businesses registered with CIPC	8% of small businesses registered with CIPC	8% ¹ of small businesses registered with CIPC	CIPC was not in a position to measure whether 8% of small businesses were registered. However, 6 workshops reaching 532 sole proprietors and general education and awareness campaigns held on the benefits of corporate registration. A joint campaign with SARS held on the benefits of registration.	The target was an outcome indicator and could not be measured in year 1. It has been moved to 2013/14. The printing of materials for the campaigns were delayed.

¹ According to the Finscope Small Business Survey (2010), 5.9 million small businesses operate in South Africa and only 8% at the time were registered with CIPC's predecessor, CIPRO. The KPI relates to an increase in small business registration in the medium term, but the first year's target is to maintain the baseline to equip the organisation to develop programmes to attract small business registration. The milestones therefore are aimed at preparing the organisation for an improvement in the % registered small businesses in year 2 and year 3.

Performance Matrix

Goal statement To improve the competitiveness of the South African economy by enhancing the reputation of South African business environment.					
Outputs	Performance Indicator	Estimated Performance 2011/12 (Baseline)	Annual Target 2012/13	Progress/ Achievements	Challenges/Reason for Deviation
	local filings as a % of the total annual trade mark applications	local filings as 59 % of the total annual trade mark application	local filings as 59% of the total annual trade mark applications	A meeting was held with Finmark trust to discuss the possibility of conducting a survey on the number of small business registered. 58% of trade mark filings were local. Of the 35,074 applications filed, 20,288 were from local residents.	None
Strategic Objective 1.2: Encourage the maintenance of high standards of corporate governance, transparency and brand protection					
Compliance monitoring	% of registered enterprises receiving compliance certificates	None (Process to be initiated in 2012/13)	15% of registered enterprises receiving a compliance certificate	No enterprises received compliance certificates. However, a possible criterion has been developed on the adherence to the legislative timeframes for preparing and accepting Audited Financial Statements; holding of AGM's; appointment of audit committee; and filling of Annual Returns.	The preparatory process took longer than anticipated.

Goal statement	To improve the competitiveness of the South African economy by enhancing the reputation of South African business environment.				
Outputs	Performance Indicator	Estimated Performance 2011/12 (Baseline)	Annual Target 2012/13	Progress/ Achievements	Challenges/Reason for Deviation
Brand protection	% Reduction in the number of name objections (registered enterprises)	Review the link between name , trade mark and enterprise registers ²	Review the link between name, trade mark and enterprise register	Not achieved. Possibilities were explored to establish a link between respective registers, and the registration of business names. A proposed methodology for the search and approval of business names, the system enhancements required to deal with business names and creation of link between registers were sent to CIPC Executive Team (CET) for consideration. A second draft of revised internal guidelines for approval of names to be aligned with the approval of trade marks was under review.	The scope of the project was much bigger than anticipated. It was moved to 2013/14.

² From 1 April 2012 businesses will be obliged to register "trading as" names as business names in terms of the Consumer Protection Act. This is a new function which requires CIPC to review the link between the different registers related to trade marks, enterprises and business names. Ultimately, there should be a reduction in the % of name objections once all systems are in place. This is foreseen in 2014/15.

PROGRAMME 2: INNOVATION AND CREATIVITY PROMOTION

Goal statement	To contribute to knowledge –based economy and competitive local industries by promoting innovation, creativity and indigenous cultural expression and knowledge.				
Outputs	Performance Indicator	Estimated Performance 2011/12 (Baseline)	Annual Target 2012/13	Progress/ Achievements	Challenges/Reason for Deviation
Strategic Objective 2.1: Promote the protection and commercial exploitation of innovations in key sectors					
Increased filings/ expanded patent and design registers	Local filings as a % of patent applications	36% local patent filings	36% local patent filings	31% of all patent filings were local. Of the 9675 applications that were filed, 2964 were from local residents.	Not sufficient education and awareness and economic challenges.
	Local filings as a % of design applications	50% local design filings	50% local design filings	45% of all design filings were local. Of the 2345 applications that were filed, 1049 were from local residents.	Lack of sufficient awareness and economic constraints.
Increased commercialisation of registered patents and designs	% of registered patents with recorded license agreements	0.29% of registered patents with recorded license agreements	0.29% of registered patents with recorded license agreements	0.19% of registered patents with recorded license agreements.	Lack of sufficient awareness and economic constraints
	Local filings as a % of film and video filings	29% local film and video filings	29% local film and video filings	19% of all film and video filings were local. A total of 81 applications were filed.	

Goal statement					
To contribute to knowledge –based economy and competitive local industries by promoting innovation, creativity and indigenous cultural expression and knowledge.					
Outputs	Performance Indicator	Estimated Performance 2011/12 (Baseline)	Annual Target 2012/13	Progress/ Achievements	Challenges/Reason for Deviation
Efficient and accurate IP registers	No of voluntary recordings of indigenous cultural expressions and creative works	No recordings	7 recordings of indigenous cultural expressions and creative works	Not achieved.	The IKS Bill was referred back to Parliament for further consultation.
				However, the functional specifications and work flow processes to inform the system architecture for the recording of indigenous knowledge were developed.	
				Technical specifications to develop IT solution for recording developed and signed off by business.	
				A system prototype was developed. A benchmark exercise with Nelson Mandela Foundation was conducted.	
				CIPC and the dti are expected to meet to discuss matters related to the database.	
				The IKS strategy was developed and approved.	

PROGRAMME 3: SERVICE DELIVERY AND ACCESS

Goal statement	To promote broader formal economic participation by enhancing service delivery and extending the reach of CIPC				
Outputs	Performance Indicator	Estimated Performance 2011/12 (Baseline)	Annual Target 2012/13	Progress/ Achievements	Challenges/Reason for Deviation
Strategic Objective 3.1: Provide easy access to credible, reliable and relevant information and advice and secure value-added services.					
Accurate data records	% of historical data records checked for accuracy and completeness	Definition of scope	5% of historical data records checked for accuracy and completeness	100% of data was checked for accuracy and completeness.	Management was cautious to over-commit on this KPI which was long outstanding.
Physical or electronic access	% of economically active population within 40km radius of a transactional and/or informational access point (physical and electronic)	Not measured in the 2011/12 financial year	Measure the % of economically active population within 40km radius of a transactional and/or informational access point (physical and electronic)	Measurement not complete. A service provider has been appointed to assist with geographic mapping software. Trial software was provided and training on the software would be rolled out in Q1 of 2013/14 strategic plan. A demo is under development, pending the installation of the software.	The software has not been delivered.

Goal statement	To promote broader formal economic participation by enhancing service delivery and extending the reach of CIPC				
Outputs	Performance Indicator	Estimated Performance 2011/12 (Baseline)	Annual Target 2012/13	Progress/ Achievements	Challenges/Reason for Deviation
				On-line survey, telephonic and face to face interviews were conducted and completed. A total of 3,141 responses were received.	
Strategic Objective 3.2: Build an enabling and intelligent work environment anchored in a governed and sustainable organisation					
Implemented recruitment plan	% of positions filled in the approved structure	None (structure is still being developed)	60% of position filled on the structure	77% of the positions in the current (interim) structure were filled.	New structure submitted to the Minister was not approved yet. Matching and placing was delayed and will be completed in Q1 of 2013/14 financial year.
Reports of policy and best practice seminars	Number of internal policy and best practice seminars	3 internal policy and best practice seminars	4 internal policy and best practice seminars	Eight policy and best practice seminars were held during the financial year	As bet practice seminars were new in the organization, we had targeted having 4 for the year. However, the interest grew substantially and more were hosted over the year.
High standard of corporate governance	% compliance with governance requirement and internal controls	Baseline established in terms of PFMA compliance	Checklist developed and implemented	PFMA checklist was developed and implemented accordingly. Updates on governance compliance are made on a quarterly basis	None

Performance Matrix

Goal statement	To promote broader formal economic participation by enhancing service delivery and extending the reach of CIPC				
Outputs	Performance Indicator	Estimated Performance 2011/12 (Baseline)	Annual Target 2012/13	Progress/ Achievements	Challenges/Reason for Deviation
Financially sustainable organisation	% of expenditure covered by operating revenue and reserves	170% of expenditure covered by operating revenue and reserves	124% of expenditure covered by operating revenue and reserves	140% of expenditure covered by the operating revenue and reserves as per the preliminary report.	The expenditure could not be accurately projected at the time of compiling the planning document.
Strategic Objective 3.3: Improve the reputation and organisational performance of CIPC					
Service delivery standards improvement	% annual improvement in service delivery standards	Service delivery standards for different services as published on the website	Maintain service delivery standards that are published on the website.	24 of the published service delivery standards were monitored.	Resource constraints.
Investigations into corporate identity theft	No of days taken to investigate complaints regarding unauthorised use and manipulation of information	90 days	45 days	The number of days taken to investigate complains could not accurately be measured.	The indicator could not be measured.
Neutral media coverage	% neutral or positive media coverage of CIPC	10% neutral or positive media coverage of CIPC	10% neutral or positive media coverage of CIPC	88 % neutral, 7% positive and 4% negative media coverage.	Exceeded target.



Section 3: Report of the Audit Committee

REPORT OF THE AUDIT COMMITTEE

for the year ended 31 March 2013

We present our report for the year ended 31 March 2013.

Audit committee members and attendance

The Audit Committee, consisting of the members listed below, convened four times during the year under review.

Name of Member	Number of meetings attended
Independent Non-Executive Members	
1 Mr. DA Braithwaite (Chairperson)	4
2 Mr. AC Bischof	4
3 Mr. Y Gordhan	4
4 Ms. R Kenosi	4
5 Mr. N Mhlongo	4
Executive Members – ex officio	
1 Ms. A Ludin (Commissioner – CIPC)	4
2 Mr. R. Voller (Deputy Commissioner – CIPC)	4
3 Mr. K Naidoo (Group Chief Financial Officer – the dti)	3

In addition to the members referred to above:

- the Chief Financial Officer;
- the Chief Audit Executive;
- the Chief Information Officer; and
- representatives of the Auditor-General.

are standing invitees at each meeting of the Audit Committee which has direct access to these attendees in fulfillment of its duties.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1) (a) of the PFMA and Treasury Regulations 3.1.13. The Audit Committee also reports that it has appropriate terms of reference in the form of its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Effectiveness of Internal Control

Systems of internal control are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

From the various reports of the in-house and co-sourced Internal Auditors and the Auditor-General, the Audit Committee noted the continued existence of weaknesses in the internal control environment, as well as instances of non-compliance with laid down procedures.

REPORT OF THE AUDIT COMMITTEE

for the year ended 31 March 2013

At 31 March 2012, the serious concerns that had been reported in previous years in relation to information technology controls were considered to be still largely unresolved although progress had been made with the improvement of the CIPC computer systems. Control and data integrity problems in the prior year were largely responsible for a qualified audit opinion. During the current year, management interventions in this area have continued and the Auditor-General's report on the financial statements was unqualified. However, various weaknesses in this area continued to exist for part or all of the period.

In addition (and as reported previously), in the opinion of the Audit Committee, the high level of senior vacancies, partly caused by the delay in the approval of the organisational structure, continued to have a negative impact on the entity's operations leading to an increased risk environment.

The organisational structure was approved subsequent to the year-end and implementation of the structure now is expected to proceed. In the opinion of the Committee, areas of particular emphasis are:

- Information Technology
- Internal Audit
- Finance (including payroll)
- The Call Centre.

During the year, the Audit Committee had various interactions with management regarding the accounting treatment in relation to revenue and debtors and supported management's initiative to seek an external technical opinion in this connection. The favourable opinion received was accepted by the Auditor-General and National Treasury which avoided a repetition of the prior year's qualified opinion.

In line with the PFMA, Internal Audit is mandated to provide the Audit Committee and management with assurance that internal controls are appropriate and

effective. This is achieved by means of an appropriate quarterly reporting process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

A separate Risk Committee oversees and monitors the assessment and control of risk on a quarterly basis. The Internal Auditors use this risk framework to prepare their audit coverage plans and prioritise higher risk areas. During the year, management also made significant progress in risk management by adopting a well-recognised risk assessment methodology. This is expected to be fully implemented in the next financial year.

Governance and the Audit Committee's Role

Certain initiatives have been proposed to and accepted by management to ensure that Audit Committee members are apprised of developments at the CIPC on an ongoing basis and to improve the understanding between the parties of the Audit Committee's mandate.

Quality of Management Reports

The Audit Committee is satisfied with the content and quality of the quarterly reports as prepared and issued by management during the year under review in terms of the PFMA.

Forensic Investigations

No forensic investigations were performed during the year.

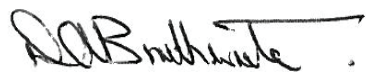
Report of the Audit Committee

Evaluation of the Financial Statements

The Audit Committee has:

- Reviewed and discussed with management the audited financial statements and the Auditor-General's report;
- Reviewed the Auditor-General's Final Management Report and management's response thereto;
- Reviewed the appropriateness of accounting policies and practices; and
- Noted that there were no significant adjustments resulting from the annual audit.

The Audit Committee has discussed, concurs with and accepts the conclusions of the Auditor-General on the financial statements read together with the Report of the Auditor-General, and recommends these to the Accounting Authority for acceptance.



D A Braithwaite

Chairperson of the Audit Committee

31 July 2013



Section 4: Annual Financial Statements

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Business address: 77 Meintjies Street Sunnyside Pretoria 0002	Postal address: PO Box 429 Pretoria 0001	Bank details: ABSA PO Box 4210 Pretoria 0001	Auditors: Auditor General PO Box 446 Pretoria 0001
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ACCOUNTING AUTHORITY'S RESPONSIBILITY

for the year ended 31 March 2013

The financial statements for the year ended 31 March 2013, are prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) and incorporate disclosure in line with the accounting policies of the entity and the requirements of the Public Finance Management Act 1999 (Act No. 1 of 1999) (PFMA). The financial statements after restatement are based on appropriate accounting policies consistently applied (unless otherwise stated) and, supported by reasonable and prudent judgments and estimates.

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

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

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

The Accounting Authority approved and signed the annual financial statements for the year ended **31 March 2013, as set out on pages 51 to 108.**



Ms A Ludin

Commissioner (Accounting Authority: Companies and Intellectual Property Commission) (CIPC)

Date: 31 July 2013

REPORT OF THE ACCOUNTING AUTHORITY

for the year ended 31 March 2013

Overview

The **Companies and Intellectual Property Commission (CIPC)** was established on 1 May 2011. The CIPC from date of inception has engaged in a process of rapid, fundamental transformation. It is imperative for it to respond to the needs of its globalised and fast changing environment in order to deliver value to its stakeholders and remain relevant to South Africa's developmental and economic needs. This transformation process has to happen at the same time that the CIPC delivers on its immediate imperatives - to implement a balanced regulatory regime and to serve its customers efficiently and effectively.

In order to increase the scope of the CIPC's role in the economy (as envisaged in the Companies Act, 2008) and to play a meaningful role in the new legal dispensation impacting business entities and intellectual property in South Africa, the CIPC identified, as one of its key priorities, the need to improve its credibility with customers and other stakeholders. To give effect to this, four initiatives have been identified, namely:

- improving the reliability and integrity of the information in the CIPC's registries;
- improving the relevance and value of the CIPC's services to its customers and stakeholders;
- improving compliance with the laws that the CIPC administers; and
- demonstrating the CIPC's economic impact.

Despite the challenges experienced since it was first established, substantial progress has been made in addressing registration backlogs, poor employee morale and inefficient business processes.

The CIPC generates revenue from registration fees and annual returns. For the year under review the CIPC, as a self-funding institution, generated revenue totalling R397,1 million. The largest contributor to the total revenue, was fees paid in respect of the filing of annual returns amounting to R199,1 million for the 2012/2013 financial year. The CIPC made substantial progress in cleaning the data in the Company Register, which will assist in improving the compliance rate of annual return filings.

The new Companies Act, Act 71 of 2008 established the CIPC on 1 May 2011 and in order to improve service delivery, the CIPC envisages that it will need to make a substantial investment into the capacity of its staff over the next five years to ensure better service delivery and to build capacity for new functions in the institution. In combination with the increased staff numbers, the result will be increases in the overall salary budget of the CIPC over the next five years. This additional expenditure will be covered by the current operating revenue. The CIPC is also planning a complete revision of the current fee structure in the next financial year.

CIPRO, the predecessor of the CIPC, changed its accounting policy with respect to the treatment of the recognition of annual return fee revenue in the 2009/2010 financial year. The Companies Act, 2008, changed the definition of annual return filing and consequently the recognition of an outstanding annual return as a receivable for accounting purposes. This interpretation was confirmed in a legal opinion and resulted in a technical opinion on a revised treatment of annual return receivables. The technical opinion was approved by National Treasury and the Accounting Standards Board during the course of the financial year. The CIPC changed its accounting policy to be aligned with the legal and technical opinions. The comparative information was adjusted and the effect of this is reflected in note 25 of the Financial Statements.

Conclusion

The CIPC will continue with its strategic journey to meet the expectations of its stakeholders by delivering on its legislative mandate, and build an institution that will be respected and trusted by its stakeholders and customers. The CIPC will continue over the year 2013 to 2018 to implement programmes and initiatives to achieve the objectives as set out in the Companies Act, 2008, and to provide an enabling and facilitative environment for entrepreneurship, investment and innovation in the broader South African society.



Ms A Ludin

Commissioner (Accounting Authority)

Date: 31 July 2013

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE COMPANIES AND INTELLECTUAL PROPERTY COMMISSION (CIPC) **report on the Financial Statements**

Introduction

1. I have audited the financial statements of the Companies and Intellectual Property Commission (CIPC) as set out on pages 51 to 108, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, the statement of changes in net assets, the statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms

thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the CIPC as at 31 March 2013, and its financial performance, cash flows and comparison of budget and actual amounts for the year then ended in accordance with SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matters

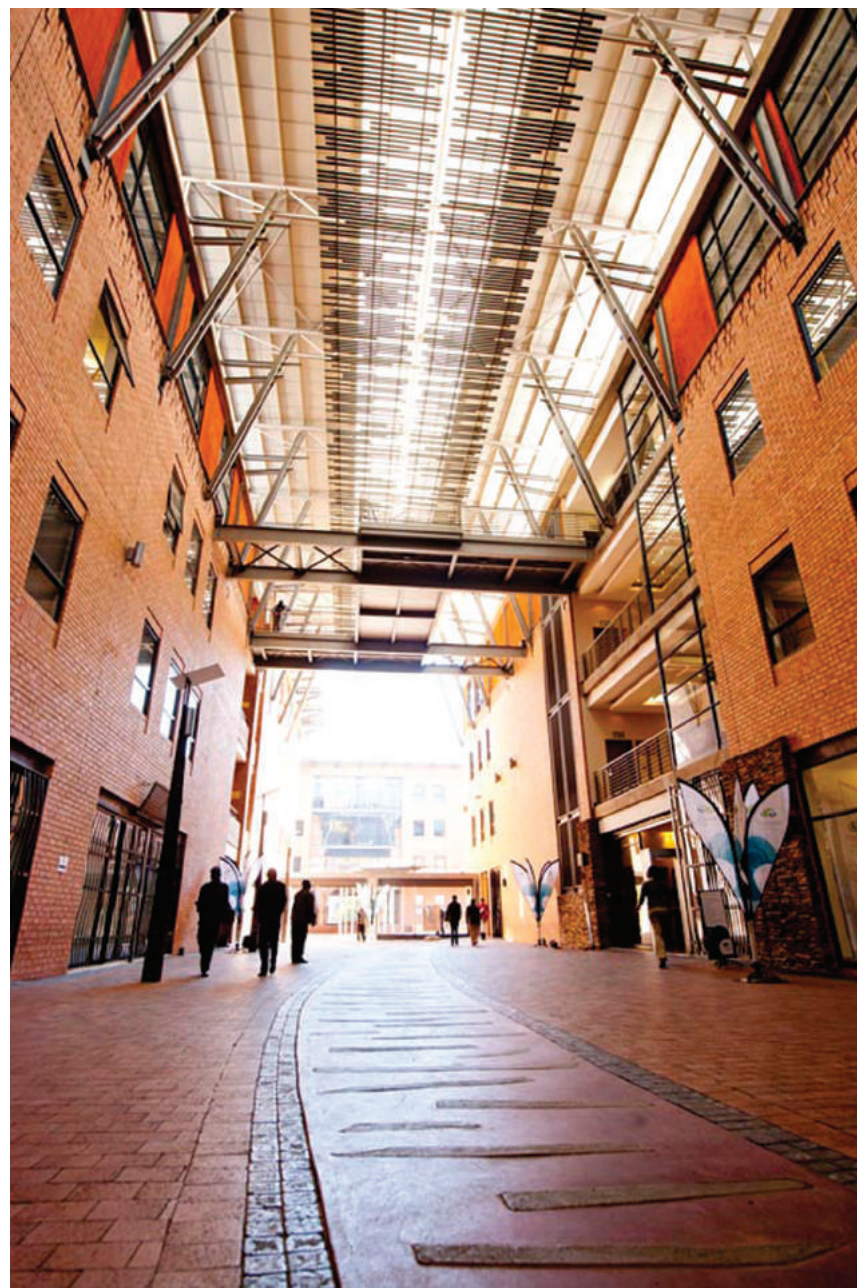
7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainties

8. With reference to note 19.3 to the financial statements, the entity is the defendant in a lawsuit instituted by a service provider challenging the legality of the termination of the contract. The entity is opposing the claim, as it believes it had valid grounds for terminating the agreement. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Events after reporting date

9. With reference to note 24 to the financial statements, the annual returns system was shut down at the end of June 2013 due to technical problems. The system is expected to be offline for six weeks and customers will not be able to lodge annual returns until the system is back online. A significant percentage of revenue is derived from annual returns. Management cannot at present quantify the financial effect of the subsequent event.



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

11. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 27 to 34 of the annual report.

12. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

The material findings are as follows:

Usefulness of information

13. Treasury Regulation 30.1.3(g) requires that the annual performance plan should form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 23% of the reported targets are not consistent with the targets as per the approved annual performance plan. This is due to the lack of sufficient reviewing controls to avoid inconsistencies between planned target and reported targets.

14. The National Treasury Framework for managing programme performance information (FMPPI) requires that performance targets be measurable. The required performance could not be measured for a total of 38% of the targets. This was due to the fact that management was not aware of the requirements of the FMPPI.

15. The National Treasury FMPPI requires that it must be possible to validate the processes and systems that produce the indicator. A total of 38% of the indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the lack of information systems for recording and documenting of actual achievements against targets.

Reliability of information

16. The National Treasury FMPPI requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets.

17. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of information presented with respect to the Business regulation and reputation objective.

18. This was due to the fact that the institution could not provide sufficient appropriate evidence in support of the information presented with respect to the objective.

Additional matter

19. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

20. Of the total number of 18 targets planned for the year, 11 were not completely achieved. This represents 61% of total planned targets that were not achieved during the year under review.

21. For further details on the extent and reasons for deviations between planned targets and actual performance, refer to section 2, page 27 – 34 of the annual performance report.

Compliance with laws and regulations

22. I performed procedures to obtain evidence that the entity had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the general notice issued in terms of the PAA, are as follows:

Procurement and contract management

23. Services with a transaction value of above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1. A deviation was approved by the accounting authority even though it was not

Report on other legal and regulatory requirements

impractical to invite competitive bids, in contravention of Treasury Regulation 16A6.4.

Expenditure management

24. With reference to paragraph 24 above, the accounting authority did not take effective steps to prevent irregular expenditure as per note 29 to the financial statements, as required by section 51(1) (b) (ii) of the PFMA.

Employee costs

25. An employee was appointed on a short-term contract at a salary higher than the maximum salary scale without authorisation from the executive authority, in contravention of section 210(3) of the Companies Act.

Predetermined objectives

26. The accounting authority did not establish procedures for effective quarterly reporting to the executive authority in order to facilitate performance monitoring, evaluation and corrective action as required by Treasury Regulation 30.2.1.

27. The accounting authority did not ensure that the public entity had and maintained effective, efficient and transparent systems of financial and risk management and internal control as required by section 51(1)(a)(i) of the PFMA.

Internal control

28. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

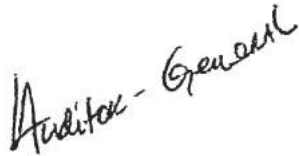
Report on other legal and regulatory requirements

Leadership

29. The leadership of CIPC did not exercise appropriate oversight in ensuring that the planned and reported indicators agree and that targets were in accordance with National Treasury FMPPI. Furthermore the leadership of CIPC did not have sufficient monitoring controls to ensure compliance with the applicable laws and regulations.

Financial and performance management

30. Management did not have adequate processes in place to ensure the preparation of reliable performance reporting. Furthermore, compliance with laws and regulations in the areas of contract management and predetermined objectives was not properly monitored.



Pretoria

31 July 2013



Auditing to build public confidence

GOVERNANCE REPORT

Among the governance structures established to ensure continuity and sustained governance and oversight within the CIPC, are the Audit Committee and Risk Committee. At the same time the existing internal governance structures and processes have been constantly improved to enhance governance and accountability and to entrench this throughout the entity. A review of the governance structures, as part of the on-going leadership journey, is currently in process. The underlying principles of corporate governance followed by the CIPC include the values, ethics and commitment to best business practices.

Committees of the CIPC

The CIPC has established the following governance committees.

Audit Committee

The Audit Committee is constituted in terms of the PFMA, Treasury Regulations and sound corporate governance practices. The main responsibilities of the Audit Committee are set out in its Audit Committee Charter and are in line with those prescribed in the Treasury Regulations to the PFMA. It plays a key and proactive role in overseeing, monitoring and advising management and Internal Audit in conducting audits. It further ensures accountability on the part of management, as well as internal and external auditors. Additional functions of the Audit Committee are to monitor risks identified in the risk register, including the evaluation of internal controls and monitoring the implementation of corrective measures by management.

For the 2012/2013 financial year, the Audit Committee met on the following dates:

- 29 May 2012
- 27 July 2012

- 30 October 2012
- 31 January 2013

The composition of the Audit Committee for the year ended 31 March 2013 was as follows:

Names of members	Role	Number of eligible/qualifying meetings	Meetings attended
Mr DA Braithwaite	Independent Chairperson	4	4
Mr AC Bischof	Independent member	4	4
Mr YN Gordhan	Independent member	4	4
Ms R Kenosi	Independent member	4	4
Ms A Ludin	Commissioner: CIPC	4	4
Mr AN Mhlongo	Independent member	4	4
Mr K Naidoo	Group CFO: the dti *	4	3

** The Group CFO of the dti was appointed to the Audit Committee on 10 January 2012 and replaced the Director General of the dti.*

Risk Committee

The purpose of the Risk Committee is to review corporate risk management and control processes, as well as to monitor key strategic risks identified in the entity. The primary role of the Risk Committee is to assess and monitor risk management within the entity. The committee also monitors the implementation of audit recommendations regarding management action to mitigate identified risks.

Governance Report

During the year under review, the CIPC revised and amended its strategic risk register, to improve the alignment to the strategic objectives of the entity. The results were documented in a strategic risk assessment report and risk register with control actions implemented and monitored by the CIPC's Risk Committee and Audit Committee structures throughout the year.

For the 2012/13 financial year the Risk Committee met on the following dates:

1 June 2012

24 October 2012

21 January 2013

The composition of the Risk Committee for the year ended 31 March 2013 was as follows:

Names of members	Role	Number of eligible/qualifying meetings	Meetings attended
Mr AN Mhlongo	Independent Chairperson	3	3
Mr YN Gordhan	Independent member	3	3
Mr K Naidoo*	Group CFO: the dti	2	2
Ms A Ludin	Commissioner: CIPC	3	3
Mr R Voller	Deputy Commissioner	3	3
Mr ER du Toit	Chief Financial Officer	3	3

** Mr L Phahlamohlaka attended the Risk Committee meeting of 21 January 2013 as proxy of Mr K Naidoo.*

** Mr A van der Merwe attended the Risk Committee meeting of 24 October 2012 as proxy of Mr K Naidoo*

Internal Audit

The CIPC has a functional Internal Audit Unit which is responsible for:

- assisting the Accounting Authority and management in monitoring the adequacy and effectiveness of the risk management process of the entity; and
- assisting the Accounting Authority and management in maintaining an effective internal control environment by evaluating those controls continuously in order to determine whether they are adequately designed, operating efficiently and effectively and to recommend improvements.

Internal controls reviewed consist of strategic, operating, financial reporting and compliance controls, and encompass controls relating to:

- the information management environment;
- the reliability and integrity of financial and operating information;
- the safeguarding of assets; and
- the effective and efficient use of the entity's resources.

The annual audit plan is based on an assessment of risk areas identified by management, as well as focus areas highlighted by the Audit Committee, the Risk Committee and management. The annual audit plan is updated, as appropriate, to ensure that the Audit Committee, the Risk Committee and management are responsive to changes in the business. A comprehensive report on internal audit findings is presented to management and the Audit Committee at the scheduled meetings. Follow-up audits were conducted in areas where significant internal control weaknesses were found.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

	Note	31 March 2013 R'000	Restated 31 March 2012 R'000
Assets			
Non-current assets		20 184	15 256
Property, plant and equipment	1	11 997	10 601
Intangible assets	2	8 187	4 655
Current assets		1 249 359	1 142 674
Inventories	3	430	814
Receivables from exchange transactions	4	492	1 199
Receivables from non-exchange transactions	4	-	154
Other receivables	4	7 963	2 808
Cash and cash equivalents	5	1 240 474	1 137 699
Non-current assets held for sale	1.2	45	-
Total assets		1 269 588	1 157 930
Net assets and liabilities			
Net assets		1 160 003	1 047 580
Accumulated surplus		1 160 003	1 047 580
Current liabilities		109 585	110 350
Provisions	6	20 742	15 087
Payables from exchange transactions	7	15 439	15 656
Trade and other payables from non-exchange transactions	7	73 404	79 607
Total assets and liabilities		1 269 588	1 157 930

Statement of Financial Performance

STATEMENT OF FINANCIAL PERFORMANCE

As at 31 March 2013

	Note	31 March 2013 R'000	Restated 31 March 2012 R'000
Revenue		397 030	436 674
Revenue from exchange transactions		197 952	189 600
Fees	8	130 768	130 145
Interest income	10	61 127	57 431
Other income	9	6 057	2 024
Revenue from non-exchange transactions		199 078	247 074
Annual return fees and penalties	8	199 078	233 084
Transfer from the dti	8	-	13 990
Operating expenditure		284 607	272 801
Advertising		1 075	5 839
Audit fees	14	6 350	6 025
Bank charges		1 163	1 256
Communication and postage		9 063	5 275
Consulting and professional fees	11	40 303	34 531
Depreciation and amortisation	12	4 871	7 908
Employee costs	13	159 790	150 717
Impairment loss – property, plant and equipment	1	229	-
Impairment loss – intangible assets	2	952	1 660
Bad debt – accounts receivable exchange	14	73	59
Bad debt – accounts receivable non-exchange		82	-
Internet and network costs		4 917	6 373
Maintenance and repairs		6 499	3 877
Operating leases	14	22 943	22 226
Publications, printing and stationery	14	6 745	6 762
Temporary administrative support staff		1 386	2 260
Travelling and subsistence		4 465	4 121
Other operating expenses	14	13 701	13 912
Surplus for the year	19.2	112 423	163 873

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2013

		Accumulated surplus	Total
	Note	R'000	R'000
Balance at 1 April 2011 as previously reported		930 541	930 541
Correction of prior year error	25	(39 287)	(39 287)
Balance as at 1 April 2011 restated		891 254	891 254
Net surplus for the year		169 644	169 644
Correction of prior year error	25.1	(5 771)	(5 771)
Total movement for the year	19.2	163 873	163 873
Balance at 1 April 2012 as previously reported		1 055 127	1 055 127
Correction of prior year error – Adjustment to prior year accumulated surplus	25.2	(7 547)	(7 547)
Balance as at 1 April 2012 restated		1 047 580	1 047 580
Net surplus for the year	19.2	112 423	112 423
Balance at 31 March 2013		1 160 003	1 160 003

Statement of Cash Flows

STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	Note	31 March 2013 R'000	Restated 31 March 2012 R'000
Cash flows from operating activities			
Receipts		392 656	436 158
Revenue from exchange transactions		132 379	131 807
Fees		126 322	129 783
Other income		6 057	2 024
Revenue from non-exchange transactions		199 150	246 920
Annual return fees and penalties		199 150	246 920
Interest income	10	61 127	57 431
Payments		(278 856)	(251 712)
Employee cost	13	(159 790)	(150 717)
Suppliers		(119 066)	(100 995)
Net cash flows from operating activities	17	113 800	184 446
Cash flows from investing activities		(11 025)	(3 236)
Acquisition of property, plant and equipment	1	(4 843)	(2 791)
Proceeds on disposal of property, plant and equipment	1.1	-	442
Acquisition of intangible assets	2	(6 182)	(887)
Net increase in cash and cash equivalents		102 775	181 210
Cash and cash equivalents at beginning of year		1 137 699	956 489
Cash and cash equivalents at end of year	5	1 240 474	1 137 699

STATEMENT OF COMPARASON OF BUDGET AND ACTUAL AMOUNTS for the year ended 31 March 2013

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Variance actual vs final *
	R'000	R'000	R'000	R'000	R'000
Revenue					
Revenue from exchange transactions	114 922	-	114 922	130 768	15 846
Revenue from non-exchange transactions	222 064	-	222 064	199 078	(22 986)
Other income	-	-	-	6 057	6 057
Interest received from exchange transactions	25 000	-	25 000	61 127	36 127
Total revenue	361 986	-	361 986	397 030	35 044
Expenses					
Employee cost	233 287	(71 056)	162 231	159 790	2 441
Operational expenditure	297 095	(82 961)	214 134	92 751	121 383
Other administrative expenditure	17 259	(4 218)	13 041	12 748	293
Depreciation and amortisation	-	-	-	4 835	(4 835)
Impairment	-	-	-	14 483	(14 483)
Total expenses	547 641	(158 235)	389 406	284 607	104 799
Net Surplus / (Deficit)	(185 655)	(158 235)	(27 420)	112 423	139 843

* The variances between the actual and budget amounts are presented and explained in note 26.

ACCOUNTING POLICIES

1. Basis of preparation

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB).

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

Applicable Standards of GRAP where the Minister has determined the effective date:

Standard	Description	Objective
GRAP 1	Presentation of Financial Statements	The objective of this Standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous years and with the financial statements of other entities. To achieve this objective, this Standard sets out overall considerations for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The recognition, measurement and disclosure of specific transactions, other events and conditions are dealt with in other Standards of GRAP. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.
GRAP 2	Cash Flow Statements	The objective of this Standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flows during the year from operating, investing and financing activities. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.

Standard	Description	Objective
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors	The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of the entity's financial statements and the comparability of those financial statements over time and with the financial statements of other entities. Disclosure requirements for accounting policies, except those for changes in accounting policies, are set out in the Standard of GRAP on Presentation of Financial Statements. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.
GRAP 5	Borrowing Costs	This Standard prescribes the accounting treatment for borrowing costs. This Standard generally requires an entity to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. However, the Standard permits the expensing of borrowing costs where it is inappropriate to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Other borrowing costs are recognised as an expense. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.
GRAP 9	Revenue from Exchange Transactions	The objective of this Standard is to prescribe the accounting treatment of revenue arising from exchange transactions and events. The principle issue in accounting for revenue is determining when to recognise revenue. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably. This Standard identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognised. It also provides practical guidance on the application of these criteria. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.

Accounting Policies

Standard	Description	Objective
GRAP 12	Inventories	The objective of this Standard is to prescribe the accounting treatment for inventories. A principle issue in accounting for inventories is the amount of cost to be recognised as an asset and carried forward until the related revenues are recognised. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realisable value or current replacement cost. It also provides guidance on the cost formulas that are used to assign costs to inventories. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.
GRAP 13	Leases	The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to leases. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.
GRAP 14	Events After the Reporting Date	The objective of this Standard is to prescribe: (a) when an entity should adjust its financial statements for events after the reporting date; and (b) the disclosures that an entity should give about the date when the financial statements were authorised for issue and about events after the reporting date. The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting date indicate that the going concern assumption is not appropriate. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.

Standard	Description	Objective
GRAP 17	Property, Plant and Equipment	The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that the users of financial statements can discern information about an entity's investment in its property, plant and equipment, and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts, and the depreciation charges and impairment losses to be recognised in relation to them. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with and therefore has no effect on the amounts previously reported.
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets	The objective of this Standard is to define provisions, contingent liabilities and contingent assets, identify the circumstances in which provisions should be recognised, how they should be measured, and the disclosures that should be made about them. The Standard also requires that certain information be disclosed about contingent liabilities and contingent assets in the notes to the financial statements to enable users to understand their nature, timing and amount. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.
GRAP 21	Impairment of Non-cash-generating Assets	The objective of this Standard is to prescribe the procedures that an entity applies to determine whether a non-cash-generating asset is impaired, and to ensure that impairment losses are recognised. The Standard also specifies when an entity would reverse an impairment loss and prescribes disclosures. The requirements of the Standard of GRAP will be applied prospectively as per Directive 2. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.

Accounting Policies

Standard	Description	Objective
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)	The objective of this Standard is to prescribe requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. The Standard deals with issues that need to be considered in recognising and measuring revenue from non-exchange transactions, including the identification of contributions from owners. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.
GRAP 24	Presentation of Budget Information in Financial Statements	This Standard requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. Compliance with the requirements of this Standard will ensure that entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating compliance with the approved budget(s) for which they are held publicly accountable and, where the budget(s) and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results. The requirements of the Standard of GRAP will be applied prospectively as per Directive 2. The application of this Standard of GRAP has no equivalent Statement of SA GAAP. This has no effect on the amounts previously reported
GRAP 26	Impairment of cash-generating Assets	The objective of this Standard is to prescribe the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognised. The Standard also specifies when an entity would reverse an impairment loss and prescribes disclosures. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.

Standard	Description	Objective
GRAP 100	Non-current Assets held for Sale and Discontinued Operations	The objective of this Standard is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations. In particular, the Standard requires: (a) assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease; and (b) assets that meet the criteria to be classified as held for sale to be presented separately on the face of the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.
GRAP 102	Intangible Assets	The objective of this Standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard of GRAP. This Standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.
GRAP 104	Financial Instruments	This Standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are broadly defined as those contracts that results in a financial asset in one entity, and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.

Accounting Policies

Standard	Description	Objective
IPSAS 20	Related Party Disclosures	The objective of this Standard is to require the disclosure of the existence of related party relationships where control exists, and the disclosure of information about transactions between the entity and its related parties in certain circumstances. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity. The principal issues in disclosing information about related parties are identifying which parties control or significantly influence the reporting entity, and determining what information should be disclosed about transactions with those parties. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.

Directives issued and effective that entities are required to apply:

Directive	Description
Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 5	Determining the GRAP Reporting Framework
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP

Interpretations of the Standards of GRAP approved that entities are required to apply and which are applicable to the operations of the entity:

Interpretation	Description
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 3	Determining Whether an Arrangements Contains a Lease
IGRAP 14	Recognised Accounting Practice Evaluating The Substance of Transactions Involving the Legal Form of a Lease

Standards of GRAP approved, effective for reporting years beginning on or after 1 April 2013, which the CIPC has not early adopted:

Standard	Description	Objective
GRAP 25	Employee Benefits	The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.
GRAP 31	Intangible Assets	This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31). The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.

Improvements to Standards of GRAP:

Standard	Description	Objective
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors	A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010). This standard has no impact since this is not applicable to the CIPC.
GRAP 7	Investments in Associates	A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method has been included in the Standard of GRAP Investments in Associates. This standard has no impact since this is not applicable to the CIPC.

Accounting Policies

Standard	Description	Objective
GRAP 9	Revenue from Exchange Transactions	Minor changes were made. This standard has no material impact on the financial statements of the CIPC.
GRAP 12	Inventories	Minor changes were made. This standard has no material impact on the financial statements of the CIPC.
GRAP 13	Leases	Minor changes were made. This standard has no material impact on the financial statements of the CIPC.
GRAP 16	Investment Property	Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified. This standard has no impact since this is not applicable to the CIPC.
GRAP 17	Property, Plant and Equipment	Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore, the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified. This standard has no material impact on the financial statements of the CIPC.

Standards of GRAP approved, but for which the Minister of Finance has not yet determined an effective date, and that entities may consider in formulating an accounting policy, which are applicable:

Standards	Description	Objective
GRAP 20	Related Party Disclosures	The objective of this Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The adoption of this standard is currently not expected to have a material impact on the financial statements of the CIPC.

Standards	Description	Objective
GRAP 105	Transfer of Functions between Entities under Common Control	The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. The adoption of this standard is currently not expected to have a material impact on the financial statements of the CIPC.

Interpretations of the Standards of GRAP approved, effective for reporting years beginning on or after 1 April 2013, which the CIPC has not early adopted:

Interpretation	Description
IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue
IGRAP 16	Intangible Assets - Website Costs

The above list of Standards and Interpretations was amended for the CIPC's nature of operations and circumstances.

Standards, interpretations and directives that are not applicable to the operations of the CIPC:

GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 16	Investment Property
GRAP 18	Segment Reporting
GRAP 101	Agriculture (changed to GRAP 27, effective 1 April 2013)
GRAP 103	Heritage Assets
GRAP 106	Transfer of functions between Entities not under Common Control
GRAP 107	Mergers
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 4	Practice Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

Accounting Policies

IGRAP 5	Applying the Restatement Approach under The Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-Cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidation – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-Monetary Contributions by Ventures
IGRAP 13	Operating Leases – Incentives
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
Directive 3	Transitional Provisions for High Capacity Municipalities
Directive 4	Transitional Provisions for Medium and Low Capacity Municipalities
Directive 6	Transitional Provisions for Revenue collected by the South African Revenue Service (SARS)
Directive 8	Transitional Provisions for Parliament and Provincial Legislatures

Management is of the view that the adoption of these standards will have no material impact on the financial statements of the CIPC, as they are not applicable to the business of the CIPC.

2. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated on a straight-line basis so as to write off the cost of each asset to its residual value over its estimated useful life. Depreciation commences when assets are available for use. Management expects to dispose the assets at the end of their useful lives and therefore the residual values are estimated to be negligible. Useful lives and residual values are assessed on an annual basis.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

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

The estimated useful lives of property, plant and equipment are currently as follows:

- | | |
|--|--------------|
| • Computer equipment | 3 – 10 years |
| • Office furniture and other equipment | 5 – 15 years |
| • Leasehold improvements | Lease period |

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in surplus or deficit.

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

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

3. Intangible assets

Recognition and measurement

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

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Costs pertaining to research are charged to surplus or deficit. Development costs are recognised as intangible assets.

The cost of an item of intangible assets is recognised as an asset when:

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

Accounting Policies

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. Useful lives and residual values are assessed on an annual basis. The estimated useful lives of intangible assets are currently as follows:

- Computer software 5 – 12 years

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the assets, and are recognised in surplus or deficit when the asset is derecognised.

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

4. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is not depreciated nor amortised while it is classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

5. Impairment

Financial assets

A financial asset not carried at fair value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency of a receivable, or other indications that a debtor will enter bankruptcy.

Evidence of impairment for receivables is considered at both a specific and collective asset level. All individually significant receivables are assessed for specific impairment. All individually significant receivables not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in surplus and deficit and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus and deficit.

Non-financial assets

Non-cash generating assets

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

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

Cash generating assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use, and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-

tax discount rate that reflects current market assessments of the time, value for money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

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

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

6. Operating Leases

Operating leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases.

Rentals payable under operating leases are charged as an expense on a straight-line basis over the term of the lease.

7. Inventories

Inventories are recognised as an asset if, and only if:

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

Accounting Policies

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

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

8. Financial instruments

Financial assets

The entity initially recognises loans and receivables and deposits on the date that it originated. All other financial assets, including assets at fair value, are recognised initially on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity or a third party has a legal right to offset the amounts, and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets relevant to the entity comprise trade and other receivables and cash and cash equivalents. Classification depends on the purpose for which the financial instruments were obtained and takes place at initial recognition. Management determines the classification of its financial assets at initial recognition.

The entity classifies financial assets into the following category:

Financial instruments at amortised cost.

Cash and cash equivalents

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Financial liabilities

All financial liabilities are recognised initially on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the entity or a third party has a legal right to offset the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities relevant to the entity are loans and borrowings and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Deferred income

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

Fair value determination

Financial assets and financial liabilities are subsequently measured at amortised cost. The interest expense or revenue is calculated using the effective interest rate method. This method calculates the rate of interest that is necessary to discount

the estimated stream of principal and interest cash flows through the expected life of the financial instrument, to equal the amount at initial recognition. The rate is then applied to the carrying amount at each reporting date to determine the interest expense or income for the year. In this manner, the interest expense or income is recognised on a level yield to maturity basis.

Derecognition

A financial asset is derecognised only when:

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

A financial liability (or a part of a financial liability) is removed from the statement of financial position when, and only when, the obligation specified in the contract is discharged, cancelled, expired or waived.

Gains and losses

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

9. Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Interest income

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

Revenue from fees

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

When the outcome of the rendering of a service can be measured reliably, revenue associated with the transaction is recognised at the stage of completion of the transaction. The outcome of the transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of a service cannot be measured reliably, revenue is recognised only to the extent of the expenses recoverable.

Accounting Policies

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

Trade receivables from exchange transactions

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

10 Revenue from non-exchange transactions

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

Revenue from annual return fees

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Non-exchange revenue comprises annual return revenue and transfer revenue.

An inflow of resources from a non-exchange transaction is recognised as revenue at fair value. Fair value is deemed to be the transaction cost and is based on the annual return fee as prescribed in the annual returns table as set out in Annexure 2 of the Companies Regulations, 2011.

Trade receivables from non-exchange transactions

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

Transfer revenue is an unconditional government grant related to operational costs that is measured at fair value of the consideration received, and is recognised when the transfer becomes receivable.

11. Finance cost

Finance expenses comprise interest expense on borrowings. Borrowing costs are recognised using the effective interest method.

12. Provisions and contingencies

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events, and 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. The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money, and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent assets and liabilities are not recognised but are disclosed unless the possibility of flow of resources is remote. If the disclosures of contingencies may seriously prejudice the entity then the general nature of the contingency is disclosed, together with the reason as to why further information is not disclosed.

13. Employee benefits

Post-employment benefits – Retirement

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

Short and long-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions are recognised during the year in which the employee renders the related service, and is not discounted.

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

14. Critical accounting estimates and judgements

The preparation of the annual financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements, where applicable. Management continuously evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Except for those mentioned below, details of management accounting estimates and judgements are disclosed under the relevant notes.

Annual Return revenue and receivables from non-exchange transactions relating to annual return fees

The CIPC's right to collect annual return fees is only established once an annual return is filed. Annual return revenue and receivables are therefore recognised only when an entity filed an annual return. The filing of an annual return and the payment of the annual return fee constitutes a single transaction, as these transactions must happen simultaneous to file a successful annual return.

The effect of applying this methodology has resulted in a prior year error, which has been accounted for in accordance with GRAP 3. Refer to note 25.

15. Budget information

The approved and final budget amounts and variances between the actual and budget amounts are presented and explained.

16. Irregular expenditure

Irregular expenditure comprises expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with, a requirement of any applicable legislation, including:

- the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999); or
- the State Tender Board Act, 1968 (Act No. 86 of 1968; or any regulation made in terms of the that Act).

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

Accounting Policies

17. Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where relevant a receivable is raised in the statement of financial position.

18. Related parties

Related parties are identified as being those parties that control or have significant influence over the CIPC and those parties that are controlled or significantly influenced by the CIPC. Disclosure is made of all relationships involving control, even when there are no transactions between such parties during the year, all other related party transactions and management compensation.

All related party transactions are consistent with normal operating relationships between the entities, and are undertaken on terms and conditions that are normal for such transactions in these circumstances.

NOTES TO ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

Property, plant and equipment

Total Assets

31 March 2013

Computer equipment

Office furniture and equipment

31 March 2012

Computer equipment

Office furniture and equipment

Cost	Accumulated depreciation and impairment	Carrying value
R'000	R'000	R'000
28 734	(18 364)	10 370
4 791	(3 164)	1 627
33 525	(21 528)	11 997
28 244	(19 321)	8 923
4 704	(3 026)	1 678
32 948	(22 347)	10 601

Reconciliation of carrying amounts

31 March 2013

Opening balance

Acquisitions during the year

Reclassification of assets

Transfer to non-current assets held for sale

Depreciation for the year

Carrying amount at end of year

Computer equipment	Office furniture and equipment	Total
R'000	R'000	R'000
8 923	1 678	10 601
4 581	262	4 843
(12)	12	-
(255)	(19)	(274)
(2 867)	(306)	(3 173)
10 370	1 627	11 997

Notes to Annual Financial Statements

*Part of Property, Plant and Equipment is presented as a disposal group held for sale following approval by management to dispose redundant, damaged and obsolete identified assets. An impairment loss of R229 000 on the remeasurement of the disposal group to the lower of its carrying amount and its fair value less cost to sell has been included in the Statement of Financial Performance.

Reconciliation of carrying amounts**31 March 2012**

Opening balance
Acquisitions during the year
Disposals during the year
Depreciation for the year
Carrying amount at end of year

Computer equipment	Office furniture and equipment	Total
R'000	R'000	R'000
10 475	1 996	12 471
1 990	801	2 791
(11)	(435)	(446)
(3 531)	(684)	(4 215)
8 923	1 678	10 601

1.1 Changes in accounting estimates - property, plant and equipment

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

Reassessment of property, plant and equipment useful lives

31 March 2013	31 March 2012
R'000	R'000
536	912

During the year under review redundant, unserviceable and damaged assets as well as assets where the useful life expired were disposed as set out below:

31 March 2013

Computer equipment
Office furniture and other equipment
Total
Sale of assets
Loss on disposal

Cost	Accumulated depreciation	Net Book value
R'000	R'000	R'000
-	-	-
-	-	-
-	-	-
		-
		-

31 March 2012

Computer equipment
Office furniture and other equipment
Total
Sale of assets
Loss on disposal

Cost	Accumulated depreciation	Net Book value
R'000	R'000	R'000
33	(22)	11
2 937	(2 502)	435
2 970	(2 524)	446
		(442)
		4

1.2 Non-current assets held for sale

The CIPC has decided to dispose of all assets which is no longer in use. These assets consist of mainly computer equipment and furniture and fittings. These assets will be sold for cash during the next financial year. The reclassification of these assets gave rise to an impairment loss of R229 000, which was recognised in the statement of

Notes to Annual Financial Statements

financial performance. The assets will be sold off as one group. These assets have no related liabilities associated with them and therefore no such liabilities have been recognised.

Property, plant and equipment

Transfer to non-current assets held for sale

Less: Impairment recognised

Fair value less costs to sell

- Computer equipment
- Office furniture and other equipment

31 March 2013	31 March 2012
R'000	R'000
274	-
(229)	-
45	-
42	-
3	-

2. Intangible assets

31 March 2013

Capitalised computer software

Cost	Accumulated amortisation	Accumulated impairment	Carrying amount
R'000	R'000	R'000	R'000
120 074	(9 051)	(102 836)	8 187

31 March 2012

Capitalised computer software

127 519	(20 980)	(101 884)	4 655
---------	----------	-----------	-------

Reconciliation of carrying amounts:

Opening balance
Acquisitions during the year
Amortisation
Impairment for the year
Carrying amount at end of year

31 March 2013	31 March 2012
R'000	R'000
4 655	9 122
6 182	887
(1 698)	(3 694)
(952)	(1 660)
8 187	4 655

Impairment

At the end of the 2012/2013 financial year, intangible assets were reviewed in terms of GRAP 102 to assess if significant changes resulted in assets becoming idle or to be discontinued. For the 2012/2013 financial year discontinued intangible assets of R952 000 were impaired.

2.1 Changes in accounting estimates - intangible assets

Management reviews the estimated useful lives of intangible assets at the end of each annual reporting year as required per GRAP 102. The useful lives of certain assets were deemed to be longer and the effect of the reassessment, assuming the assets are held until the end of their useful lives, decrease the depreciation expense as follows:

Reassessment of intangible assets useful lives

31 March 2013	31 March 2012
R'000	R'000
946	(109)

3. Inventories

Stationery and consumables

31 March 2013	31 March 2012
R'000	R'000
R'000	R'000
430	814
430	814

4. Trade and other receivables

Receivables from non-exchange transactions

Receivables from exchange transactions

Trade receivables

Patent Corporation Treaty (PCT) receivables

Staff receivables

Other receivables

Other: Prepaid expenses

Travel and accommodation

Protective clothing

Rental: Office accommodation

Rental: Conference facility

Renewal: Membership

Software maintenance agreement

Computer warranty

Renewal of software licence

Health risk fee

Total trade and other receivables

31 March 2013	31 March 2012
R'000	R'000
-	154
492	1 199
7	4
2	849
371	338
112	8
7 963	2 808
-	7
-	34
130	74
315	14
-	1
3 160	131
455	318
3 903	2 223
-	6
8 455	4 161

Reconciliation of trade receivables:**31 March 2013**

Accounts receivable from exchange transactions

Accounts receivable from non- exchange transactions

Total	Longer than one year	Less than one year
R'000	R'000	R'000
492	29	463
-	-	
492	29	463

31 March 2012

Accounts receivable from exchange transactions

Accounts receivable from non- exchange transactions

Total	Longer than one year	Less than one year
R'000	R'000	R'000
1 199	59	1 140
154	-	154
1 353	59	1 294

Reconciliation of prepayments**31 March 2013**

Prepayments

Total	Longer than one year	Less than one year
R'000	R'000	R'000
7 963	773	7 190
7 963	773	7 190

31 March 2012

Prepayments

Total	Longer than one year	Less than one year
R'000	R'000	R'000
2 808	175	2 633
2 808	175	2 633

5. Cash and cash equivalents

Bank balance
Cash on hand
Call account– Corporation for Public Deposits (CPD)

31 March 2013	31 March 2012
R'000	R'000
737	4 734
11	20
1 239 726	1 132 945
1 240 474	1 137 699

6. Provisions

31 March 2013	Opening balance	Provision raised	Provision utilised	Closing balance	Current portion
	R'000	R'000	R'000	R'000	R'000
Leave pay benefits	9 120	10 961	(10 178)	9 903	9 903
Service bonus	3 616	7 094	(7 013)	3 697	3 697
Legal fees	30	-	(9)	21	21
Merit awards	2 321	6 257	(2 046)	6 532	6 532
Services in dispute	-	589	-	589	589
	15 087	25 080	(19 425)	20 742	20 742

31 March 2012	Opening balance	Provision raised	Provision utilised	Closing balance	Current portion
	R'000	R'000	R'000	R'000	R'000
Leave pay benefits	7 209	9 879	(7 968)	9 120	9 120
Service bonus	3 649	6 908	(6 941)	3 616	3 616
Legal fees	110	-	(80)	30	30
Merit awards	1 880	2 395	(1 954)	2 321	2 321
	12 848	19 182	(16 943)	15 087	15 087

- Leave pay benefits and service bonuses are in terms of the conditions of service;
- Provision has been made for settlement costs in respect of legal cases against the CIPC, which existed at year-end but were not yet settled; and
- Merit awards are based on 1.5% of the budgeted salary expenditure as per policy for the 2011/2012 financial year. For the current financial year merit awards are based on 10% of actual basic remuneration adjusted to the actual % organisational performance against key performance indicators.
- An amount of R589 000 that was accrued for in the 2011/2012 financial year is adjusted to provisions in the current financial year for the settlement of a claim for services rendered that is in dispute for more than 12 months and is currently under investigation.

Notes to Annual Financial Statements

7. Accounts payable

Trade payables are non-interest bearing and are normally settled on 30 day terms.

Payables from exchange transactions

Trade payables

Retention: Enterprise Content Management System

Payables from non-exchange transactions*

31 March 2013	31 March 2012
R'000	R'000
15 439	15 656
11 503	11 720
3 936	3 936
73 404	79 607
88 843	95 263

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

8. Revenue

	31 March 2013 R'000	31 March 2012 R'000
	199 078	247 074
	199 078	233 084
	-	13 990
	130 768	130 145
	15 734	16 112
	56 816	63 617
	1 933	1 630
	-	3 480
	51 422	42 062
	4 863	3 244
	329 846	377 219

Revenue from non-exchange transactions:

Annual return revenue*

Transfer from **the dti** **

Revenue from exchange transactions:

Corporate information

Company registration and maintenance

Data sales

Increase in company share capital

Intellectual property registration and maintenance

Cooperatives registration and maintenance

Total revenue

* Annual return penalties for the 2011/2012 and 2012/2013 financial years have been waived.

** National Treasury in the Medium Term Expenditure Framework (MTEF) allocated an amount of R13,9 million to the CIPC, to be appropriated for any cost related to the establishment of the new entity.

Notes to Annual Financial Statements

9. Other income

Other exchange transactions
Patent Corporation Treaty (PCT) income
Recognition of unallocated deposits as revenue
Recovery of expenses (in respect of staff telephone accounts)

31 March 2013	31 March 2012
R'000	R'000
119	235
67	918
5 513	487
358	384
6 057	2 024

10. Interest income

Interest received – cash and cash equivalents

31 March 2013	31 March 2012
R'000	R'000
61 127	57 431
61 127	57 431

11. Consulting and professional fees

Specialist information technology consultants
 Management consultants
 Short-term professional staffing requirements

31 March 2013	31 March 2012
R'000	R'000
19 370	20 418
19 547	11 734
1 386	2 379
40 303	34 531

12. Depreciation and amortisation

Depreciation

- Computer equipment
- Office furniture and other equipment

Amortisation of intangible assets

31 March 2013	31 March 2012
R'000	R'000
2 867	3 531
306	684
1 698	3 693
4 871	7 908

Notes to Annual Financial Statements

13. Employee costs

Total per the Statement of Financial Performance

Basic salary

Pension contributions

Medical contributions

Other benefits

31 March 2013	31 March 2012
R'000	R'000
159 790	150 717
108 602	101 698
12 453	12 433
6 121	6 204
32 614	30 382

Payments made to Executive Managers:

31 March 2013					
R'000					
	Name	Remuneration	Travel allowance and other	Performance bonus	Total package
Commissioner	Ms A Ludin	1 585	54	-	1 639
Deputy Commissioner	Mr R Voller	1 077	39	-	1 116
Chief Operating Officer (COO)	(Vacant)	-	-	-	-
Chief Financial Officer	Mr ER du Toit	1 160	5	-	1 165
Chief Information Officer (CIO)	Mr A Kritzinger (appointed October 2012)	1 240	-	-	1 240
Executive Manager: Compliance Audit and Risk	Ms T Nkuna (resigned July 2012) (vacant from August 2012)**	380	-	4	384
Executive Manager: Customer Interface	Ms L Matandela (acting from April 2012 to December 2012) (vacant from January 2013)	659	14	-	673
Executive Manager: Strategic Support	Mr L Dukwana (acting COO from May 2011 to December 2012)	1 043	36	-	1 079

** Compliance, Audit and Risk positions were outsourced to a service provider.

31 March 2013					
R'000					
	Name	Remuneration	Travel allowance and other	Performance bonus	Total package
Commissioner *	Ms A Ludin	1 268	16	-	1 284
Deputy Commissioner*	Mr R Voller	848	28	-	876
Chief Operating Officer (COO)	(Vacant)	-	-	-	-
Chief Financial Officer	Mr ER du Toit	1 020	1	-	1021
Chief Information Officer (CIO)	(Vacant)**	-	-	-	-
Executive Manager: Compliance Audit and Risk	Ms T Nkuna	803	-	-	803
Executive Manager: Customer Interface	Ms L Matandela (acting from May 2011 to March 2012)	724	8	-	732
Executive Manager: Strategic Support	Mr L Dukwana (acting as CEO – April 2011) (acting COO from May 2011)	990	60	-	1 117

* Appointed – 1 May 2011.

** CIO position was outsourced to a service provider.

	31 March 2013	31 March 2012
Total approved establishment	606	606
Actual headcount	468	504
Vacant	138	102
% Vacancy	22,77%	16,83%

Notes to Annual Financial Statements

14. Surplus from operations

Surplus from operations is stated after taking into consideration the following expenditure:

Total audit fees

External audit fees

- Regularity audit
- Computer audits

Forensic investigations (outsourced)

Internal audit fees (co-sourced portion)

Loss on disposal of assets

Operating lease charges

- Vehicles
- Property
- Off-site storage facility

Publication, printing and stationery

- Government Printer
- Stationery
- Other

Bad debts – accounts receivable exchange

31 March 2013	31 March 2012
R'000	R'000
6 350	6 025
3 647	3 493
2 964	2 484
683	1 009
-	542
2 703	1 990
	4
22 943	22 226
213	211
11 930	11 085
10 800	10 930
6 745	6 762
-	1 038
6 473	4 604
272	1 120
73	59

31 March 2013	31 March 2012
R'000	R'000
13 701	13 912
742	913
262	700
-	4 613
3 287	1 829
507	408
2 144	114
1 202	1 537
2 171	1 517
568	685
2 818	1 596

Other operating expenditure

- Audit and risk committee fee
- Bursaries
- Business registration reform contribution
- Conferences and venues
- Entertainment and refreshments
- Internship
- Legal fees
- Security and cleaning services
- Other
- Training

15. Pension

The CIPC contributes to the Government Employees Pension Fund (GEPF) for the majority of employees. Contributions to the pension plan in respect of service in a particular year are included in the employees' total cost of employment and are charged to statement of financial performance in the year to which they relate, as part of the cost of employment. The CIPC has no legal or constructive obligation in respect of normal retirements to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

31 March 2013	31 March 2012
R'000	R'000

Total employer contributions to the scheme

12 452

12 433

16. Operating lease commitments

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

31 March 2013

dti Campus lease
202 Esselen Street
Motor vehicles
Backup storage facility
Storage facility
Off-site storage facility

31 March 2012

dti Campus lease
202 Esselen Street
Motor vehicles
Storage facility
Off-site storage facility

0-1 Years	2-5 Years	Total
R'000	R'000	R'000
11 580	-	11 580
265	-	265
171	-	171
72	54	126
24	-	24
10 760	19 512	30 272
22 872	19 566	42 438
10 821	-	10 821
199	-	199
222	154	376
61	-	61
10 539	30 273	40 812
21 842	30 427	52 269

The dti Campus lease

The premises are rented on an annual basis with an escalation based on CPI as at 1 July of each year.

Office: 202 Esselen Street

The lease is for the renting of office space in 202 Esselen Street.

Motor vehicles

An agreement is in place between Department of Transport (DoT) and Phakisaworld Fleet Solutions (Pty) Ltd in which the CIPC participates for a five years from an effective date of 1 November 2006 to 1 November 2013. A two year extension was approved by National Treasury. The rental amounts are based on the present value of the vehicles per the contract.

Backup storage facility

A contract was entered into for a backup storage facility over two years (2013 – 2014).

Storage facility

The storage facility is rented on an annual basis as required by the CIPC.

Off-site file storage

A contract was entered into for off-site file storage over five years (2012 – 2016). An annual contract was also entered into for additional file storage for one year.

17. Reconciliation of net cash flows from operating activities to surplus for the year

31 March 2013	31 March 2012
R'000	R'000

Surplus for the year	112 423	163 873
Adjusted for non-cash flow items:		
Depreciation of property, plant and equipment	3 173	4 215
Amortisation of intangible assets	1 698	3 694
Impairment loss on intangible assets	952	1 660
Impairment loss on property, plant and equipment	229	-

Notes to Annual Financial Statements

Loss on disposal on property, plant and equipment and intangible assets

Movement in provision for leave pay

Movement in provision for service bonus

Movement in provision for legal cases

Movement in provision for services in dispute

Movement in provision for merit awards

Cash flows before changes in working capital

Decrease in inventories

Increase in trade and other receivables

(Increase) / Decrease in trade and other payables*

Cash generated from operations

* Reconciliation of movement in trade and other payables:

Trade and other payables

Adjustment of prior year error

(Increase) / Decrease in trade and other payables

31 March 2013	31 March 2012
R'000	R'000
-	4
783	1 911
81	(33)
(9)	(80)
589	-
4 210	441
124 129	175 685
384	19
(4 294)	(516)
(6 419)	9 258
113 800	184 446
1 127	9 258
(7 547)	-
(6 420)	9 258

18. Taxation

18.1 Income tax

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

18.2 Value-added tax

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

19. Contingent liabilities

31 March 2013	31 March 2012
R'000	R'000

19.1 Housing guarantees

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

19.2 Surplus for the year (2012 restated)

The surplus for the year under review has been classified as a contingent liability at 31 March 2013. In terms of Treasury Regulation 19.7.1 the entity at the end of the financial year needs to declare any surplus to National Treasury. National Treasury may apply such surplus to reduce any proposed allocation to the trading entity; or require that all or part of it be deposited in the Exchequer bank account. The retention of the surplus declared for the 2011/2012 financial year has been approved by National Treasury to fund special initiatives. A request will be submitted to National Treasury to retain the 2012/2013 surplus in order to fund the function of the CIPC.

19.3 Enterprise Content Management System (ECM)

Legal proceedings have been instituted by the service provider challenging the legal validity of the termination of the contract, and seeking payment of certain fees rendered in terms of the contract prior to its termination. These proceedings are currently sub judice and the outcome is uncertain. The legal fees are not included as they cannot be reliably estimated. The reduction represents an adjustment of the contingent liability to the actual amount claimed by the service provider.

20. Contingent assets

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

67 97

112 423 163 873

28 100 35 000

1 600 1 600

21. Planned capital programmes

The following capital programmes were approved but not yet contracted:

- Furniture
The entity is planning to replace all furniture to optimise current available office space at the dti campus. The estimated cost amounts to:
- ICT improvement programme
The entity is continuously investing in improving ICT systems for improved service delivery
- Lease of building
The entity is in the process of securing a new rental building. The lease is not yet concluded but the move is probable. The estimated annual commitment in this regard amounts to:
- ICT infrastructure
The entity is in the process of procuring ICT infrastructure for the new building. The estimated cost amounts to:

31 March 2013	31 March 2012
R'000	R'000
18 000	18 000
30 000	30 000
-	35 000
-	15 000

The CIPC will not continue with the projects for the procurement of new accommodation and, the procuring of ICT infrastructure as planned in the short term. The CIPC could not secure a new building that will address the entities accommodation needs and, will remain in the current offices at **the dti** campus while alternative accommodation options are investigated.

22. Patent Corporation Treaty (PCT) Trust Account

31 March 2013	31 March 2012
R'000	R'000

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

PCT creditors

150	922
-----	-----

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

Balance in the PCT bank account

150	922
-----	-----

23. Risk management

Financial risk management

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

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

Market risk

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

Notes to Annual Financial Statements

Interest rate risk

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

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

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

31 March 2013

Cash and cash equivalents

Change in interest rate	Increase / (decrease) in the surplus for the year	
	Upward change	Downward change
	R'000	R'000
1%	11 925	(11 925)

31 March 2012

Cash and cash equivalents

Change in interest rate	Increase / (decrease) in the surplus for the year	
	Upward change	Downward change
	R'000	R'000
1%	11 377	(11 377)

Credit risk

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

Exposure to credit risk

The maximum exposure to credit risk at the reporting date from financial assets was:

31 March 2013	31 March 2012
R'000	R'000
Cash and cash equivalents *	1 240 474
Trade and other receivables	8 455
Total	1 248 929

* Included (31 March 2013) is an amount of R1 239 million (2012: R1 132 million) invested in a call account at the SA Reserve Bank.

Concentration of credit risk

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

AAA and Government	Unrated
R'000	R'000

31 March 2013

Cash and cash equivalent

Trade and other receivables

1 240 474	-
-	8 455

AAA and Government	Unrated
R'000	R'000

31 March 2012

Cash and cash equivalent

Trade and other receivables

1 137 699	-
-	4 161

Notes to Annual Financial Statements

Ageing of financial assets

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

31 March 2013

Cash and cash equivalents
Trade and other receivables

Neither past due nor impaired	Past due but not impaired less than 12 months	Past due but not impaired more than 12 months	Carrying value
R'000	R'000	R'000	R'000
1 240 474	-	-	1 240 474
-	7 680	775	8 455

31 March 2012

Cash and cash equivalents
Trade and other receivables

Neither past due nor impaired	Past due but not impaired less than 12 months	Past due but not impaired More than 12 months	Carrying value
R'000	R'000	R'000	R'000
1 137 699	-	-	1 137 699
342	3 819	-	4 161

Liquidity risk

The CIPC's risk to liquidity is a result of the funds available to cover future commitments. Taking into consideration the CIPC's current funding structures and availability of cash resources, the CIPC regards this risk to be low, as National Treasury approved the retention of surplus as at 31 March 2012.

The following table reflects the exposure to liquidity risk from financial liabilities

31 March 2013

Accounts payable

Total

Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
R'000	R'000	R'000	R'000
15 439	15 439	15 439	-
15 439	15 439	15 439	

31 March 2012

Accounts payable

Total

Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
R'000	R'000	R'000	R'000
15 656	15 656	15 656	-
15 656	15 656	15 656	

24. Events after the end of the reporting year

The CIPC recently upgraded the annual returns system. However due to technical problems management took a decision to withdraw the annual returns system at the beginning of July 2013 for a period of four to six weeks in order to redesign the annual return system. This will result in non-receipt of annual returns revenue due in July 2013 estimated at R14,9 million. The revenue is expected to be recouped over the subsequent months in the 2013/2014 financial year.

25. Prior year error

25.1 Annual return receivables

CIPRO, the predecessor of the CIPC, changed its accounting policy with respect to the treatment of the recognition of annual return fee revenue in the 2009/2010 financial year. As a proper annual return receivables management system was not implemented, critical management assumptions had to be applied. This resulted in the Auditor General expressing a modified audit opinion on the 2011/2012 Annual Financial Statements. In order to address the audit findings, the CIPC in the 2011/2012 financial year reconstructed the comparative for 2010/2011 in respect of the annual return receivables.

During the 2012/2013 financial year a technical opinion was approved by National Treasury and the Accounting Standards Board which determined that the annual return receivables had not been recognised correctly in terms of the financial framework in prior years.

Notes to Annual Financial Statements

The CIPC's right to collect annual return fees is, in terms of the new Companies Act, only established once an annual return is filed. Annual return revenue and the related receivable can therefore only be recognised when an entity filed an annual return. The filing of an annual return and the payment of the annual return fee constitute a single transaction, as these transactions must happen simultaneous to file a successful annual return.

The effect of applying this methodology has resulted in a prior year error. The restatements are as follows:

Effect of changes for the 2011/2012 financial year:

Decrease in trade and other non-exchange receivables
Increase in income received in advance
Change in accumulated surplus

Decrease in non-exchange revenue
Decrease in interest income
Decrease in impairment loss
Decrease in bad debt recovered

31 March 2013	31 March 2012
R'000	R'000
(44 998)	(39 287)
(60)	-
39 287	39 287
(5 771)	-
(9 899)	-
(1 002)	-
44 247	-
(39 117)	-
(5 771)	-

25.2 Income received in advance

During the current financial year, a detailed investigation was performed into the accuracy and completeness of the "Income Received in Advance" balance. The investigation could only be performed in the current financial year, as the data necessary to complete the investigation was only available for the current financial year. Differences were noted which indicated that the comparative figure was misstated. As sufficient data was not available for the prior years the exact impact on the comparative year and prior years could not be established and retrospective adjustments are therefore impractical. The misstatement was corrected in the opening accumulated surplus balance for the current financial year. The impact was as follows:

31 March 2013	31 March 2012
R'000	R'000

Effect of changes for the 2012/2013 financial year:

Trade and other payables from non-exchange transactions -

- Increase in Income Received in Advance
- Increase in un-allocated deposits

Change in accumulated surplus

(7 189)	-
(358)	-
(7 547)	-

25.3 Reclassification of expenditure

An analysis of the 2011/2012 expenditure revealed that expenditure related to provisions was not correctly classified. The effect of the corrections of classification are as follows:

31 March 2013	31 March 2012
R'000	R'000

Effect of changes for the 2011/2012 financial year:

Increase in employee cost

Increase in other operating expenditure

Decrease in impairment loss – accounts receivable non-exchange

Change in surplus for the year

Change in accumulated surplus

-	5 790
-	993
-	(6 783)
-	-
-	-

26. Reconciliation of budget surplus with the surplus in the Statement of Financial Performance

The budget is approved on a cash basis by functional classification. The approved budget covers the year from 1 April 2012 to 31 March 2013. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis.

The amounts in the financial statements were adjusted from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. The amounts of these adjustments are identified in the following table. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the cash flow statement for the year ended 31 March 2013 is presented below.

2012/2013	Operating	Financing	Investing	Total
	R'000	R'000	R'000	R'000
Actual amount on comparable basis as presented in the budget and actual comparative statement	112 423	-	-	112 423
Basis difference	1 377	-	(11 025)	(9 648)
Timing difference	-	-	-	-
Entity difference	-	-	-	-
Actual amount in the cash flow statement	113 800	-	(11 025)	102 775

Notes on variances:

Adjustment to the initial budget:

Due to the CIPC being in transition delays were experienced on finalisation of the business plan and new structure for the entity. A total adjustment of R158,2 million was made on the initial approved budget during the financial year relating to the following:

- An adjustment of R71,0 million on employee cost due to delays in the finalisation of the new proposed structure for the CIPC.
- A further adjustment of R87,1 million on operational and other administrative expenditure due to under spending as a result of delays in implementation of the new structure which impacted on operational and administrative expenditure. Included in this amount is also an adjustment of R48 million relating to provision for a new building for the entity.

Variances between actual and final budget:

Revenue:

- There is a positive variance of R15,8 million on revenue from exchange transactions due to increase in Intellectual Property, Companies and Cooperatives revenue streams. There was an increase in transactions for new company registrations as a result of introduction of an online company registration process, simplification of company registration process and the reduction of administration or filing fees. The number of applications received to register new co-operatives increased in the last financial year. The reason for the increase is mainly due to government departments promoting the registration of cooperatives, as a vehicle for poverty alleviation and assisting rural communities to grow economically. The increase in Intellectual Property revenue relates to renewals and new registrations for trade marks, patents and designs. Various initiatives were implemented to make companies aware of the benefits of protecting their trade mark and this resulted in increased new applications.
- The negative variance of R22,9 million on revenue from non-exchange transactions is attributed to the introduction of the new fees structure for Annual Returns and the waiver of penalties relating to late submission of Annual Returns. In addition to that the decrease in revenue also relates to the fact that companies used to lodge outstanding annual returns relating to prior years. However, currently the process has stabilised and most companies' annual returns have been brought up to date and now they are filing only for the current year.
- There is a positive variance of R36,1 million on interest received from the investment at the Corporation for Public Deposits at the Reserve bank relating to retained surplus funds.

Expenditure

- There is under spending of R2,4 million on employee costs which relates to non-filling of vacant posts pending the approval of the new organisational structure for CIPC.
- The under spending of R121,3 million on operational expenditure mainly relates to delays in implementation of the new building and ICT programme special projects. The delay is as a result of the entity being in transition.
- Depreciation and impairment was not included in the approved budget. The impairment of R19,9 million relates to assets that are no longer in use and that will be sold during the next financial year.

27. Related party transactions

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

Name	Relationship	Nature of transaction	Transactions 31 March 2013	Balance due as at 31 March 2013	Transactions for the year up to March 2012	Balance due at 31 March 2012
			R'000	R'000	R'000	R'000
Department of Trade and Industry	Parent department	Lease of building and other operating expenditure	13 241	117	10 821	909

Transactions with key management

Total remuneration of key management is included in employees' remuneration (refer to note 13 for Executive Management's remuneration).

Income

The CIPC services are rendered free of charge to other government entities. The total amount for such services cannot be quantified as no process has been introduced to record such transactions.

Expenditure

Costs related to the utilisation of the call centre facility of the dti are included in the total rental cost for Block F at the dti Campus. The total value of such services cannot be quantified as no process has been introduced to record such transactions.

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

28. Material losses

No material losses have occurred during the current financial year due to criminal conduct or any unauthorised expenditure, irregular expenditure, fruitless or wasteful expenditure, except as indicated below:

29. Irregular expenditure

Expenditure where the prescribed approval process for the procurement process was not followed. Confirmation that value for money was received, was performed through an internal audit investigation.

Payment was only effected after the irregular expenditure was regularised:

Extension of appointment year of consulting services

Internet cost

Printing of marketing material

Procurement of network services through SITA

Extension of backup contract

Extension of the appointment the Database administrator

Printing of strategy planning documentation

31 March 2013	31 March 2012
R'000	R'000

2 662	1 724
-	270
-	1 412
-	42
1 746	-
18	-
883	-
15	-

Reconciliation of irregular expenditure

Opening balance*

Irregular expenditure –current year

Less: amount approved by the Accounting Authority with funding

Irregular expenditure awaiting condonement

98 237	98 237
2 662	1 724
(1 764)	(1 724)
99 135	98 237

* Request for condonement of irregular expenditure submitted. Approval for this is still outstanding from the Department of Public Service and Administration.

30. Gifts and donations

The acceptance or granting of a gift, donation or sponsorship is managed in terms of Section 76 of the Public Finance Management Act, 1999 (Act 1 of 1999), and Treasury Regulation 21. Gifts and donations received by employees during the year under review were:

Smaller gifts (less than R300) to various staff members

Notebook – J Abreu

Notebook – N Matyana

Notebook – W Maroge

Notebook – P Phakathi

Concert tickets – Dr E Conradie

31 March 2013	31 March 2012
R'000	R'000

5	4
-	3
-	2
-	2
-	2
-	1

A diverse group of people, including men and women of various ethnicities, are seated in a row, looking towards the left side of the frame. They appear to be in a professional setting, possibly a meeting or a presentation. The lighting is warm and focused on the individuals. The background is a plain, light-colored wall.

Section 5: Human Resources Oversight Report

HUMAN RESOURCES OVERSIGHT REPORT

TABLE 1 - Personnel costs by Programme

Programme	Total Voted Expenditure (R'000)	Compensation of Employees Expenditure (R'000)	Training Expenditure (R'000)	Consultants and Special Services (R'000)	Compensation of Employees as percent of Total Expenditure	Average Compensation of Employees Cost per Employee (R'000)	Employment
CIPC	293 416	149 845	2 745	31 646	51%	280	536

TABLE 2 - Personnel costs by Salary band

Salary Bands	Compensation of Employees Cost (R'000)	Percentage of Total Personnel Cost for Entity	Average Compensation Cost per Employee (R)	Total Personnel Cost for Entity	No of Employees
Skilled (Levels 3-5)	1570	1%	156 974	149 845	10
Highly skilled production (Levels 6-8)	64 593	43%	230 690	149 845	280
Highly skilled supervision (Levels 9-12)	43 734	29%	496 982	149 845	88
Senior management (Levels 13-16)	20 107	13%	837 773	149 845	24
Contract (Levels 6-8)	11 786	8%	203 200	149 845	58
Contract (Levels 9-12)	1 802	1%	300 258	149 845	6
Contract (Levels 13-16)	3 546	2%	1 773 174	149 845	2
Interns	2 708	2%	39 824	149 845	68
TOTAL	149 845	100%	279 562	0	536

TABLE 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)
CIPC	107 099	71%	236	0.2%	3 108	2%	6 120	4.1	149 845

TABLE 4 - Salaries, Overtime, Home Owners Allowance and Medical Aid by Salary Band

Salary bands	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 Salary Band (R'000)
Skilled (Levels 3-5)	1 019	1%	0	0	80	4.9	98	0.07%	1 632
Highly skilled production (Levels 6-8)	42 898	29%	193	0.3	2 359	3.5	4 306	2.87%	67 444
Highly skilled supervision (Levels 9-12)	32 438	22%	35	0.1	468	1	1 265	0.84%	45 989
Senior management (Levels 13-16)	16 052	11%	0	0	99	0.5	395	0.26%	21 612
Contract (Levels 6-8)	10 467	7%	8	0.1	102	0.8	32	0.02%	12 299
Contract (Levels 9-12)	1 610	1%	0	0	0	0	24	0.02%	1 964
Contract (Levels 13-16)	2 616	2%	0	0	0	0	0	0.00%	3 821
TOTAL	107 099	71%	236	0.2	3 108	2	6 120	4.1%	154 761

TABLE 5 - 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
Business environment regulation consumer services, Permanent	606	468	22.8	20
TOTAL	606	468	22.8	20

TABLE 6 - 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
Skilled (Levels 3-5), Permanent	13	12	7.7	0
Highly skilled production (Levels 6-8), Permanent	362	278	23.2	0
Highly skilled supervision (Levels 9-12), Permanent	129	88	31.8	0
Senior management (Levels 13-16), Permanent	35	23	34.3	0
Contract (Levels 6-8), Permanent	58	58	0	20
Contract (Levels 9-12), Permanent	6	6	0	0
Contract (Levels 13-16), Permanent	3	3	0	0
TOTAL	606	468	22.8	20

TABLE 7 - 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	78	57	26.9	20
Communication and information related, Permanent	5	3	40	0
Economists, Permanent	6	5	16.7	0
Finance and economics related, Permanent	11	10	9.1	0
Financial and related professionals, Permanent	1	1	0	0
Financial clerks and credit controllers, Permanent	8	6	25	0
Food services aids and waiters, Permanent	1	1	0	0
Human resources clerks, Permanent	5	1	80	0
Human resources related, Permanent	22	13	40.9	0
Information technology related, Permanent	26	12	53.8	0
Legal related, Permanent	27	23	14.8	0
Library mail and related clerks, Permanent	1	1	0	0
Logistical support personnel, Permanent	7	6	14.3	0
Other administrat. and related clerks and organisers, Permanent	344	282	18	0
Other information technology personnel, Permanent	2	1	50	0
Regulatory inspectors, Permanent	1	1	0	0
Secretaries and other keyboard operating clerks, Permanent	12	9	25	0
Security officers, Permanent	5	5	0	0
Senior managers, Permanent	32	21	34.4	0
Trade/industry advisers & other related profession, Permanent	12	10	16.7	0
TOTAL	606	468	22.8	20

TABLE 8- Job Evaluation¹

Salary Band	No of Posts	No of Jobs Evaluated	% of Posts Evaluated	Number of Posts Upgraded	% of Upgraded Posts Evaluated	No of Posts Downgraded	% of Downgraded Posts Evaluated
Lower skilled (Levels 1-2)	0	0	0	0	0	0	0
Contract (Levels 6-8)	58	0	0	0	0	0	0
Contract (Levels 9-12)	6	0	0	0	0	0	0
Contract (Band B)	1	0	0	0	0	0	0
Contract (Band C)	1	0	0	0	0	0	0
Contract (Band D)	1	0	0	0	0	0	0
Skilled (Levels 3-5)	13	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	362	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	129	0	0	0	0	0	0
Senior Management Service Band A	29	0	0	0	0	0	0
Senior Management Service Band B	6	0	0	0	0	0	0
Senior Management Service Band C & D	0	0	0	0	0	0	0
TOTAL	606	0	0	0	0	0	0

¹ No jobs were evaluated on the existing structure. However, as part of the organisational design process all positions on the proposed new structure were evaluated. Tables 4.2 (Profile of employees whose positions were upgraded due to their posts being upgraded), 4.3 (Employees whose salary level exceed the grade determined by Job Evaluation [i.t.o PSR 1.V.C.3]), 4.4 (Profile of employees whose salary level exceeded the grade determined by job evaluation [i.t.o. PSR 1.V.C.3]) are therefore not applicable as it was unaffected in the past financial year.

TABLE 9 - Annual Turnover Rates by Salary Band

Salary Band	Employment at Beginning of Period (April 2012)	Appointments	Terminations	Turnover Rate
Skilled (Levels 3-5), Permanent	12	0	0	0
Highly skilled production (Levels 6-8), Permanent	290	0	12	4.1
Highly skilled supervision (Levels 9-12), Permanent	93	0	5	5.4
Senior Management Service Band A, Permanent	24	0	3	12.5
Senior Management Service Band B, Permanent	3	0	1	33.3
Senior Management Service Band C, Permanent	0	0	0	0
Contract (Levels 6-8), Permanent	69	0	11	15.9
Contract (Levels 9-12), Permanent	4	3	1	25
Contract (Band A), Permanent	2	0	1	50
Contract (Band B), Permanent	0	1	0	0
Contract (Band D), Permanent	1	0	0	0
TOTAL	498	4	34	6.8

TABLE 10 - Annual Turnover Rates by Critical Occupation

Occupation	Employment at Beginning of Period (April 2012)	Appointments	Terminations	Turnover Rate
Administrative related, Permanent	64	0	7	10.9
Communication and information related, Permanent	4	0	1	25
Economists, Permanent	6	0	1	16.7
Finance and economics related, Permanent	11	0	1	9.1
Financial and related professionals, Permanent	1	0	0	0
Financial clerks and credit controllers, Permanent	7	0	1	14.3
Food services aids and waiters, Permanent	2	0	1	50
Human resources clerks, Permanent	1	0	0	0
Human resources related, Permanent	14	0	1	7.1
Information technology related, Permanent	11	2	1	9.1
Legal related, Permanent	25	0	2	8
Library mail and related clerks, Permanent	1	0	0	0
Logistical support personnel, Permanent	6	0	0	0
Other administrat. and related clerks and organisers, Permanent	295	0	13	4.4
Other information technology personnel, Permanent	1	0	0	0
Regulatory inspectors, Permanent	1	0	0	0
Secretaries & other keyboard operating clerks, Permanent	9	0	0	0
Security officers, Permanent	5	0	0	0
Senior managers, Permanent	25	1	5	20
Trade/industry advisers & other related profession, Permanent	9	1	0	0
TOTAL	498	4	34	

TABLE 11 - Reasons why staff are leaving the Department

Termination Type	Number	Percentage of Total Resignations	Percentage of Total Employment	Total Employment
Death, Permanent	3	9	0.6	498
Resignation, Permanent	26	77	5.2	498
Expiry of contract, Permanent	1	2	0.2	498
Retirement, Permanent	4	12	0.8	498
TOTAL	34	100	6.8	498

TABLE 12 - Resignations as a percentage of Employment

Resignations as Percentage of Employment
6.2

TABLE 13 - Granting of Employee Initiated Severance Packages

Category	No of applications received	No of applications referred to the MPSA	No of applications supported by MPSA	No of Packages approved by department
Lower Skilled (Salary Level 1-2)	0	0	0	0
Skilled (Salary Level 3-5)	0	0	0	0
Highly Skilled Production (Salary Level 6-8)	0	0	0	0
Highly Skilled Production (Salary Level 9-12)	0	0	0	0
Senior Management (Salary Level 13 and higher)	0	0	0	0
Total	0	0	0	0

TABLE 14 - Promotions by Critical Occupation

Occupation	Employment at Beginning of Period (April 2012)	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	64	0	0	31	48.4
Communication and information related	4	0	0	3	75
Economists	6	0	0	4	66.7
Finance and economics related	11	0	0	11	100
Financial and related professionals	1	0	0	0	0
Financial clerks and credit controllers	7	0	0	7	100
Food services aids and waiters	2	0	0	1	50
Human resources clerks	1	0	0	1	100
Human resources related	14	0	0	13	92.9
Information technology related	11	0	0	11	100
Legal related	25	0	0	19	76
Library mail and related clerks	1	0	0	1	100
Logistical support personnel	6	0	0	4	66.7
Other administrat and related clerks and organisers	295	0	0	234	79.3
Other information technology personnel.	1	0	0	1	100
Regulatory inspectors	1	0	0	1	100
Secretaries and other keyboard operating clerks	9	0	0	9	100
Security officers	5	0	0	2	40
Senior managers	25	0	0	14	56
Trade/industry advisers and other related profession	9	0	0	8	88.9
TOTAL	498	0	0	375	75.3

TABLE 15 - Promotions by Salary Band

Salary Band	Employment at Beginning of Period (April 2012)	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
Skilled (Levels 3-5), Permanent	10	0	0	9	90
Highly skilled production (Levels 6-8), Permanent	291	0	0	263	90.1
Highly skilled supervision (Levels 9-12), Permanent	93	1	1.1	83	89.2
Senior management (Levels 13-16), Permanent	28	0	0	19	67.9
Contract (Levels 6-8), Permanent	70	0	0	0	0
Contract (Levels 9-12), Permanent	4	1	25	1	25
Contract (Levels 13-16), Permanent	2	0	0	0	0
TOTAL	498	2	0.4	375	75.2

TABLE 16 - Total number of Employees (incl. Employees with disabilities) per Occupational Category (SASCO)

Occupational Categories	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Legislators, senior officials and managers, Permanent	3	0	1	4	3	6	2	0	8	6	21
Professionals, Permanent	35	5	1	41	4	21	2	3	26	5	76

Human Resources Oversight Report

Occupational Categories	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Technicians and associate professionals, Permanent	24	2	2	28	2	25	4	2	31	6	67
Clerks, Permanent	88	2	0	90	4	154	8	1	163	39	296
Service and sales workers, Permanent	2	1	0	3	2	1	0	0	1	0	6
Other, Permanent	2	0	0	2	0	0	0	0	0	0	2
TOTAL	154	10	4	168	15	207	16	6	229	56	468

TABLE 17 - Employees with Disabilities

	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	3	1	1	5	1	0	0	0	0	2	8

TABLE 18 - 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
Top Management, Permanent	0	1	0	1	1	0	0	0	0	0	2
Senior Management, Permanent	10	1	1	12	1	3	1	0	4	5	22
Professionally qualified and experienced specialists and mid-management, Permanent	34	3	2	39	5	28	3	4	35	9	88
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	72	2	1	75	6	149	8	1	158	38	277
Semi-skilled and discretionary decision making, Permanent	6	0	0	6	0	3	1	0	4	0	10
Unskilled and defined decision making, Permanent	2	0	0	2	0	0	0	0	0	0	2
Contract (Top Management), Permanent	0	0	0	0	0	0	0	0	0	1	1
Contract (Senior Management), Permanent	0	0	0	0	2	0	0	0	0	0	2
Contract (Professionally qualified), Permanent	3	1	0	4	0	0	0	0	0	0	4
Contract (Skilled technical), Permanent	27	2	0	29	0	24	3	1	28	3	60
TOTAL	154	10	4	168	15	207	16	6	229	56	468

TABLE 19 - 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
Contract (Senior Management), Permanent	0	0	0	0	1	0	0	0	0	0	1
Contract (Professionally qualified), Permanent	2	1	0	3	0	0	0	0	0	0	3
TOTAL	2	1	0	3	1	0	0	0	0	0	4

TABLE 20 - 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	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management, Permanent	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	0	0	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making, Permanent	0	0	0	0	0	0	0	0	0	0	0
Contract (Professionally qualified), Permanent	0	0	0	0	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0	0	0	0	0	0

TABLE 21 - 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	1	0	0	1	0	1	0	1	1	1	4
Professionally qualified and experienced specialists and mid-management, Permanent	3	0	0	3	0	2	0	0	2	0	5
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	4	0	0	4	0	2	1	0	3	3	10
Contract (Senior Management), Permanent	0	0	0	0	1	0	0	0	0	0	1
Contract (Professionally qualified), Permanent	2	0	0	2	0	0	0	0	0	0	2
Contract (Skilled technical), Permanent	3	1	0	4	0	6	1	1	7	0	12
TOTAL	13	1	0	14	1	11	2	2	13	4	34

TABLE 22 - Disciplinary Action

Disciplinary action	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
TOTAL	0	0	0	0	0	0	0	0	0	0	0

TABLE 23 - Skills Development

Occupational Categories	Male, African	Male, Coloured	Male, Indian	Male, Total Blacks	Male, White	Female, African	Female, Coloured	Female, Indian	Female, Total Blacks	Female, White	Total
Legislators, Senior Officials and Managers	0	0	0	0	0	0	0	0	0	0	0
Professionals	0	0	0	0	0	0	0	0	0	0	0
Technicians and Associate Professionals	0	0	0	0	0	0	0	0	0	0	0
Clerks	0	0	0	0	0	0	0	0	0	0	0
Service and Sales Workers	0	0	0	0	0	0	0	0	0	0	0
Skilled Agriculture and Fishery Workers	0	0	0	0	0	0	0	0	0	0	0
Craft and related Trades Workers	0	0	0	0	0	0	0	0	0	0	0
Plant and Machine Operators and Assemblers	0	0	0	0	0	0	0	0	0	0	0
Elementary Occupations	0	0	0	0	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0	0	0	0	0	0
Employees with disabilities	0	0	0	0	0	0	0	0	0	0	0

TABLE 24 - Individual Performance Management

This relates to individual performance management and is not applicable as the organisation has moved away from an individual bonus system. A process is underway to link organisational performance to monetary incentives.

TABLE 25 - 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
Periodical Remuneration	1	100	0	0	-1	100	1	0	-1
TOTAL	1	100	0	0	-1	100	1	0	-1

TABLE 26 - 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
Other occupations	1	100	0	0	-1	100	1	0	-1
TOTAL	1	100	0	0	-1	100	1	0	-1

TABLE 27 - Sick Leave for Jan 2012 to Dec 2012

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)	57	68.4	8	1.9	7	24	417	39
Highly skilled production (Levels 6-8)	1 786	73.2	236	56.6	8	1 075	417	1 308
Highly skilled supervision (Levels 9-12)	651	76.5	81	19.4	8	968	417	498

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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
Senior management (Levels 13-16)	159	78.6	23	5.5	7	472	417	125
Contract (Levels 6-8)	391	67	65	15.6	6	195	417	262
Contract (Levels 9-12)	9	77.8	3	0.7	3	10	417	7
Contract (Levels 13-16)	7	14.3	1	0.2	7	23	417	1
TOTAL	3 060	73.2	417	100	7	2 767	417	2 240

TABLE 28 - Disability Leave (Temporary and Permanent) for Jan 2012 to Dec 2012

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 no of Employees using Disability Leave
Highly skilled production (Levels 6-8)	26	100	1	100	26	17	26	1
TOTAL	26	100	1	100	26	17	26	1

TABLE 29- Annual Leave for Jan 2012 to Dec 2012

Salary Band	Total Days Taken	Average days per Employee	Number of Employees who took leave
Skilled (Levels 3-5)	240	24	10
Highly skilled production (Levels 6-8)	7 106	24	294
Highly skilled supervision (Levels 9-12)	2 214	23	95
Senior management (Levels 13-16)	597	21	28
Contract (Levels 6-8)	1 218	17	71

Salary Band	Total Days Taken	Average days per Employee	Number of Employees who took leave
Contract (Levels 9-12)	68	10	7
Contract (Levels 13-16)	51	17	3
TOTAL	11 494	23	508

TABLE 30 - Capped Leave for Jan 2012 to Dec 2012

Salary Band	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2012	Number of Employees who took Capped leave	Total number of capped leave available at 31 December 2012	Number of Employees as at 31 December 2012
Highly skilled production (Levels 6-8)	19	3	23	6	2 660	115
Highly skilled supervision (Levels 9-12)	8	8	39	1	1 158	30
TOTAL	27	4	26	7	3 818	145

TABLE 31 - Leave Payouts

Reason	Total Amount (R'000)	Number of Employees	Average Payment per Employee (R)
Capped leave payouts on termination of service for 2012/13	51	5	10 200
Current leave payout on termination of service for 2012/13	0	19	0
TOTAL	51	24	2 125

TABLE 32 - 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.	Yes		Senior Manager: Human Capital.
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.	Yes		One Employee Health and Wellness Manager.
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.	Yes		Health and Productivity Management; Wellness Management; HIV & AIDS.
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.	Yes		Committee re-established in March 2013.
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.	Yes		Employee Health and Wellness Policy, HIV & AIDS Policy; HIV & AIDS Policy; Leave Policy; Retention Policy; Employment Equity Policy.
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.	Yes		HIV & AIDS Policy; Education and Awareness Programmes on HIV & AIDS; HIV Counselling and Testing; Occupational Health Clinic.
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	Yes		HIV Counselling and Testing conducted at least three times annually.
8. Has the department developed measures/indicators to monitor & evaluate the impact of your health promotion programme? If so, list these measures/indicators.	Yes		EAP Engagement Reports; Occupational Health Clinic Reports; HIV Testing Reports; Wellness Days Reports.

TABLE 33 - Collective Agreements²

Subject Matter	Date
	0
	0

TABLE 34 - Misconduct and Discipline Hearings Finalised

Outcomes of disciplinary hearings	Number	Percentage of Total	Total
TOTAL	0	0	0

TABLE 35 - Types of Misconduct Addressed and Disciplinary Hearings

Type of misconduct	Number	Percentage of Total	Total
TOTAL	4	100	4

TABLE 36 - Grievances Lodged

Number of grievances addressed	Number	Percentage of Total	Total
TOTAL	0	0	0

² In December collective agreement was reached on the proposed structure and remuneration framework before submitting it to the Department of Trade and Industry for approval.

TABLE 37 - Disputes Lodged

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

TABLE 38 - Training Needs identified

Occupational Categories	Gender	Employment	Learnerships	Skills Programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	0	0	45	0	45
	Male	0	0	45	0	45
Professionals	Female	0	60	170	0	230
	Male	0	64	100	0	164
Technicians and associate professionals	Female	100	0	50	0	50
	Male	0	0	50	0	50
Clerks	Female	170	0	30	0	30
	Male	60	0	0	0	0
Service and sales workers	Female	0	0	100	0	100
	Male	0	0	100	0	100
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

Occupational Categories	Gender	Employment	Learnerships	Skills Programmes and other short courses	Other forms of training	Total
Elementary occupations	Male	0	0	0	0	0
	Female	0	0	0	0	0
Gender sub totals	Male	0	0	0	0	0
	Female	270	60	395	0	455
	Male	60	64	295	0	359
Total		330	124	690	0	814

TABLE 39 - Training Provided

Occupational Categories	Gender	Employment	Learnerships	Skills Programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	0	0	1	17	18
	Male	0	0	1	15	16
Professionals	Female	0	30	7	105	142
	Male	0	28	3	85	116
Technicians and associate professionals	Female	0	0	3	144	147
	Male	0	0	0	114	114
Clerks	Female	0	0	25	261	286
	Male	0	0	6	121	127
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

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Occupational Categories	Gender	Employment	Learnerships	Skills Programmes and other short courses	Other forms of training	Total
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	0	30	36	527	593
	Male	0	28	10	335	373
Total		0	58	46	862	966

TABLE 40 - Injury on Duty

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



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