Companies and Intellectual Property Commission

ANNUAL REPORT 2015/2016

Companies and Intellectual Property Commission

a member of **the dti** group

TABLE OF CONTENTS

PART A:
General Information

"There is no passion to be found playing small - in settling for a life that is less than the one you are capable of living."

Nelson Mandela

Part A: General Information

1.1 Public entity's general information

Registered name of the public entity

Companies and Intellectual Property Commission (CIPC)

Registration Numbers and/or other relevant numbers

Not applicable

Registered office address

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

Postal Address

P.O. Box 429
Pretoria
0001

Contact telephone numbers

+27 12 394 9973

Email address

info@cipc.co.za

Website address

www.cipc.co.za

External auditor's information

Auditor-General of South Africa
PO Box 446
Pretoria
0001

Banker's information

ABSA
PO Box 4210
Pretoria
0001

Company Secretary

CIPC does not have a Company Secretary

1.2 List of Abbreviations /Acronyms

Abbreviation	Description
AA	Accounting Authority
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
AIRCO	Association of Independent Record Companies
APP	Annual Performance Plan
AR	Annual Report
ARC	Agriculture Research Council
BBBEE	Broad-Based Black Economic Empowerment
BP	Business Plan
BR	Business Rescue
BRICS	Brazil, Russia, India, China and South Africa
BRP	Business Rescue Practitioner
CC	Close Corporation
CEO	Chief Executive Officer
CET	Commission Executive Committee
CAB	Change Advisory Board
CAPASSO	Composers Authors and Publishers Association
CSD	Central Supplier Database
CCIFSA	Cultural and Creative Industries Federation
CIPC	Companies and Intellectual Property Commission
CIPRO	Companies and Intellectual Property Registration Office
CIT	Corporate Identity Theft
CPD	Corporation for Public Deposits
CT	Companies Tribunal
DOE	Department of Education
DHA	Department of Home Affairs
DBS	Database Management System
DST	Department of Science and Technology
EME	Exempted Micro Enterprise
FNB	First National Bank
FRSC	Financial Reporting Standards Council
GRAP	Generally Recognised Accounting Practice
HIPO	Heads of Intellectual Property Offices
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communications Technology
IK	Indigenous Knowledge
IKS	Indigenous Knowledge Systems
IKSSA	Indigenous Knowledge Systems of South Africa
IMPRA	Independent Music Performance Rights Association
IRBA	Independent Regulatory Board of Auditors
IP	Intellectual Property
IPAP	Industrial Policy Action Plan
IT	Information Technology
IPLAA	The IP Laws Amendments Act
IPR	Intellectual Property Rights
JSE	Johannesburg Stock Exchange

Abbreviation	Description
MASA	Music Association of South Africa
MOI	Memorandum of Incorporation
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTREF	Medium Term Revenue and Expenditure Framework
MTSF	Medium Term Strategic Framework
NIPMO	National Intellectual Property Management Office
NMMU	Nelson Mandela Metropolitan University
NPA	National Prosecuting Authority
NT	National Treasury
NLB	National Lotteries Board
OPC	Operational Performance Committee
OTT	Office of Technology Transfer
PFMA	Public Financial Management Act
PIC	Public Investment Corporation (SOC) Ltd
POSA	Performers' Organisation of South Africa
PTTT	People Transformation Task Team
SA	South Africa
SACU	South African Customs Union
SADC	Southern African Development Community
SAIIPL	South African Institute of Intellectual Property Law
SAMPRA	South African Music Performance Rights Association
SAPS	South African Police Services
SARS	South African Revenue Service
SCM	Supply Chain Management
SMME	Small, Medium and Micro Enterprise
SOC	State-Owned Company
SOE	Standard Operating Environment
SST	Self Service Terminals
the dti	The Department of Trade and Industry
TIA	Technology Innovation Agency
TISC	Technology Innovation Support Centre
TRP	Takeover Regulation Panel
UK	United Kingdom
WIPO	World Intellectual Property Organisation
XBRL	eXtensible Business Reporting Language

1.3 Foreword by the Minister

It is my pleasure to present the annual report (AR) of the Companies and Intellectual Property Commission (CIPC) as it enters the final year of its five-year strategy iteration.

It is noted that over the past four (4) years, CIPC has managed to reduce the number of days it takes to register a company from an average of more than twenty five (25) to just four (4) working days - as at the end of this reporting period. Whilst this is a significant improvement, we believe that it is possible to reduce the compliance burden for business entities to meet the objective of the Companies Act No. 71 of 2008 (as amended) - even further. During the period under review, CIPC undertook market tests to determine the level of compliance with the Companies Act No. 71 of 2008 (as amended), in areas such as Schedule 2 State-Owned Companies (SOCs); Section 92, rotation of auditors and appointments of Social and Ethics Committees. This made the boards of SOCs aware of their responsibilities in terms of the Act, and the consequences of failure to adhere. An indirect result appears to be greater shareholder activism from the shareholder representatives of these SOCs. With regards to "rotation of auditors", the results showed that the audit service providers have mechanisms in place to ensure that they comply with Section 92 of the Act. There is substantial compliance by listed public companies in establishing Social and Ethics Committees.

CIPC further had "high level conversations or interactions" on director remuneration and properly constituted audit committees. An evaluation of the responses received from 19 Johannesburg Stock Exchange (JSE) listed companies and CIPC's interactions with the Public Investment Corporation (PIC), JSE and the Independent Regulatory Board for Auditors (IRBA), indicated basic compliance with the remuneration disclosure provisions of the Act. Although this is positive, there is still room for improvement on disclosure on companies' remuneration policies. The responses also showed that certain companies appointed improperly constituted audit committees which in turn implies that their auditor's appointments are invalid.

The coming into law of the IP Amendment Act will modernise the IP landscape and usher in a new era for Indigenous Knowledge Systems (IKS) and traditional cultural expressions. It will further enhance the value of the registered patents through the substantive examination of patents as outlined in the IP Policy. It is noted that as a building step towards this, CIPC has recruited 20 patent examiners with various sets of skills. This should assist in improving the value of patents granted, once the Policy and Legislative Framework comes into effect - in the near future. Training is currently in progress at various offices internationally, including the Japan Patents Office (JPO), World Intellectual Property Organization (WIPO), and Brazil, Russia, India, China and South Africa (BRICS) Intellectual Property (IP) Offices. This collaboration is pivotal for the implementation of the IP Amendment Laws Act and to ensure a capable organisation. The education and awareness programmes around IKS that were implemented within the various communities, sectors, and departments, also form a key cornerstone in the successful implementation of the IP Amendment Laws Act. This should be intensified in the new reporting period to ensure that communities are able to leverage opportunities from their indigenous works to derive optimal economic benefits.

The digitisation of the various CIPC services resulted in improved access and speed, specifically company registrations which, as mentioned in the above, is now processed within an average of four (4) working days. This dramatic improvement will undoubtedly support the investment environment and stimulation of entrepreneurship. Some of the innovations to improve speed and access to CIPC services include an integrated company registration and bank account opening process in collaboration with the four big banks; First National Bank (FNB), Standard Bank, Nedbank and ABSA. Another innovation has been the introduction of self-service terminals (SSTs) aimed at small businesses and entrepreneurs who wish to register companies, effect changes to their company details, lodge annual returns and print BBBEE certificates. CIPC currently has SSTs in Cape Town, Western Cape, and Johannesburg, Gauteng. Two more were established in 2015/2016: one in Saldanha, Western Cape, and another one in Durban, KwaZulu-Natal. The SSTs innovation expanded the CIPC footprint and improved access to its services. CIPC also played an enabling role in the roll out of the Central Supplier Database by National Treasury (NT) and there is now a facility for live verification of companies via the CIPC link to the database. This demonstrates the importance of partnership between government institutions in order to achieve national objectives.

In conclusion, CIPC has made great strides within this reporting period. I am confident that as the entity approaches the end of this strategy iteration, it will achieve even more - through greater collaboration with

____

Dr Rob Davies
Minister of Trade and Industry
27 July 2016

1.4 Acting Commissioner's Overview

It gives me great pleasure to present the AR of CIPC for the 2015/16 financial year.

In the year under review the organisation stabilised in terms of labour relations through a concerted effort of both organised labour and the leadership of the organisation - to work towards resolving issues that emanated from the matching and placing exercise in 2013. A transformation committee with an external chairperson was established to address the issues raised by staff and recommendations were forwarded to **the dti** for consideration.

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

Access channels were increased with SSTs established in Saldanha, Western Cape and in Durban, Kwa-Zulu Natal. Concerted efforts were made to partner with government entities in the other provinces and the implementation has been slower than expected. In order to deal with our access problems, we continued with our banking collaboration. As a result, company registration services can be concluded at more than 3000 branches countrywide.

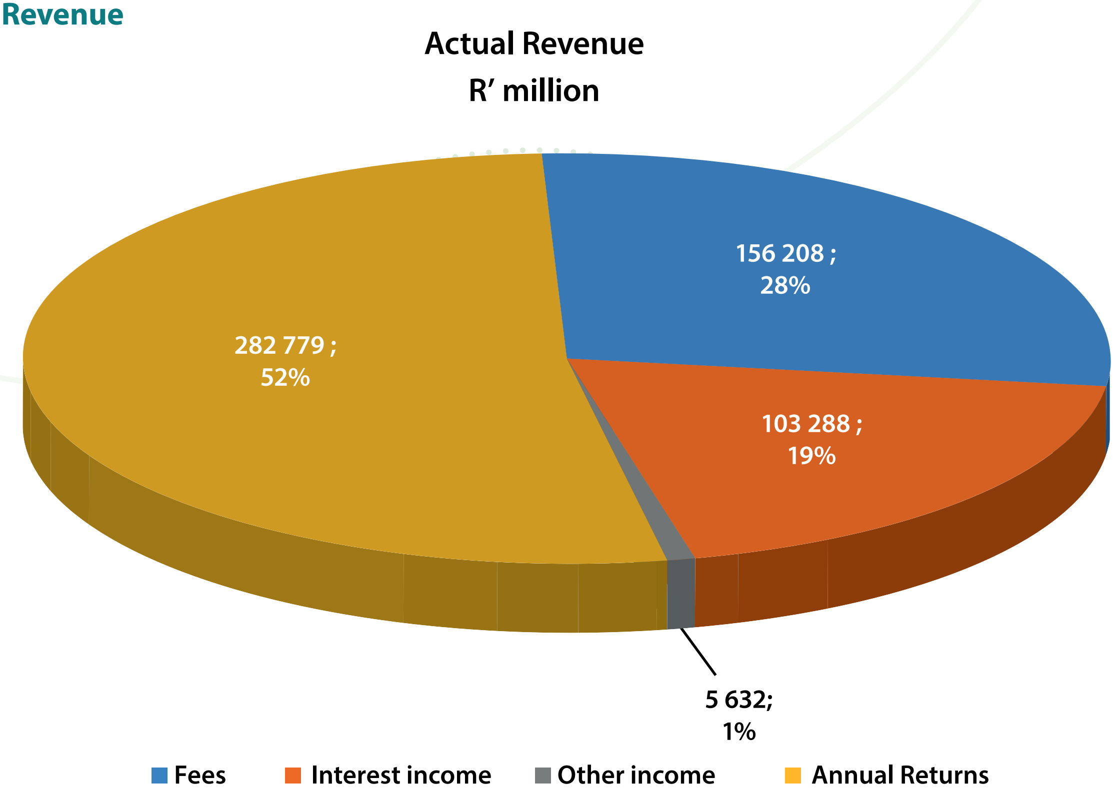
The filling of key vacancies remained a challenge, but measures were implemented and an agreement was reached with organised labour - to counteract that.

Operations continued and service delivery standards were consistently exceeded in most areas.

1.4.1 General financial review of the public entity

For the year under review, CIPC received revenue totalling R547,9 million, of which R282,8 million was derived from annual returns paid.

1.4.1.1 Revenue



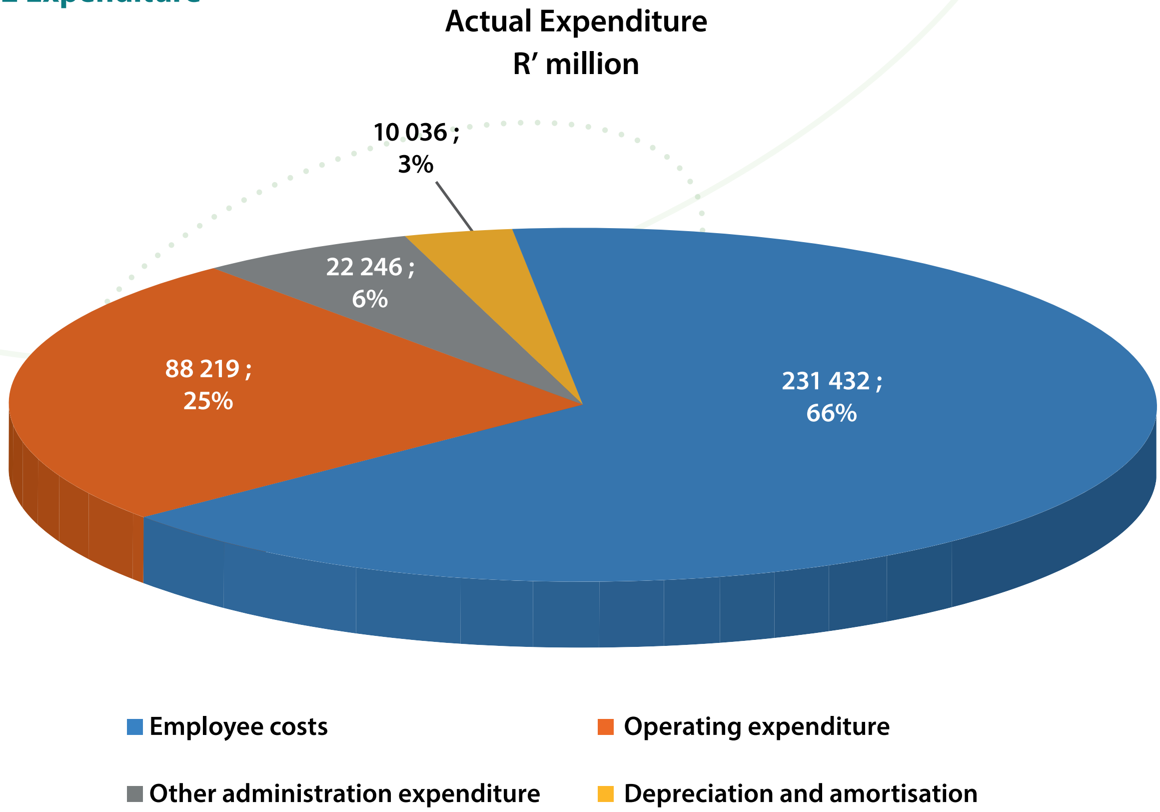
For the period 01 April 2015 to 31 March 2016, a total revenue of R438,9 million was generated from business activities related to submission of annual returns and registrations of companies, patents, designs and trade marks. Revenue generated from the income amount to R5.6 million. This comprise mainly of recognition as revenue of amounts older than 3 years, amounting to R4.9 million and other Sundry income.. Interest of R103,2 million was earned on the Corporation for Public Deposits (CPD) investment at the Reserve Bank and other related accounts.

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

1.4.2 Spending trends of the public entity

The 2014/2015 - 2017/2018 Medium Term Revenue and Expenditure Framework (MTREF) for CIPC was submitted to **the dti** and NT in accordance with the Public Finance Management Act (PFMA) (Act 1 of 1999). A financial analysis was also submitted to **the dti** and approval was granted by NT as part of approval and implementation of the CIPC and the new organisational structure.

1.4.2.2 Expenditure



The main cost drivers for CIPC as a service organisation relate to employee remuneration, IT services, office accommodation and service delivery enhancement projects. The remuneration of staff remains the most substantial expense, amounting to R231,4 million (66%) of total operating expenditure in the 2015/2016 financial year.

During the period under review, IT systems have been stabilised with improved infrastructure and enhanced bandwidth which led to improved functionality and greater security. The organisation will continue to invest in modernising its infrastructure in the next strategic period .

1.4.3 Capacity constraints and challenges facing the public entity

The organisation continued to operate in 2015/2016 despite multiple challenges such as the following:

- Lack of approved CIPC policies - Policies of the Companies and Intellectual Property Registration Office (CIPRO) and **the dti** are being used that do not address the requirements of the organisation in its current form.
- The high vacancy rate remains a challenge, mainly due to the intermittent moratorium on filling vacant posts, particularly for levels 1 – 12. This has also placed strain on the capacity of the Human Resources (HR) & Information and Communications Technology (ICT).

- Instability at executive level resulting in officials only acting in positions. This includes the Deputy Commissioner who is acting as Executive Manager Business Regulation, and as a Commissioner.
- The CIPC Bargaining Forum is not implemented yet.
- The remuneration framework is not fully approved yet and as a result, there are disparities in salary payments.
- Overlapping of salary levels is creating operational challenges to manage the establishment of staff.
- Disputes related to matching and placing of staff that are not fully resolved yet led to low morale amongst staff.
- Implementation of the approved performance management policy.
- The call centre has a low call answer rate due to insufficient capacity.
- ICT Business Continuity and Disaster Recovery still poses a specific challenge.

1.4.4 Discontinued activities / activities to be discontinued

No services were discontinued.

1.4.5 New or proposed activities

No new activities outside of the mandate of CIPC were adopted. The organisation however played a key role in enabling other organisations such as NT to roll out its Central Suppliers Database. Data is being verified through a live link between the two organisations. This enables suppliers of goods and services to government to register in real time. At the same time, the entity is able to verify the authenticity of the suppliers against information from key stakeholders that is available on the CIPC and SARS databases.

1.4.6 Requests for rollover of funds

No rollover was reported during this period.

1.4.7 Supply chain management

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

1.4.8 All concluded unsolicited bid proposals for the year under review

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

1.4.9 SCM processes and systems

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

1.4.10 Challenges experienced and how they will be resolved

Issues around the matching and placing exercise undertaken in 2013 led to general low staff morale in the previous year. The management of the organisation engaged organised labour through the Transformation Committee chaired by an independent external chairperson. The office of the Commissioner has since made a submission to the Minister to consider the approval of the salary disparity payment.

The constitution of the CIPC Bargaining Forum was agreed and signed between employer and organised labour. The forum is expected to be implemented in the new financial year, once the chairperson is appointed. It is expected that the policies will be implemented soon after .

With regard to the moratorium, it is anticipated that the positions where there is no dispute will be filled. It is also expected that the current structure and the remuneration framework will be reviewed in the new financial year, as part of the strategy review process.

A major challenge was the fact that key policies were not approved in the 2014/2015 year. Subsequently, a Bargaining Forum was established and the organisation was able to approve and implement its Rewards and Recognition and Performance Management Policies.

1.4.11 Audit report matters in the previous year and how they will be addressed

Audit report matters are monitored and presented to the Audit Committee on a quarterly basis through the "Management Action Report, Dashboard Report - Drivers of Internal Control to Achieve Clean Administration". Some critical issues are discussed in the table below:

Audit report matter in 2014/2015	Commitments	Progress so far
A fully integrated performance management system that matches CIPC's information requirements was not implemented. This resulted in management being unable to provide reports and supporting schedules which were free from data integrity issues to support the reported achievements.	Data integrity issues will be improved through continual business process and application improvements.	An ICT consolidation phase was initiated at the beginning of July 2016. Weekly 'snag list' meetings are held with the business to prioritise application fixes required. A list of the root cause data integrity issues are being prioritised and fixed as part of this process. Corrective actions continue as prioritised as part of the snag list process, and as capacity allows. This will directly support and result in the improvement of data integrity.
	Engage in identified data correction initiatives - formatting the date and other identified fields in affected systems.	This specific intervention was completed. Any outstanding issues are being prioritised as part of the ICT consolidation phase as per the previous point. Additionally a Business Prioritisation Forum was constituted in November 2015 to ensure that critical issues are addressed. In March 2016, meetings were held with Business Units to determine 2016/2017 priorities. With regards to "despatch date," the fix has been implemented. Backdating of data to 01 April 2015 is in process and under analysis by CIPC and the AGSA. With regards to accuracy and reliance of supporting data for "website availability", discussions between Vantage, CIPC and the AGSA are continuing. A synthetic measurement solution was proposed. The review together with the AGSA was planned for March 2016
		With regards to Trans_Id for transaction completeness, an agreement still has to be reached with the AGSA on de-activation of DB Trans-Id functionality - to enable a sampling approach to auditing to facilitate database management system (DBMS) replication. This will in turn address reporting demands and optimise infrastructure utilisation to meet operational demands.

Audit report matter in 2014/2015	Commitments	Progress so far
The overall vacancy rate improved by 1% as at November 2015.	Implement Recruitment Programme urgently. Dependency: Lifting of the Recruitment Moratorium.	Through the People Transformation Task Team (PTTT) that was established, the following has been achieved to date: - The CIPC Bargaining Forum was established. - The Performance Management Policy was approved. - The Reward and Recognition Policy was approved. The PTTT concluded the salary disparity matter and tabled their report to EXCO. Human Capital engaged Deloitte to audit the spreadsheet and express their opinion on the spreadsheets and financial sustainability of the organisation in this regard. 2 Divisional Managers for IP accepted offers and started in January 2016. The Divisional Manager: Group Risk, Compliance and Governance assumed duty on the 1st of March 2016. Interviews were conducted for the Chief Audit Executive post and shortlisted candidates were sent for competency assessments. The panel still has to make a decision on the appointment. 87 Posts were advertised and 47 appointments were made in the financial year under review, including internal promotions. 12 Employees were terminated for a variety of reasons.
Most of the technology utilised by the CIPC are outdated legacy systems and as a result, resources are scarce. There is also a lack of resources in the industry who are able to work on these legacy systems. This has resulted in the CIPC placing reliance on service providers to provide critical IT functions such database administration of Oracle, Informix and SQL databases. Over reliance on a service provider could lead to a risk of the CIPC IT function being unable to continue operations should the service provider fail to provide the services.	Outsourcing of non-core skills where a diversity of skills levels is required.	Tenders were finalised under the SITA Transversal Contract. SLAs will be concluded with prospective Service Providers for the transfer of specific skills.

1.4.12 Outlook/ plans for the future to address financial challenges

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

1.4.13 Events after the reporting date

The CIPC-Nedbank collaboration was launched by the Minister in April 2016. This collaboration offers another channel for the registration of companies through the online functionality of more than 800 Nedbank branches.

The automation journey continued and Non-Profit Company registrations are now fully automated on the e-services platform. The organisation is working towards an enhanced password reset function which should lead to a reduction in customer queries. Similarly, a number of user-friendly, step-by-step visually aided guides are being developed for deployment across social media platforms.

The Chief Audit Executive, Mr Mpho Mathose commenced his duties on 01 June 2016.

1.4.14 Economic viability

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

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

1.4.15 Acknowledgement/s or appreciation

I would like to acknowledge the commitment and dedication of CIPC senior/executive management and all staff of CIPC who did their jobs with dedication. As a result of these collective efforts, CIPC was able to deliver services to its clients and achieve 81% of its organisational targets. In addition, I would like to commend organised labour for their passion for the organisation. Appreciation also goes to the Audit and Risk Committees for their value add and commitment to governance in the organisation. The work of other committees like the Client Liaison Committee (CLC), IP Lawyers fraternity, Standing Advisory Committee in Company Law (SACCL), and all collaboration partners furthermore made a notable contribution to CIPC.

Finally, I would like to extend thanks to the Minister of Trade and Industry, Honourable Dr Rob Davies, Deputy Minister Honourable Mzwandile Masina, the Director-General of **the dti**, Mr Lionel October and the whole of **the dti** for their support.

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

The financial statements for the year that ended 31 March 2016 are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and incorporate disclosure in line with the accounting policies of the entity and the requirements of the PFMA.

____

Commissioner (Acting)
Rory Voller, Adv
Date: 27 July 2016

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

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

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

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

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

The annual financial statements (Part E) were prepared in accordance with the **South African Standards of Generally Recognised Accounting Practice (GRAP)** applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for the establishment and implementation of a system of internal control that is designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

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

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year that ended 31 March 2016.

Yours faithfully

____

Commissioner (Acting)
Rory Voller, Adv
Date: 27 July 2016

1.6 Strategic Overview

Vision

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

Mission

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

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

CIPC values

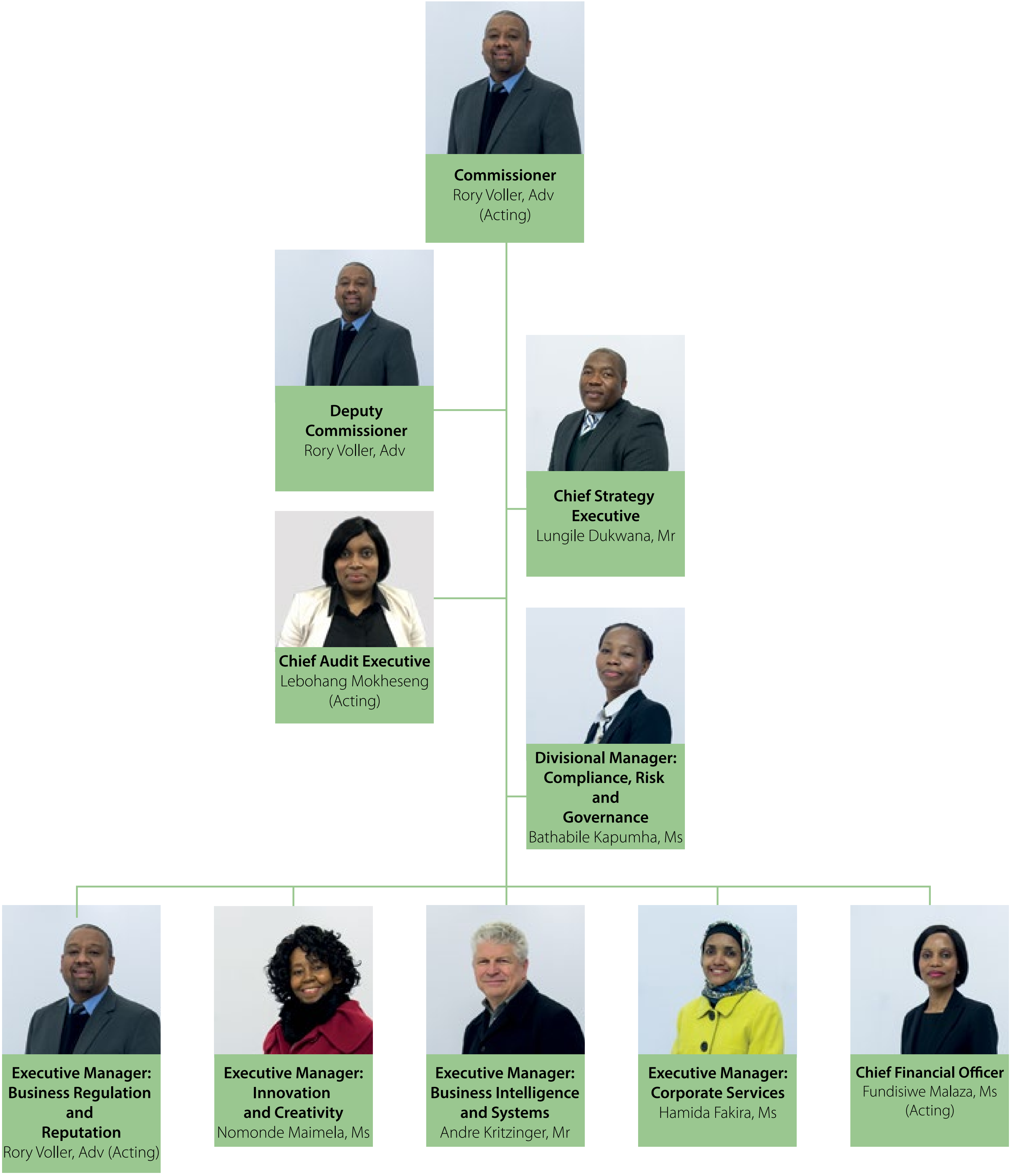
Value	What it means
Passion for service	We work as one to seamlessly serve our customers with passion, commitment and dedication.
Integrity	We live out fairness, impartiality and respect in all of our actions as individuals and as an organisation.
Empowerment	We recognise the value of our employees and 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.

1.7 Legislative and Other Mandates

CIPC is a Schedule 3A Public Entity under the PFMA and administers all or parts of fifteen (15) pieces of legislation relating to corporate and intellectual property (IP) regulation. Its mandate encompasses companies, close corporations, co-operatives, trade marks, patents, designs, aspects of copyright legislation and enforcement of rules and regulations in most of these areas of law. CIPC's primary institutional mandate is derived from the Companies Act, 2008, which establishes CIPC as a juristic person.

Legislation	Mandate	Sector
Companies Act, No 71 of 2008	Register companies, business rescue practitioners and corporate names, maintain data, regulate governance of and disclosure by companies, accredit dispute resolution agents; educate and inform about all laws, non-binding opinions and circulars, policy and legislative advice	Economy-wide
Close Corporations Act, No 69 of 1984	Maintain data, regulate governance of and disclosure by close corporations	Economy-wide
Co-operatives Act, No 14 of 2005	Register co-operatives, maintain data, regulate governance of and disclosure by co-operatives	Economy-wide
Co-operatives Amendment Act, No 6 of 2013	Amend the accounting practices and requirements for co-operatives by providing for audit and independent review of co-operatives. Establish the Co-operative Development Agency and Tribunal	Economy-wide
Share Block Control Act, No 59 of 1980	Regulate conduct and disclosure by share block schemes	Economy-wide
Consumer Protection Act, No 68 of 2008	Register business names	Economy-wide
Trade Marks Act, No 194 of 1993	Register trade marks, maintain data, resolve disputes	Economy-wide
Merchandise Marks Act, No 17 of 1941 (Unauthorised Use of State Emblems Act, No 37 of 1961)	Prevent and enforce the unauthorised use of state emblems	Economy-wide
Patents Act, No 57 of 1978	Register patents, maintain data, publish patent journal, administer Court of Commissioner of Patents	Economy-wide
Designs Act, No 195 of 1993	Register designs, maintain data, resolve disputes	Economy-wide
Copyright Act, No 98 of 1978	Provide non-binding advice to the public	Creative industries
Registration of Cinematography Films Act, No 62 of 1977	Register films, maintain data	Film industry
Performers Protection Act, No 11 of 1967	Accredit Collecting Societies; regulate their governance, conduct and disclosure	Music industry
Intellectual Property Laws Amendment Act of 2013	Record and register Indigenous Knowledge (IK), administer the National Trust and Council for IK, accredit dispute resolution agencies	Creative industries
Counterfeit Goods Act, No 37 of 1997	Conduct and coordinate search and seizure operations, oversee depots	Economy-wide

1.8 Organisational Structure



PART B: Performance Information

"If you talk to a man in a language he understands, that goes to his head. If you talk to him in his language, that goes to his heart."

Nelson Mandela

Part B: Performance Information

2.1 Situational analysis

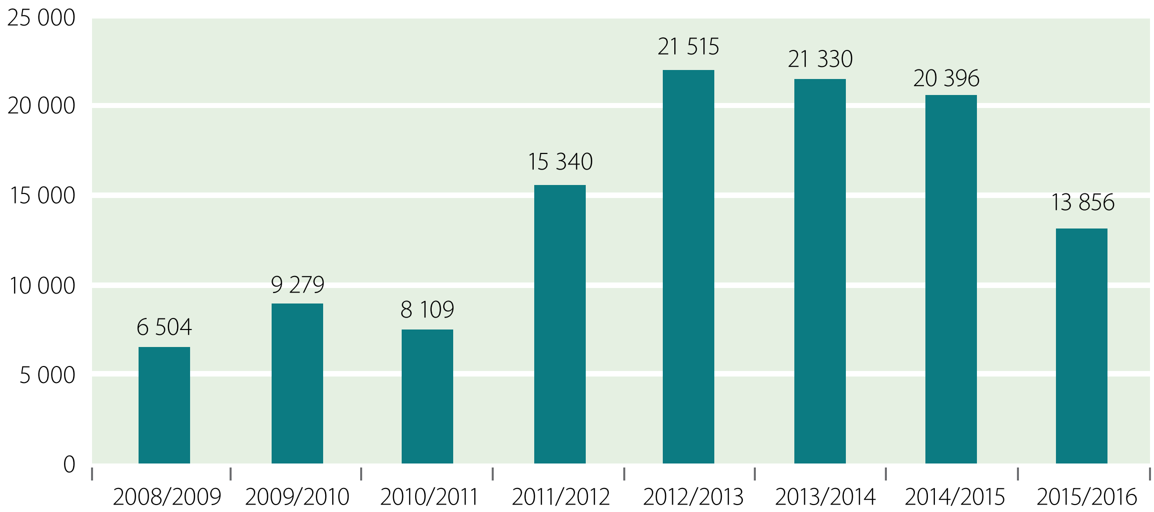
2.1.1 Service delivery environment

The global recession has led to an environment of heightened economic uncertainty, with projections for growth in world GDP for 2016 being revised down significantly for most of the countries. Growth in world trade volumes has slowed sharply and the direct impact was felt in the South African economy as well. Some of the local micro-economic variables have also impacted on the economy like the energy constraints, labour market disruptions, skills shortages, administrative shortcomings and difficulties in our industrial transformation. However, the economic growth of the African continent continues to outperform traditional economies and this remains a positive factor for the South African economy. The tables below reflect an increasing trend for the number of companies registered over the last eight (8) years.

From the graph above it is evident that the registration of companies has increased significantly in the year under review. This may have been influenced by a lot of factors that may be internal or external to CIPC. The digitisation of the highly demanded services may be one such internal factor as it improves efficiencies. This is an increase of around 34% compared to the figure achieved in the previous reporting period. It is also the highest number of registrations ever achieved since the establishment of the Commission.

The Registration of co-operatives has significantly declined during the year under review as indicated in the table below. This is a decline of 32% compared to the previous reporting period. It is also the lowest number of co-operatives registered in the history of the Commission. This may be influenced by various factors, including the simplicity of registering a new standard MOI company and withdrawal of the co-operatives' incentives, to mention but a few.

Co-operatives Registrations



Whilst growth in registrations is desirable as a short-term indicator of increasing economic activity as well as an acknowledgement of the value of registrations by the marketplace, the sustainability of registrations is probably a more accurate reflection of success in the medium- to long term. Some registrations that lapse or are cancelled could be an indication that businesses do not have the competitive or managerial capacity to survive or to fully benefit from the potential of registration. It may also be an indication of a premature shift from the informal to the formal economy and as such, registration may be of limited benefit to these businesses. The high administrative burden of de-registration and lapsed registrations is not in CIPC's best interest. It is important that entrepreneurs have a good understanding of the possible costs and benefits of registration so that they can make informed decisions.

Targeted interventions are pursued to develop a range of value-added services especially for all businesses. These services need to enhance the registration process, provide additional benefits to mitigate some of the challenges in registration and contribute to the potential for long-term viability and sustainability. Such services may very well include partnerships with large corporates who may in turn provide additional value-added services to small businesses. This has been partially realised with the collaboration on the registration of new companies with the four big banks: FNB, Standard Bank, ABSA and Nedbank. To date, CIPC furthermore introduced SSTs in Pretoria, Johannesburg, Cape Town and Durban. This is pivotal in CIPC's efforts to drive access to and simplicity of its services, as well as reaching out to small businesses.

IP is increasingly recognised as a valuable strategic asset - at a national as well as at a corporate and individual level. As Bloomberg reports, 'Suddenly companies are acknowledging that patents are a strategic asset worth billions.' This acknowledges the reality that innovation is crucial to competitive advantage and that the ability to compete globally is essential to wealth, job creation and fiscal health. Investment in intangible assets today outweighs investment in tangible assets. The global trade in IP licences alone is estimated at 5% of world trade. Globalisation, technological changes, as well as the emergence of low-cost manufacturers in developing countries such as China, have fundamentally changed the IP landscape and are challenging the value of conventional IP rights protection and its enforcement, according to a 2005 report by PricewaterhouseCoopers (PWC), entitled "Redefining Intellectual Property Value: The Case of China".

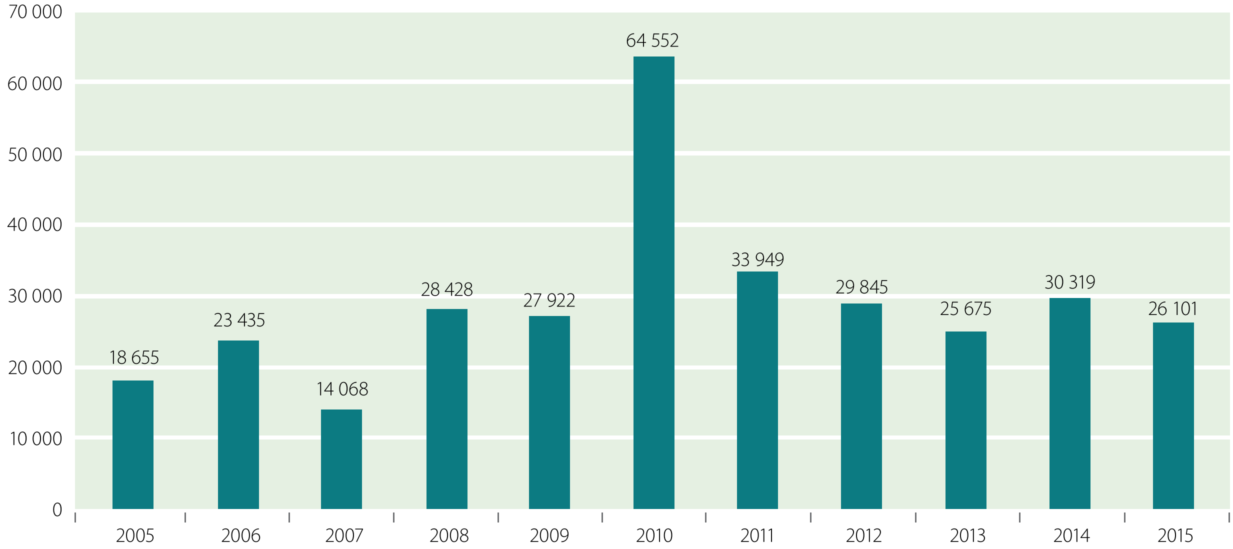
"Technological changes, such as digitization, have made IP more portable and are diminishing the effectiveness of current intellectual property enforcement mechanisms. As more countries are entering and profiting in international markets, the level of intellectual property rights infringement is rising and the distinction between innovation and copying is blurring. Emerging economies are unlikely to implement IP rights and protection practices as those established in North America and Western Europe" (page 9). At the same time, however, the value of corporations has increasingly shifted towards intangible assets, namely their IP. According to the PWC study, in 1998, 85% of the value of US corporations was in intangibles, up from 38% in 1982. The study argues that multinational companies must find new ways to protect their IP that is distinct from the conventional methods. This could include actions like acquisitions and having a presence in big emerging economies, such as China, with the potential for infringements.

The implication of these global changes for SA is that a substantial increase in the registration of IP rights from international sources is highly unlikely. Any more substantial growth in IP registration will most likely come from local or African sources. Therefore, while SA must continue to support the international IP system, and in particular participate in the World Intellectual Property Organisation (WIPO), it is important that CIPC clearly establishes what role IP rights and their protection can play in SA and how it should be enhanced integrated economically. SA also has a clear role to play in the development of IP rights on the African continent and more particularly, in the Southern African Development Community (SADC) and South African Customs Union (SACU) countries. Developing a coherent strategy in this regard is an imperative for CIPC. The aim should be to encourage the lodging of African applications in SA.

The tables below show trends in trade mark applications over the past eight (8) years, and trade mark registrations over the past ten (10) years.

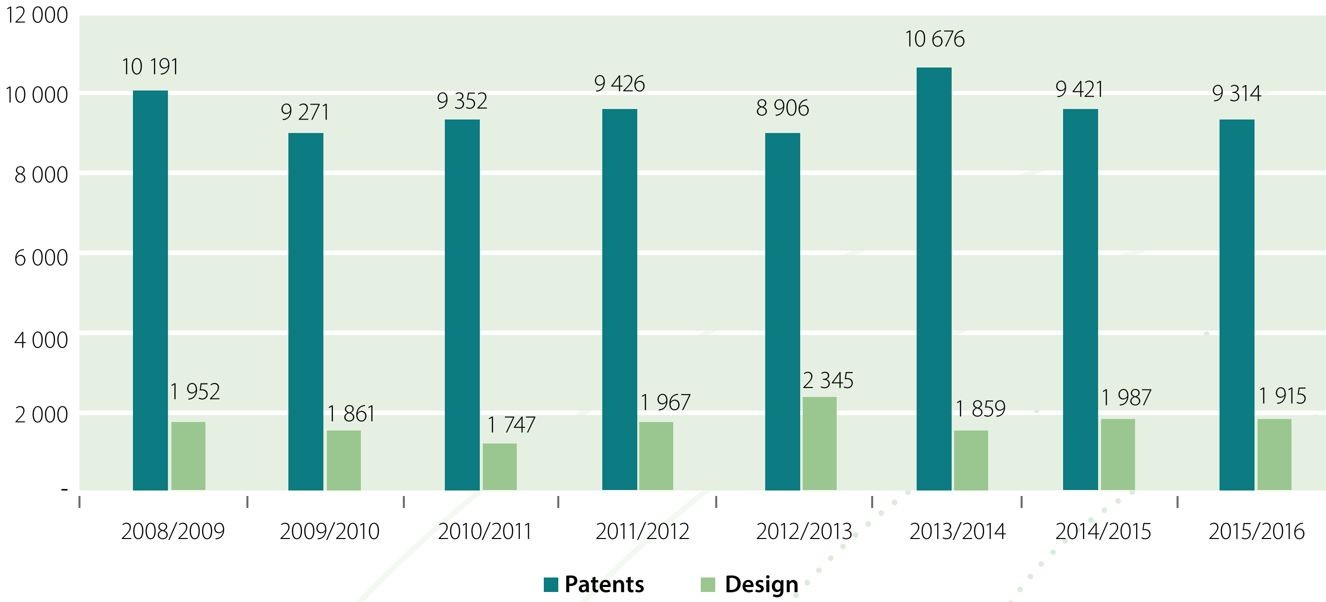
During the year under review, trade mark applications increased by 4% compared to the previous period. This is the highest number of applications received in the last 8 years.

Trade Mark Registrations

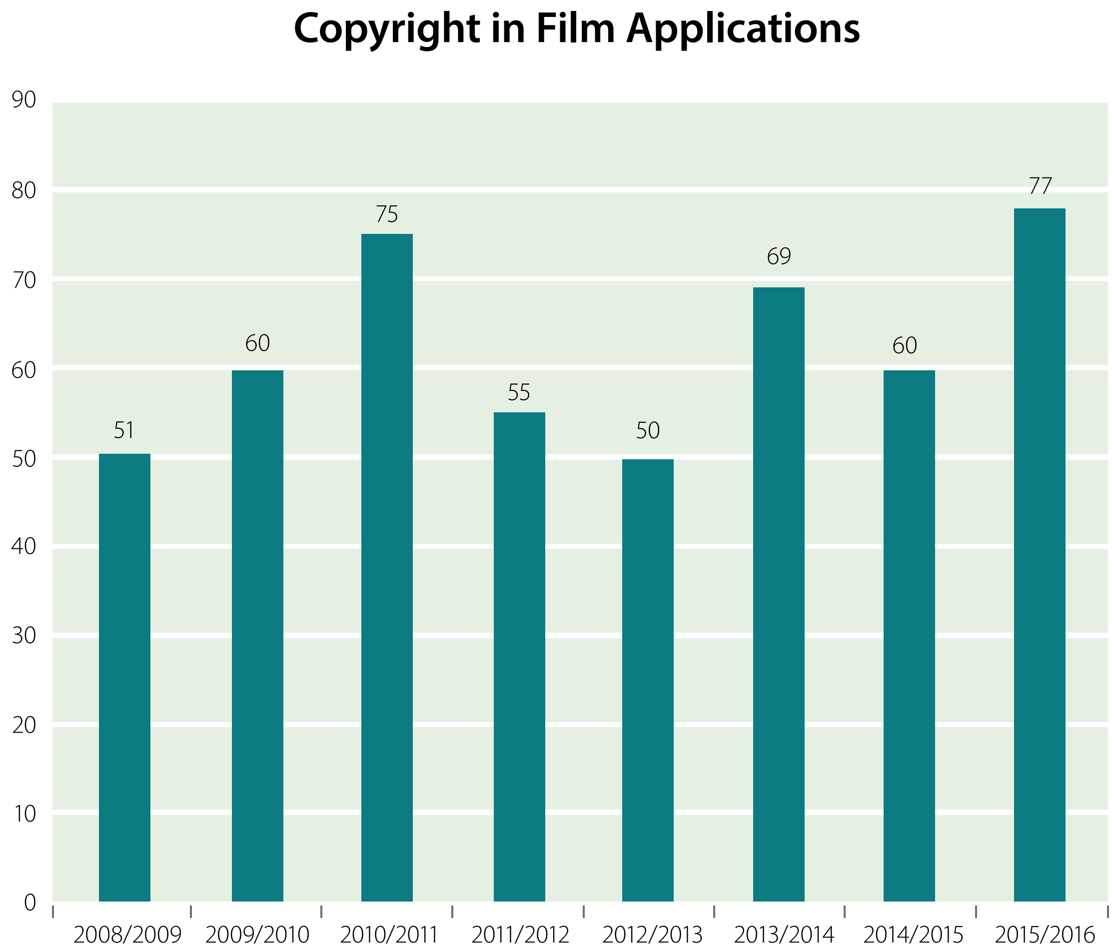


The table below shows the decreasing trends in patent and design applications. Although patent applications are slightly less this year compared to the previous reporting period, the trend is still within the average of the past few reporting periods. This trend compares reasonably with that of the designs.

Patents and Designs



The table below show the trend in copyright in film applications over the past eight (8) years. The table shows that the application numbers has somewhat improved from the previous two reporting periods with an increase of just above 28% recorded. This is also the highest number copyright in film applications processed since the establishment of CIPC and in the last 8 years. This may be attributed to the simplified registration process as well.



2.1.2 Organisational environment

As at 31 March 2016, 74% of the approved positions were filled, compared to 70% the previous year. Although key positions such as that of the Divisional Manager: Compliance, Risk and Governance and the Chief Audit Executive were vacated during the year, filling of these and other vacant positions were fast-tracked. As a result, the following key positions were filled: Executive Manager: Corporate Services, Divisional Manager: Creative Industries, Divisional Manager: Innovation and Creativity, and Divisional Manager: Compliance, Risk and Governance. The Chief Audit Executive position has also been filled, but the official will commence in 2016/2017.

Much attention was also paid to embracing technology to enable quicker, easier and secure access to CIPC and to deliver new and unique value through partnerships with channel partners. A case in point is the collaboration with the four big banks, FNB, Standard Bank, ABSA and Nedbank on the registration of new companies. To date, CIPC furthermore introduced SSTs in Pretoria, Johannesburg, Cape Town, Saldanha and Durban. These new and unique service offerings focused on a single point of registration which should contribute greatly to the reputation and credibility of CIPC in years to come. The magnitude of the changes implemented in CIPC had an external impact as well, both in terms of the reliability of service delivery and the accessibility of the organisation. In the coming period, the change processes will enter a consolidation phase to ensure that external stakeholders can reap the benefits of the changes implemented.

2.1.3 Key policy developments and legislative changes

There were no key policy developments and legislative changes during 2015/2016. CIPC continues to anticipate the changes as per the awaited IP Laws Amendment Act as well as the Amendments in the Co-operatives Act. Various initiatives are ongoing in this regard including the capacitating recruitment and training of the patent examiners, as well as education and awareness.

2.2 Strategic outcome oriented goals

CIPC has identified three outcome oriented strategic goals that aim to give effect and substance to its strategy. These are: -

1. To contribute to a knowledge-based economy and competitive local industries by promoting innovation, creativity and indigenous cultural expression and knowledge.

2. To promote broader formal economic participation by enhancing service delivery and extending the reach of CIPC.

3. To improve the competitiveness of the South African economy by enhancing the reputation of South African businesses and the South African business environment.

Strategic Outcome Oriented Goal 1: To contribute to a knowledge-based economy and competitive local industries by promoting innovation, creativity and indigenous cultural expression and knowledge.

Globalisation requires that SA businesses be viewed as credible, well regulated entities with world class governance standards. CIPC continues to expand its governance capability and its regulatory functions in this regard. A market test of a cross section of Schedule 2 SOCs was undertaken in 2014/2015 to determine their level of compliance with the Companies Act No. 71 of 2008 (as amended). The market test undertaken and the interventions thus far made the boards of SOCs aware of their responsibilities in terms of the Act, and the consequences of failure to adhere. An indirect result appears to be greater shareholder activism from the shareholder representatives of these SOCs. CIPC continues to liaise closely with the Auditor-General's office and various inter-Ministerial governance units to strengthen compliance of the different SOCs at board level and in matters relating to their portfolios, as well as to recommend enforcement action if the need arises.

In 2014/2015 CIPC also undertook a proactive market test to determine what mechanisms audit service providers have put in place in response to Section 92 - rotation of auditors - of the Companies Act No. 71 of 2008 (as amended). 60% (143 out of 238) audit service providers advised CIPC that they have mechanisms in place to manage the rotation of auditors as per the provision. 19% (45 out of 238) audit service providers advised CIPC that they were not aware and/or uncertain of what this provision of the Act entailed. This is a cause for concern as on the one hand it implies that compliance will be limited and on the other hand it means that CIPC should spend more resources on education and awareness. About 21% (50 out of 238) audit service providers advised CIPC that this provision was not applicable to them. In conclusion, the market test indicates that the audit service providers have mechanisms in place to ensure that they comply with Section 92 of the Act. Going forward, CIPC will explore how to raise greater awareness within the broader audit community in this regard.

CIPC drafted accreditation requirements for an accredited entity to facilitate access to professional redress in terms of Section 166 of the Companies Act No. 71 of 2008 (as amended), which provides for alternative dispute resolution ("ADR"). Specifically subsection 166 (1)(b) of the Act states that as an alternative to applying for relief to a court, or filing a complaint with CIPC, a person who would be entitled to apply for relief, or file a complaint for resolution by mediation, conciliation or arbitration to an accredited entity, may refer a matter that could be the subject of such an application to an accredited entity as defined in subsection 166 (3) of the Companies Act No. 71 of 2008 (as amended). A letter was sent to the Minister of Trade and Industry with the draft accreditation requirements and proposed criteria for his consideration.

On the appointment of Social and Ethics Committees as per Regulation 43 read with Section 72 (4) to (10) of the Companies Act No. 71 of 2008 (as amended), CIPC also conducted a test on a segment (listed public companies) of the market that is required to have Social and Ethics Committees, to determine the level of compliance. 96% (252 out of 263) listed public companies confirmed compliance with the establishment of a Social and Ethics Committee, which indicates substantial compliance. 4% (11 out of 263) indicated that they were registered as external companies and were therefore of the view that regulation 43 is not applicable to them. CIPC then sought a legal opinion on whether an external company listed on the JSE is required to have a Social and Ethics Committee. A legal opinion was received and is still under consideration.

In 2015/2016, CIPC undertook to have "high level conversations or interactions" on director remuneration and properly constituted audit committees. With regard to director remuneration, CIPC engaged with 20 of the top 40 publicly listed companies on the JSE, to determine their level of compliance with sections 30(4); 30(5) and 30(6) of the Act. Feedback was received from 19 of the 20 companies. CIPC furthermore had engagements with the PIC, JSE and IRBA on issues pertaining to director remuneration and properly constituted audit committees. An evaluation of the responses received from the 19 JSE listed companies and CIPC's interactions with the PIC, JSE and IRBA indicated basic compliance with the remuneration disclosure provisions of the Act. CIPC is however of the view that there is still room for improvement and will take it up with the relevant entities that might be in a position to assist in influencing improved disclosure on companies' remuneration policies. CIPC provided input to the IRBA regarding the issue of improperly constituted audit committees, specifically noting that the composition of an audit committee must be correct to ensure that the appointment of the auditor is correct. It was also pointed out that CIPC became aware of the fact that certain companies have appointed improperly constituted audit committees which in turn implies that their auditors' appointments are invalid as well.

Section 162 of the Companies Act provides for an application to declare a director delinquent or under probation. CIPC has three (3) civil matters in court. In two (2) of the cases, CIPC is applying for court orders to declare directors delinquent and in the third matter, an application was filed to place a director under probation.

With regard to criminal prosecution, CIPC has opened 18 cases with the SAPS. The non-compliance with the Act relates to the following sections in the Act: Sections 30(1); 32(1)(b), 32(3)(b); 32(4); 61(7) and 215(2)(e) of the Act.

Financial reporting standards have received much attention internationally. South Africa has also revised its legislative regime in this regard and established a statutory scheme. The challenge, however, relates to its implementation and the proactive compliance monitoring that it requires. Internationally, corporate regulators have adopted an eXtensible Business Reporting Language (XBRL) system, which allows financial statements to be lodged in a particular format, thus making compliance monitoring simpler for the regulators and giving the companies that have submitted credibility. XBRL is still in its infancy in South Africa, but in some other jurisdictions, it is very well established. CIPC has developed a business case for XBRL, and engaged service providers on their readiness to implement it. A tender for a Taxonomy Developer has been re-advertised on 30 April 2015 in the local tender bulletin and on the website of XBRL International in order to attract more tender parties.

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

Commercialisation of IP remains the crux of ensuring that innovators derive some form of remuneration for their worthy inventions. CIPC realised that despite its mandate extending only to protection of IP, it has to provide a platform for innovators to expose their inventions to the market for licensing and other possibilities.

To this end CIPC launched the Market Place late in 2013 which is aimed at achieving this goal. Further as we look forward to the Accession to the Madrid Protocol and the Hague Agreement, CIPC has spent a lot of time ensuring proper capacitating of resources on the one hand and alignment of processes on the other. All this was achieved in collaboration with the WIPO and other relevant offices.

The legislative process for introducing substantive search and examination of patents in South Africa is underway. It is envisaged that patent examination will contribute towards creating strong patent rights and help attract quality patents that contribute towards promoting further innovation and stimulate more economic activity in the knowledge economy. In ensuring that CIPC is ready to implement the amended Act, the office is interacting with other IP offices to learn best practices on examiners' appointments and training programmes. A proposed model for the substantive examination of patents in South Africa and an estimated budget was prepared in consultation with **the dti**. As CIPC awaits the legislative changes to provide for this new approach to add value to the patent system, the organisation will start building the necessary competencies and skills. The implementation of Technology Innovation Support Centres (TISCs) in collaboration with the National Intellectual Property Management Office (NIPMO) and other relevant offices will contribute to reducing the cost of and improving access to the IP system and strengthening the ability of the National Innovation System for an inclusive growth and patent system in particular. CIPC works closely with WIPO to ensure that global IP standards are implemented in South Africa and that global best practice is reflected in the changing IP legislative and policy environment.

The key performance areas that were identified to promote this objective includes activities that had a strong focus on enforcement of protected intellectual property rights (IPR), building capacity within CIPC and counterparts in other law enforcement structures such as the South African Police Service (SAPS) and the customs area of the South African Revenue Service (SARS), as well as creating awareness and respect for IPR amongst the general public. Benefits for local artists are supported by the registration of copyright in visual content products and the administration of Collecting Societies. CIPC has been engaged in projects that are focused on the enforcement of IPR and the organisation has been building capacity to effectively implement the Counterfeit Goods Act, 1997. CIPC also designed formal, self-sustainable training and implemented it with the assistance of Continuing Education at the University of Pretoria. The Short Course in Enforcement of IPR, "A Strategic Approach" was offered to 50 sponsored learners who were nominated by their constituencies. These included officials from CIPC, SAPS Commercial Crime, Customs, the National Prosecuting Authority(NPA) and enforcement officials from local authorities.

Joint operations to confiscate counterfeit goods were undertaken. Goods confiscated included pirated DVDs, various items of clothing and apparel and goods that are potentially harmful to public health. These goods will eventually be destroyed through a recycling process. Where the matters were not concluded through a civil process, criminal cases were opened. Raising awareness and targeted enforcement operations were driven through partnerships with counterparts in government and private sector. Such partnerships improve compliance within the business fraternity and drive a high level of awareness amongst the public. Initiatives included the celebration of World IP day, hosting a movie premiere and a symposium on copyright.

In 2014/2015, local artists received royalties collected from users of sound recordings, for the first time since the promulgation of the Regulations for Collecting Societies in 2006. The first distribution of such royalties was also achieved in the period under review. The distribution covers royalties collected from 2008 until 2012 and amounted to more than R117 million. This resulted in a significant contribution towards building the creative industry sector and the economy in general. CIPC is in the process of requesting a post distribution report from the South African Music Performance Rights Association (SAMPRA) - so that it can gauge the level of compliance with the law. Distribution of royalties involves interrogation of an enormous amount of data as furnished by users of sound recordings, as well as data relating to performing artists whose performances featured in various sound recordings. It was only in 2015 that SAMPRA commenced exchange of data and monies with The Performers' Organisation of South Africa (POSA). The report is necessary to gauge the compliance by SAMPRA with the provisions of the Copyright Act, 1978 and the Regulations on Collecting Societies.

The newly accredited collecting society, the Independent Music Performance Rights Association (IMPRA), is required by law to distribute within 18 months after their accreditation, but that period has not yet expired.

In the area of Indigenous Knowledge (IK) and cultural expression, preparations for the implementation of the IP Amendment Laws Act, 2013 are underway, most notably in aspects relating to the protection of IK. With regards to the recordal of indigenous cultural expressions, CIPC has been engaging with IT specialists to identify an appropriate recordal system. In collaboration with WIPO, the unit is benchmarking with other like-minded countries to learn best practices in this area and is currently building relations with possible IK holders and other stakeholders.

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

CIPC envisioned reducing regulatory burden and costs whilst increasing customer value add. This influenced CIPC to explore alternative access channels and partners that will result in improved turnaround times on registrations and a 'one stop' registration process across different government agencies. In 2011, the organisation took a strategic decision to partner with banks to offer value-added services, as there are many overlaps in the data that the banks and CIPC collect from its mutual customers. To this end, CIPC established partnerships with the four big banks: FNB, Standard Bank, Absa and Nedbank. At the moment, FNB offers a service through which customers can apply for a company registration and bank account through any of the four banks' online facilities. The real benefits for CIPC are:

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

In an attempt to customise its services for different target markets, CIPC launched an office at the JSE. This office provides specific services for listed companies and its subsidiaries, i.e. director and company amendments; advisory services and real-time company registration services (through a SST).

In its efforts to continue providing value-added services, CIPC partnered with SARS to offer a tax number when an enterprise is registered. Over a period of time, the two organisations engineered a technical solution that enables real-time exchange of data between them, which in turn makes it possible to issue a tax number and an enterprise registration number simultaneously. This streamlines administration and eliminates the need for customers to embark on two different application processes.

Over and above the existing facilities in Pretoria and Johannesburg, Gauteng, SSTs were established in Saldanha, Western Cape and in Durban, Kwa-Zulu Natal to improve access channels.

Another flagship project to reduce red tape and to provide integrated government services is the introduction of BBBEE certificates for exempted micro enterprises (EMEs) at the SSTs. CIPC and ***the dti*** entered into an agreement in the period under review which provides for such enterprises to apply for BBBEE certificates upon registration or whilst filing annual returns. In an attempt to increase access and improve ease of transacting for entrepreneurs and small enterprises, CIPC revamped its website and rolled out a number of new customer service channels through SSTs. This was officially launched at the Carlton Centre in Johannesburg during September 2014. These upgraded online services include the following:

- An enquiry logging system;
- A function that enables seamless download and upload of documentation;
- A facility for online company registrations, as well as changes to company details such as addresses, directors and year-end dates;
- Provision for the calculation and submission of annual returns; and
- Capability for the quick creation of customer codes and resetting of passwords.

This initiative is pivotal in the CIPC's efforts to drive access to and simplicity of its services as well as reaching out to small businesses. As a result, there was a significant increase in the number of electronic transactions. CIPC reduced the average number of days to process applications for the registration of business entities and IP. Out of the 184 CIPC core processes, 20% are offered through hybrid (combination of manual and automation) or fully automated services. The table below also shows the percentage of online transactions over time on some of the core processes (hybrid or fully automated):

Service	% of online transactions in 2013/2014	% of online transactions in 2014/2015	% of online transactions in 2015/2016
Company registrations	81%	91%	95%
Director changes	Not measured	80%	89%
Trade mark applications	49%	93%	95%
Patent applications	9%	48%	79%
Design applications	8%	28%	31%
Copyright in film applications	14%	97%	95%

2.3 Performance information by programme/activity/objective

CIPC is divided into three programmes:

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

2.3.1 Programme 1: Business Regulation and Reputation

Purpose of the programme

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

Description of the programme

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

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

CIPC is required to monitor compliance with certain requirements of the legislation, such as the submission of annual returns, the rotation of auditors and disclosures in terms of the financial reporting standards and the requirements for prospectuses. CIPC furthermore investigates complaints and enforces the provision of the Companies Act, the Close Corporations Act, the Share Block Companies Act and the Co-operatives Act relating to governance and disclosure. Although the CIPC is currently conducting investigations into complaints and is deregistering companies and close corporations that have not submitted annual returns, it plans to significantly expand on its compliance monitoring functions.

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

Sub-programmes and activities

Governance surveillance and enforcement sub-programme

The table below shows statistical information of investigations.

Investigations - statistical information 1 April 2015 - 31 March 2016

Status of each activity	April 2015	May 2015	Jun 2015	July 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	March 2016
Cases brought forward	51	44	53	51	69	48	56	54	44	44	48	54
Complaints Received	3	19	13	33	11	13	15	4	3	7	22	8
Cases finalised and referred	9	10	15	15	32	5	17	14	3	3	16	13
Pending cases	45	53	51	69	48	56	54	44	44	48	54	49
Average turnaround time on determination of complaint / request for investigation / closed	29 days	12 days	20 days	24* Days	22 days	34 days	37 days	22 days	28 days	24 days	35 days	20 days
No of investigators	9	9	9	9	9	9	9	9	9	9	9	9
Average case load per investigator	4	6	6	8	8	8	8	8	8	9	9	9

The turnaround for determination remained within the established standards for the reporting period. This is despite the fact that the caseload per investigator has increased from four (4) – nine (9) for the same period.

Corporate Disclosure Regulation and Compliance (CDRC) Sub-programme

The tables below show activities of the CDRC over 2015/2016.

Investigations: Reportable Irregularities 2015-2016

	Q1	Q2	Q3	Q4
Opening balance	185	196	219	251
Cases received	163	77	64	60
Closed cases	152	54	32	116
Closing balance	196	219	251	189

The above table demonstrates matters received by CIPC and matters closed for various reasons in the past three quarters. Reasons for closure vary from entities that complied with our notices of intention to investigate; entities being liquidated or deregistered; and/or matters which were referred to other entities. With investigations being dependent on the response from the entity being investigated, the number of cases being closed varies from quarter to quarter.

Independent Review Regulation 29

	Q1	Q2	Q3	Q4
Opening balance	**0**	**9**	**10**	**14**
Allocated	11	7	17	4
Liability exceeds assets	0	2	10	0
Financial assistance	0	2	0	1
VAT Tax Returns not declared To SARS	1	1	1	1
Other	1	1	2	2
Total closed	**2**	**6**	**13**	**4**
Closing balance	**9**	**10**	**14**	**14**

Prospectus

During the 2015/2016 financial year, the Commission registered 11 prospectuses (i.e.) public offerings of company securities as contained in Chapter 4 of the Act. Four (4)were from international companies and seven (7) from local companies. The trend of international companies registering prospectuses increased from two (2) in 2013/2014 and three in 2014/2015 respectively. Out of the 11 prospectuses registered in 2015/2016, 10 are listed on a stock exchange with one (1) not listed. Other dynamics observed with prospectus registrations relates to two entities that moved their primary listing from the JSE to the Frankfurt Stock Exchange and London Stock Exchange for various reasons, viz. Genesis International Holdings registered in Netherlands (Steinhoff International Holdings Ltd – Reg. No. 1998/ 003951/06) and Al Noor Hospitals Group PLC incorporated in England and Wales (Mediclinic International Limited – Reg. No. 1983/ 010725/ 06), respectively. Between 1994 and 2014, five (5) companies moved their primary listing from the

JSE to foreign stock exchanges, yet in 2015 alone, two (2) companies moved their primary listing from JSE to Frankfurt and London Stock Exchanges. The question that can be asked is: "what changed?" Apart from the fact that two (2) entities moved their primary listing from the local stock exchange in a short period of time, the possible impact of these developments on the South African economy also has to be considered. Formal research will be conducted to investigate these questions.

Business Rescue

The below table reflects the status of business rescue (BR) proceedings that commenced from the inception of business rescue on 1 May 2011 to 31 March 2016.

Operational BR proceeding applications	2011 – 2012	2012 - 2013	2013 -2014	2014 -2015	2015 - 2016	total
BR proceedings commenced	**383**	**442**	**413**	**415**	**494**	**2148**
Invalid filings	**60**	**26**	**21**	**42**	**15**	**0**
BR proceedings terminated	**297**	**261**	**224**	**165**	**72**	**1019**
CoR125.2	69	88	68	58	36	319
CoR125.3	69	92	83	46	20	310
Liquidation	50	47	52	34	14	197
CO_Set Aside BR	3	7	3	2	0	15
Nullities (Proceedings started but that were declared as nullities)	106	27	18	25	17	193
Active as at March 2016	**86**	**181**	**189**	**250**	**422**	**1129**
Active as at December 2015	**88**	**193**	**206**	**275**	**330**	**1092**
Active as at March 2015	**120**	**212**	**243**	**285**	**N/A**	**883**

From the 2148 cases (invalid filings are not included since the proceedings never commenced) for which BR proceedings commenced:-

- 193 proceedings became a nullity in law;
- 319 proceedings were terminated by way of filing a Notice of Termination (CoR125.2);
- 310 proceedings were substantially implemented by way of filing a Notice of Substantial Implementation (CoR125.3);
- 197 proceedings ended up directly in liquidation without a Notice of Termination (CoR125.2) being filed;
- 15 proceedings were set aside for BR by the court; and
- 1129 proceedings are still in BR.

Co-operatives

A total of 13856 co-operatives were registered in 2015/2016 within an average of two (2) working days which exceeds the established service delivery standard. The registration of co-operatives has furthermore significantly declined by 32% during the year under review compared to the previous reporting period. It is also the lowest number of co-operatives registered in the history of the Commission. This may be influenced by various factors, including the simplicity of registering a new standard MOI company and withdrawal of the co-operatives' incentives, to mention but a few.

Trade marks

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

The trade mark e-search facility launched early in 2015, which facility makes the Trade Marks Register available electronically via the CIPC website at no charge. The facility continues to add value for CIPC customers and approximately 10,000 searches are done via the system on a monthly basis.

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

The table here below show the **production output** for the division during the financial period under review.

MONTHLY STATISTICS - PRODUCTION FIGURES: TRADE MARKS DIVISION 2015/2016													
	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	TOTAL
NEW APPLICATIONS (processed)	2 671	2 744	3 397	3 697	3 372	3 229	3 593	3 241	2 446	2 449	2 946	3 501	37 286
SPECIAL SEARCHES (processed)	114	104	80	90	120	200	127	120	117	103	153	58	1 386
SEARCHING	2 227	2 607	2 536	1 918	2 849	2 732	1 722	1 844	1 493	1 854	2 631	2 594	27 007
CODING	2 726	2 883	2 536	2 387	3 081	3 765	2 713	3 437	2 722	2 599	2 558	2 110	33 517
EXAMINATION & OFFICIAL ACTIONS (issued)	2 720	3 160	1 933	1 686	1 167	1 420	1 235	1 514	2 010	4 128	5 412	6 385	32 770
ACCEPTANCES (issued)	1 872	2 214	1 436	1 758	1 561	2 496	1 764	1 080	1 413	1 932	1 714	2 018	21 258
REGISTRATION CERTIFICATES (issued)	2 253	2 415	1 814	1 499	1 992	1 745	1 818	1 745	1 517	1 615	1 802	1 334	21 549
RENEWALS & RESTORATIONS (processed)	1 813	2 247	1 715	1 988	1 697	1 354	1 435	1 398	1 049	2 065	2 404	2 140	21 305

In March 2016, the office issued over 6,000 official actions, compared to an average of approximately 1,500 per month from July - October 2015.

2.3.2 Programme 2: Innovation and Creativity Promotion

Purpose of the programme

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

Description of the programme

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

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

Education and awareness programme on IP (Patents, Designs, Trade marks, Copyright, IKS and Regulatory obligations of Collecting Societies) & IPR Enforcement

Education and awareness programme on Patents, Designs & Trade marks

The following education and awareness initiatives were carried out during the year, targeting universities, high schools, SMMEs and the general public:

- IP awareness campaigns targeting universities and high schools: Presentations covering all IP domains were delivered to students at the University of Johannesburg, and during the National Science week in Mmabatho, North West Province. A total of 200 brochures on IP were distributed during the event.
- IP awareness programme for SMMEs: CIPC organised an IP education workshop in partnership with WIPO and NIPMO. The purpose of the workshop was to educate SMMEs on the management and commercial exploitation of IP. CIPC also participated in the Zimbabwe-South Africa Trade Fair, attended by SMMEs from Zimbabwe and South Africa. Brochures and other educational materials were distributed to SMMEs who visited the CIPCs exhibition stalls.
- Campaign to advertise the IP Trade Portal: a flyer on the importance of the IP Market Place was developed and distributed to all Technology Transfer Offices and universities visited.
- IP awareness campaign for the general public: CIPC organised a two-week electronic IP campaign through the SABC. Messages on IP were broadcasted in between selected programmes and channels, thus reaching around four million people.
- Capacity building programme: the CIPC, NIPMO & WIPO 2015 SA-IP SUMMER SCHOOL was held at the University of KwaZulu-Natal. The two-week training programme provided an opportunity to young IP professionals and government employees who operate in the IP space to learn more about the management and commercialisation of IP.

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

Various workshops were held during the financial year with key stakeholders in the creative industry. The workshops focussed on the Intellectual Property Laws Amendment Act of 2013 (IPLAA), in particular the provisions in the IPLAA that are critical to organisations such as Collecting Societies to ensure that aspects of ownership on sound recordings are addressed. Different information sessions were organised with the following organisations:

- CCIFSA- The Cultural and Creative Industries Federation;
- IMPRAA- Independent Music Performers Rights Association;
- AIRCO- Association of Independent Record Companies, a Collecting Society;
- CAPASSO- Composers Authors and Publishers Association, a Collecting Society for composers, authors and publishers that is not yet under CIPC regulatory framework but that licenses, collects and distributes royalties to its members;
- MASA – Music Association of South Africa; and
- Northern Cape traditional leadership.

The WIPO Copyright Treaties in particular the WIPO Performance and Phonograms Treaty and the Beijing Treaty on the Protection of Audio Visual Performances were identified as imperative for SA to ratify in order to protect works of SA creatives abroad. The relevant parties agreed to undertake the following initiatives:

- Joint education and awareness programmes between CIPC and CCIFSA;
- Continuous engagement sessions between the two organisations;
- CIPC to provide feedback on all international discussions at WIPO to CCIFSA;
- Present the IPLAA to traditional leaders in the various provinces;
- Workshops to identify ownership of religious music compositions;
- Joint working relationship including information sharing programmes; and
- CIPC to educate on compliance aspects in the collective management of rights to ensure that CAPASSO continues to improve its compliance.

The Dti / CIPC Stakeholder Engagement on the Amendment of the Copyright Bill: the dti conducted a stakeholder engagement session on the Copyright Amendment Bill, to present the latest changes and or improvements made to the draft Bill. CIPC was invited to make a presentation from an implementation point of view and to highlight any challenges. The session availed three presenters, the dti, CIPC and the University of Johannesburg (UJ) IP Faculty. The audience was allowed to interrogate the presentation and also make comments/inputs.

***Site visits to IK Centres (Maila Medicinal Plant and the Mothong African Heritage Trust in Mamelodi Gauteng)*:** The site visits were jointly initiated by CIPC and the Indigenous Knowledge Systems of South Africa (IKSSA) Trust. IKSSA is responsible for the facilitation of the protection and promotion of IK systems and their practitioners. The Maila Medicinal Project is an initiative of the Department of Environmental Affairs, to advance the development, promotion and protection of natural resources in the province. The community also benefits from the processing, manufacturing and commercialisation of traditional medicine and exploitation of IK.

The Mothong Heritage Trust is a dump site on a part of the Magalies Mountain that was converted into a heritage site where various indigenous grass and plants are planted, including the likes of Proteas, Mopani and Moringa trees, helping to conserve indigenous insects like the African Dung Beetle. The Agriculture Research Council (ARC) has developed the site for the cultivation of medicinal species and natural cosmetics. Both these centres will require formal protection of their products through patent registration.

Exhibitions and Festivals: CIPC participated in the Bloemfontein Youth Empowerment Week, an annual event aimed at empowering the youth and availing opportunities for small businesses in the Free State province. CIPC's participation at the event took the form of an exhibition stall and information sessions covering all IP domains.

The CIPC-IKS unit attended the Annual Marula Festival (Umkhosi woMthayi) at Manguzi and eMfihlweni Royal Homes. The festivals are viewed as supporting their mandate of preserving local IK and practices among communities. The objective of attending the annual event was to observe different types of traditional cultural expressions and the IP value assigned to them by the various communities.

Intellectual Property Rights Enforcement

- ***IPR enforcement training:*** IPR enforcement training was conducted by the University of Pretoria (UP) on behalf of CIPC in Port Elizabeth. 25 participants from CIPC, the dti, SARS, SAPS, Asset Forfeiture Units and the NPA attended the training programme. The spread of delegates ensured a balanced training intervention. On completion of the assignment the participants received an IPR Enforcement Training Certificate.
- ***SAPS presentation:*** CIPC was invited to a SAPS event that served to demonstrate the organisation's role and involvement in the enforcement landscape to combat the illicit trade in counterfeiting goods and dealing with the growing problem of piracy.
- ***Search and seizure operation:*** Only one search and seizure complaint was received during this reporting period, which related to a person that was uploading copyright protected material on YouTube.
- ***Cyber enforcement:*** CIPC is involved in a cyber enforcement initiative aimed at fighting piracy by taking down websites that sell and market goods that infringes on IP rights through issuing of notices by CIPC. This is part of an initiative between government and private sector, aimed at establishing close links with the internet service providers in our country to combat piracy on the internet. No notices were served during this reporting period.

2.3.3 Programme 3: Service Delivery and Access

Purpose of the programme

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

Description of the programme

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

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

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

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

E-communication and Client Engagement

The summary of call centre statistics below shows that the call answer rate is decreasing compared to the previous quarter.

Monthly Stats		Number of Calls			% of calls		
	Offered	Answered	Abandoned	Lost calls	Answered	Abandoned	Lost calls
April 2015	19876	1490	18354	32	8%	92%	0.2
May 2015	22253	4942	17311	0	22%	78%	0.0
June 2015	21232	7198	14034	0	34%	66%	0.0
July 2015	22291	7985	14306	0	36%	64%	0.0
August 2015	19685	6769	12916	0	35%	65%	0
September 2015	20631	10731	9900	0	52%	48%	0
October 2015	19829	9080	10717	32	46%	54%	0.3
November 2015	17961	9023	8937	1	50.2%	49.8%	0
December 2015	10834	5360	5420	54	49.5	50.0	1
January 2016	18243	9227	9016	0	50.6	49.4	0
February 2016	23334	9935	13399	0	42.6%	57.4%	0
March 2016	21581	9765	11815	1	45.2%	54.7%	0

The call centre has been challenged by a lack of competent and adequate resources, as well as stabilisation of ICT system and automation. The competency issue is due to the fact that the agents are employees that have been redeployed from other units of the organisation , and as such, they do not possess the formal background, experience and competency of professional call centre agents. To improve performance, ***the dti*** provided CIPC with eight (8) agents for a period of 12 months. The answer rate subsequently improved from 8% to an average of 45%.

Going forward, CIPC will appoint an additional 12 call centre agents by July 2016. A comprehensive training programme is under development, as well as an incentive strategy to retain, motivate and enhance the performance of the agents. The telephony system will also be upgraded to track customer satisfaction. Another solution is to track the root causes of incoming calls, and to then resolve those root cause in order to reduce reasons for customers to call. CIPC also pursued customer engagement channels other than calls i.e. providing user-information and education through monthly CIPC webinar sessions and face to face information seminars. Specific information can be requested via the CIPC USSD number on cell phones as well. An enquiry access channel that is directly routed to expert back office skill sets is also available for CIPC Customers via the website and has reduced calls significantly. CIPC is in the planning phase to implement a community forum platform, including YouTube channels on identified step-by-step guides on how to transact with CIPC and in future, a social media interface.

Business Information and Systems Group (BISG)

CIPC has continued to modernise, upgrade, stabilise and extend its application systems and technology infrastructure for the period under review.

This includes the ongoing review, continuous improvement, enhancement and provision of new customer services that support and underpin the electronic transaction based and de-materialisation business model of CIPC. This is in line with automation and service delivery imperatives that focus on providing improved accessibility, availability, response and reliability of systems, data and information to all CIPC stakeholders.

Noteworthy achievements include:

- The continued roll-out of a new Self Service Centre (SSC) in Cape Town and deployment of SST capabilities at identified business partner sites nationally;
- Extension of an additional e-Services functionality e.g. auditor amendments, name searching automation, issuing of BBBEE certificates to SMME's and registration of non-profit companies;
- Extension of inter-governmental data exchange initiatives with SARS, NT, the Department of Home Affairs (DHA) and others to contribute to improved ease and speed of doing business e.g. the CSD Project, Company Registration and Tax no. synchronisation; and
- Continued improvement in systems performance stability and performance.

The above will form the foundation of further systems review, modernisation and where appropriate the procurement of new systems and infrastructure during 2016/2017.

2.3.4 Strategic objectives, performance indicators, planned targets and actual achievements

Output	Performance Measure or Indicator	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
GOAL 1: Improve the competitiveness of the South African business environment						
Strategic Objective 1.1 Encourage the formalisation of South African businesses and their identity						
Reduction in the average number of days to register a company from the date of receipt of a complete application	The average number of days to register a company from the date of receipt of a complete application	15 (Not audited)	6	4	2	With enhanced management and staff commitment, the target was exceeded.
Reduction in the average number of days to register a co-operative from the date of receipt of a complete application.	The average of the number of days to register a co-operative from the date of receipt of a complete application.	18 (Not audited)	15	2	13	With enhanced management and staff commitment, the target was exceeded.
Strategic Objective 1.2 Encourage the maintenance of high standards of corporate governance, transparency and brand protection						
Companies with an "active business" status that have filed annual returns by the reporting period (year to date)	% of companies with an active business status that have filed annual returns by the end reporting period (year to date)	55%	55%	50%	-5%	The major reason for non-filing is that some customers are not aware of this obligation, despite a welcoming letter being provided upon registration of a new company. A survey to monitor customer behaviour surrounding annual returns will continue. Sending of reminders to customers to file will continue and is monitored. Inclusion of an annual returns check with the Central Supplier Database (CSD) of National Treasury collaboration will also be explored.

Output	Performance Measure or Indicator	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Reduction in the average number of days to issue an application number for a trade mark from the date of application	The average number of days to issue an application number for a trade mark number from the date of application	3	3	2	1	Enhanced processes resulted in an improvement
GOAL 2: Promote innovation, creativity and indigenous cultural expression						
Strategic Objective 2.1: Promote the protection and commercial exploitation of innovations in key sectors						
Increased knowledge and awareness of patent and design registration and the commercialisation of IP assets innovation	Number of education and awareness events on patent and design registrations and the commercialisation of IP conducted by CIPC	Not measured	4	21	17	IP and education and awareness capacity in particular was strengthened.
Reduction in the average number of days to issue a patent application number for a patent from the date of receipt of a complete application	The average number of days to issue an application number for a patent from the date of receipt of a complete application	3 (Not audited)	3	3	0	Target achieved due to enhanced monitoring
Reduction in the average number of days to issue an application number for a design from the date of receipt of a complete application	The average number of days to issue an application number for a design from the date of receipt of a complete application	3 (Not audited)	3	3	0	Target achieved due to enhanced monitoring

Output	Performance Measure or Indicator	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Strategic Objective 2.2 To protect our cultural heritage and support a strong competitive South African creative industry that provides benefits for local artists						
Increased knowledge and awareness on creativity and IP enforcement	Number of education and awareness events on creativity and visible IP enforcement initiatives conducted by CIPC	Not measured	4	32	28	IP and education and awareness capacity in particular was strengthened. 2016/2017 targets have been set at an appropriate level.
Reduction in the average number of days to issue an application number for a copyright in film from the date of receipt of a complete application	The average number of days to issue an application number for a copyright in film from the date of receipt of a complete application	Not measured	2	3	0	Target achieved due to enhanced monitoring
Goal 3: To promote broader formal economic participation by enhancing service delivery and extending the reach of CIPC.						
Strategic Objective 3.1: Provide easy access to credible, reliable and relevant information and advice and secure, value-added services						
Increase in the % of CIPC services with an option to file electronically compared to services which can only be filed manually	% of CIPC services with an option to file electronically compared to services which can only be filed manually (See Annexure D)	13% (Not audited)	20%	20%	0%	Target achieved due to enhanced monitoring
Website performance for e-services	% website performance for 24/7 e-services	96%	95%	96%	1%	The performance exceeds the minimum target. This was achieved through continuous improvement using the Vantage Systems and Application Monitoring tools.

Output	Performance Measure or Indicator	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Increase in the number of provinces where SSTs have been installed and are operational	The number of provinces where SSTs have been installed and are operational	2	3	3	0	Target achieved due to enhanced monitoring
Increase in the number of banks that offer CIPC services	The number of banks that offer CIPC services	2	3	4	1	Generally a banking collaboration takes 18 months to implement. However, Nedbank exceeded expectations by delivering in 7 months. All banks are now on board.
Strategic Objective 3.2: Build an enabling and intelligent work environment anchored in a governed and sustainable organisation						
Increase the % of positions of the approved structure filled	% of positions of the approved structure filled	70%	75%	74%	-1%	Natural attrition such as death and retirement impacted negatively on our recruitment efforts to meet the target. An attrition rate was taken into consideration in setting the target for 2016/2017. A solid agreement with organised labour on the moratorium on filling vacancies is critical for acceleration of the recruitment process.

Output	Performance Measure or Indicator	Actual Achievement 2014/2015	Annual Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target to Actual Achievement for 2015/2016	Comment on deviations
Strategic Objective 3.3: Improve the reputation and organisational performance of CIPC						
Increase or maintain the score of the stakeholder value index	A score between 1 – 100 of the stakeholder value index, a higher score indicating satisfaction with CIPC	Not measured	50	The survey was not finalised by 31 March 2016	-	The tender for the customer and stakeholder index and survey was awarded to a service provider later than expected. The final report will be ready by June 2016. This KPI will now only be measured in 2017/2018 to provide enough time for the procurement processes to be followed.
A high % of currently measured service delivery standards that have met the targets	% of currently measured service delivery standards that have met the targets (See Annexure C)	Not measured	75%	82%	7%	The target was exceeded as a result of migration to online services that has reduced manual transactions; and improved efficiencies in processing both manual and online transactions. This KPI will be now only be measured operationally.

2.3.5 Strategy to overcome areas of under performance

There were three (3) areas which performed below set targets:

Annual Returns

A survey to monitor customer behaviour surrounding the filing of annual returns will continue to improve the understanding of reasons for a low filing rate. Sending of reminders to customers to file will continue and will be monitored. Inclusion of annual returns check with the NT CDS collaboration will also be explored.

Filling of posts

Natural attrition such as death and retirement impacted negatively on our recruitment efforts to meet the target. An attrition rate was taken into consideration in setting the target for 2016/2017. A solid agreement with organised labour on the moratorium on filling vacancies is critical for the acceleration of the recruitment process.

Customer and stakeholder survey

The survey was not finalised by 31 March 2016 due to delays in appointment of the service provider. The service provider has since been appointed and the final report is expected to be ready by June 2016. Going forward, customer and stakeholder satisfaction will be measured every second year to allow enough time for the procurement process, as well as the survey. The target has been set for 2017/2018.

2.3.6 Changes to planned targets

The Minister approved the following changes to the 2015/2016 - 2017/18 Annual Performance Plan (APP):

- The KPI "% website performance for 24/7 online filings" was changed to read "% website performance for 24/7 e-services " to ensure that there is alignment between the KPI description and what is actually measured.
- The baseline for "% of CIPC services with an option to file electronically compared to services which can only be filed manually" was revised from 18% to 13%. This was a result of a verification of processes, removing duplicated and merged processes.
- Other minor changes were a result of correcting typing errors and re-wording of KPIs in the Performance Matrix as well as Technical Indicator Profile.

2.3.7 Linking performance with budgets

Programme/ activity/ objective	2015/2016			2014/2015		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Compensation of employees	**243 646**	**231 432**	**12 214**	**238 163**	**198 903**	**39 260**
Goods and services:	**167 788**	**120 345**	**47 443**	**173 356**	**107 613**	**65 743**
Audit fees	10 000	6 952	3 048	7 636	6 021	1 615
Bank charges	1 500	1 974	(474)	1 450	1 529	(79)
Advertisements	2 500	586	1 914	4 700	1 081	3 619
Communication and postage	12 335	5 515	6 820	13 302	1 926	11 376
Temporary admin and support staff	-	-	-	120	119	1
Consultants and special services	59 291	42 035	17 256	69 525	38 817	30 708
Depreciation and amortisation	9 300	10 027	(727)	7 500	9 288	(1 788)
Internet and network costs - ICT related services	7 743	3 938	3 805	8 800	4 030	4 770
Stationery, printing and publications	7 810	4 597	3 213	8 070	6 016	2 054
Maintenance and repairs	2 070	1 204	866	4 070	2 104	1 966
Operating lease charges	37 145	29 630	7 515	29 500	25 022	4 478
Travel and subsistence	4 087	3 970	117	3 933	1 871	2 062
Bad debts	-	5	(5)	-	92	(92)
Other operating expenses	14 007	9 932	4 075	14 750	9 044	5 706
(Gains)/loss on disposal of assets	-	10	(10)	-	454	(454)
Impairment losses: property, plant and equipment	-	-	-	-	199	(199)
Total Expenditure	**411 434**	**351 792**	**59 657**	**411 519**	**306 516**	**105 003**

2.4 Revenue collection

	2015/2016			2014/2015		
Sources of revenue	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Annual Returns: Com	170 811	176 452	(21 351)	150 000	150 076	(76)
Annual Returns: CC	83 516	106 327	(22 811)	120 000	125 067	(5 067)
Companies	68 355	79 409	(11 054)	70 000	64 516	5 484
Cooperatives	6 111	3 057	3 054	7 500	5 283	2 217
Data sales	1 900	20 683	(18 783)	-	20 878	(20 878)
Trade marks	49 170	29 062	20 108	35 000	24 918	10 082
Patents and designs	43 600	23 961	19 639	25 000	26 603	(1 603)
Copyright in film	500	36	464	1 500	549	951
Total	**423 963**	**438 987**	**(-30 734)**	**409 000**	**417 890**	**(-4 344)**

2.5 Capital investment

	2015/2016			2014/2015		
Programme/ activity/ objective	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Capital Investment						
Computer hardware	8 849	5 523	3 326	12 750	4 391	8 359
Computer software	3 095	187	2 908	4 500	3 193	1 592
Furniture and equipment	500	370	130	3 101	2 908	(92)
Leasehold improvements: Cabling costs	1 300	-	1 300	2 000	1 910	90
Total expenditure	**13 744**	**6 080**	**7 664**	**22 351**	**12 402**	**9 949**

Part C: Governance

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

Nelson Mandela

Part C: Governance

3.1 Introduction

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

3.2 Portfolio Committee

Date	Agenda	Officials
14-Oct-15	Briefing on CIPC 2014/2015 Annual Report and 2015/2016 1st quarter financial and non- financial performance report	R Voller, F Malaza, L Dukwana
18-Nov-15	Briefing on CIPC 2015/2016 2nd quarter financial and non- financial performance report	R Voller, F Malaza, L Dukwana

3.3 Executive Authority

- The Executive Authority, Minister of Trade and Industry, Dr Rob Davies, gave the following feedback to CIPC on submission of quarterly performance reports:
- Approved the reports;
- Noted achievement of the planned quarterly targets (Q1: 80%, Q2: 87%, Q3: 81% and Q4: 88%); and
- Requested a progress report on the establishment of policies, more specifically the performance management policy on the payout of bonuses.

3.4 The Accounting Authority

3.4.1 Introduction

The Commissioner is designated as the Accounting Authority of CIPC.

3.5 Committees

3.5.1 Audit Committee and Risk Committee

The Commission has established oversight structures in line with the requirements of the PFMA, Treasury regulations and related requirements for good governance. 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 Charter. The Risk Committee is a sub-committee of the Audit Committee and interlinks with the Audit Committee to ensure that combined assurance is promoted by all governance structures. 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 committee also monitors the implementation of fraud prevention programmes in the organisation.

Committee	No. of meetings held	No. of members	Workshop	Name of members
Audit Committee	6	6	1	Mr AN Mhlongo - Chairperson Mr AC Bischof - Independent Member Mr YN Gordhan - Independent Member Ms R Kenosi - Independent Member *Ms A Ludin - Commissioner Adv R Voller - Acting Commissioner
				Ms T Britz - **the dti** proxy
Risk Committee	4	4	1	Ms R Kenosi- Chairperson Mr YN Gordhan - Independent Member Ms S Perumal- **the dti** proxy Adv R Voller - Acting Commissioner

*Ms Astrid Ludin - resigned May 2015

3.5.2 Remuneration of committee members

Audit Committee members not holding executive office in the Commission or not being in the public service are remunerated in accordance with tariffs approved by the Executive Authority.

Name	Remuneration (R)	Other allowance (R)	Total (R)
Mr AN Mhlongo	247 512	6 201	R253 713
Mr AC Bischof	141 115	3 625	144 740
Mr YN Gordhan	267 758	5 088	272 846
Ms R Kenosi	300 117	3 116	303 233
Adv R Voller	N/A	N/A	-
Ms T Britz	N/A	N/A	-
	956 502	**18 030**	**974 532**

3.6 Risk Management

Risk management is at the core of the operations and management of CIPC. Managing and controlling risks are essential elements of risk management and the control framework that serve to protect the entity's reputation and business.

The Commission has adopted a Risk Management Framework and Policy that direct the operations of risk management in the organisation. These are reviewed at least annually to ensure relevance and applicability. A Strategic risk assessment for 2015/2016 was conducted in November 2015. The Internal Fraud and Risk Committee provides oversight on all strategic and operational risks and fraud investigations.

The independent Risk Committee (a sub-committee of the Audit Committee) performs an oversight function in line with its approved charter, which incorporates monitoring the implementation of a risk management system and programme in the organisation. Emerging risks and mitigation plans to address the risks are continuously monitored throughout the year. The Risk Committee continues to monitor the ICT environment risks as a result of the ongoing ICT modernisation programmes.

During the period under review, there was evidence of progress in the implementation of risk management processes. Factors such as the risk maturity assessment and the establishment of the risk appetite and tolerance levels will be conducted in the 2016/2017 financial year.

3.6.1 Internal Audit and Audit Committee

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

During the 2015/2016 financial year, Internal Audit performed audits in the following areas per the approved annual plan:

- IT Risk Assessment;
- IT Process and Business Alignment Review;
- Cyber Security Assessment;
- IT Controls Follow-Up Review;
- Companies & CC's Changes and Amendments;
- Performance Information (Q2);
- Performance Information (Q3);
- Asset Management Follow-Up;
- Compliance (Companies Act: Annual Returns and Co-operatives Act); and
- Human Capital Management.

The Audit Committee members' profile.

Name	Qualifications	Internal/ External	Position	Date Appointed	Date Resigned	Meetings attended
Mr N Mhlongo	CA (SA)	External	N/A	01 Nov 2013	N/A	6/6
Mr AC Bischof	CA (SA)	External	N/A	01 April 2014	N/A	5/6
Mr YN Gordhan	CA (SA)	External	N/A	01 April 2014	N/A	6/6
Ms R Kenosi	CA (SA)	External	N/A	01 Nov 2013	N/A	6/6
Ms A Ludin	Masters in International Affairs	Internal	Commissioner	01 May 2011	May 2015	1/6
Adv R Voller	LLM	Internal	Acting Commissioner	May 2015	N/A	6/6

3.7 Compliance with laws and regulations

As a public entity, compliance to applicable laws and regulations is a cornerstone of good governance and processes are available to monitor compliance. A Legislative Compliance Framework was developed to provide guidance for an approach to determine the legislative compliance universe and implementation of strategy and monitoring mechanisms, including maturity assessment processes. The Commission continues to maintain effective, efficient and transparent systems of financial, internal control and risk management.

3.8 Fraud and Corruption

The Commission continues to implement controls in order to strengthen fraud risk management. As part of this, fraud mechanisms were developed, although it is not adequate. Due to capacity constrains within the unit, not all reported incidences were resolved.

Based on the information received, the evident decline in the number of cases may be attributable to various reasons. In the absence of a whistleblowing hotline, the Commission utilises the email fraud alert system which is web-based and routes cases to the Risk and Fraud Division. In the 2016/2017 financial year, the whistleblowing and investigation methodology will be reviewed for alignment with organisational processes. A whistleblowing hotline will also be implemented.

3.9 Minimising Conflict of Interest

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

3.10 Code of Conduct

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

3.11 Health, Safety and Environmental Issues

The organisation was in compliance with the Occupational Health and Safety Act, 1993 (Act 85 of 1993) as all requirements of the Act to ensure a safe and conducive working environment were adhered to in respect of physical appointments, training, inspections and meetings. No major incidents or injuries were reported during the period under review. Emergency planning was in place and an evacuation drill exercise was successfully executed.

3.12 Company Secretary (if applicable)

This is not applicable to CIPC.

3.13 Social Responsibility

CIPC staff also participated in the following initiatives in the past financial year:

- Mandela Day (Donated Groceries to the Leamogetswe Home in Atteridgeville);
- Casual Day (contributed more than R2000 towards the casual day initiative); and
- Six (6) Blood Donation Drives (CIPC staff donated blood to SABDS).

AUDIT COMMITTEE

Mr. Anton Bischof (Independent Audit Commitee Member),
Mr. Nala Mhlongo (Audit commitee Chairperson), Ms Rene Kenosi Independent Audit Committee Member), Mr Yaswant Gordhan (Independent Audit Commitee Member), Advocate Rory Voller (Acting Commissioner CIPC)

3.14 Audit Committee Report

COMPANIES AND INTELLECTUAL PROPERTY COMMISSION
REPORT OF THE AUDIT COMMITTEE
for the year ended 31 March 2016

We present our report for the year ended 31 March 2016

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

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

Name of Member	Number of eligible meetings	Number of meetings attended
Independent Non-Executive Members		
Mr.AN Mhlongo	6	6
Ms. R Kenosi	6	6
Mr. AC Bischof	6	5
Mr. Y Gordhan	6	6

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from sections 76 and 77 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

The systems of internal control are designed to provide effective assurance that: assets are safeguarded, liabilities and working capital are efficiently managed, operations are efficient and effective and that policies, laws and regulations are complied with.

The Commission continued to experience significant labour related issues during the year under review, which resulted in a moratorium being placed on recruitment of personnel until certain matters are addressed with Labour Unions. The Commission therefore did not fill vacancies to the extent anticipated and this negatively impacted on the Commission's activities. Further the non-appointment of a Commissioner and the continued acting positions at this level and the Chief Financial Officer together with the labour issues set out above, had a negative effect on senior management and resulted in degradation of the combined assurance model. Management and Labour are currently engaging to resolve these matters.

Oversight activities by the Audit Committee were fulfilled satisfactorily, and members attended a majority of the scheduled meetings as reflected in the attendance table above.

From the various reports of Internal Audit, the Audit Committee has recommended improvements in the internal control environment, mainly in the information systems (IS), business continuity and organisational performance. Management interventions to address the issues raised, are underway and the Committee will continue to monitor such progress in the ensuing year.

RISK MANAGEMENT

The Audit Committee, through the Risk Committee, is satisfied with the progress on the implementation of risk management initiatives in the CIPC. There are however concerns about the timely resolution of reported whistleblowing cases. Management interventions in these areas have been positive.

INTERNAL AUDIT

Internal Audit did not function effectively during the year, due to capacity challenges as the function did not complete its planned audits in a timely manner. Internal Audit requires a strategic review to ensure its future sustainability.

QUALITY OF MANAGEMENT REPORTS

Whilst 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, it is concerned that the information supporting such reports cannot always be substantiated satisfactorily.

EVALUATION OF THE AUDITED FINANCIAL STATEMENTS

The Audit Committee has:

- Reviewed the appropriateness of accounting policies and practices;
- Reviewed and discussed adjustments arising from the audit; and
- Reviewed and discussed with Management the audited annual financial statements and recommended for approval by the Accounting Authority.
- Reviewed the Auditor General's management letter and management response.

AUDITOR GENERAL'S REPORT

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

Conclusion

The Audit Committee concurs with the unqualified audit opinion issued by the Auditor General for the year ended 31 March 2016.

A.N. Mhlongo
Chairperson of the Audit Committee
25 June 2016

Part D:
Human Resource Management

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

Desmond Tutu

Part D: Human Resource Management

4.1 Introduction

4.1.1 Overview of HR matters

CIPC continued to find ways to deal with the massive change initiated by the establishment of the new organisation in 2011. This change continued with the approval and implementation of the new structure in July of 2013. CIPC employees continued to grapple with change as management tried to introduce new policies to move the organisation forward. Performance Management Policy and Reward and Recognition policies were approved in the 2015/2016 financial year. Several HR policies were developed and are ready for consultation with recognised trade unions. Unfortunately, the approved constitution for the CIPC Bargaining Forum is yet to be explored when the forum is implemented. 76 vacant positions were filled during the 2015/2016 financial year and the vacancy rate was 26% at the end of it.

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

The CIPC People Strategy and HR Plan expires in 2016 and the new one will subsequently be developed.

The plan will provide for the following:
Organisational culture, values and ethics - the organisation still strives to establish a culture which encompasses CIPC values and encourages team work and collaboration. Management remain committed to the management of the change and create a new culture that enables efficient service for excellent customer experience.

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

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

- Employee relations services;
- Education on wellness;
- Clinic and advisory services;
- HIV programmes;
- Anti-abuse programmes; and
- Debt management, etc.

Recruitment and selection - CIPC will continue with efforts to fill critical vacancies. Where relevant skills are identified in the organisation, CIPC endeavours to promote from within - to encourage internal upwards mobility. Assessment of behavioural and technical competencies are critical aspects of the recruitment process.

An Internship Strategy was developed for CIPC to provide unemployed graduates with practical work experience. This will afford graduates an opportunity to participate in the South African economy. The organisation further recruited substantive examiners for patents and designs and trade marks, which is a first in South Africa. CIPC is collaborating with other jurisdictions and stakeholders including institutions of high learning in the implementation of this programme.

Training and development - The competency framework in its current form will be shared with all CIPC staff and it is important that communication strategies are designed and executed to explain the framework, the competencies required per specific job and the competencies required for future growth. The remuneration framework sets out details for movement within bands, and promotion from one band to another. Competency assessments will be conducted for all staff and feedback on their strengths and areas of development will be incorporated into personal development plans.

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

In terms of priority, the CIPC will focus on the following main areas of competence development:

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

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

The vacancy rate as at the end of the financial year under review is 26%. This is a high vacancy rate. Management remain committed to reducing this vacancy rate. It is critical to capacitate the organisation and reallocate resources to where they are needed as the organisation continues to automate services. CIPC may require more skills in ICT.

The organisation established a call centre by transferring volunteering employees from different business units. The call centre is only partially capacitated and efforts will be intensified to fill the vacant positions.

4.1.4 Employee performance management framework

The Performance Management policy was approved during the third quarter of 2015/2016. Provision was made for the policy to be piloted during the 2015/2016 financial year and for implementation to be executed in the 2016/17 financial year.

4.1.5 Employee wellness programmes

The following provides a summary of the CIPC employee wellness programmes:

- Educational programmes on wellness are provided. These include a financial management programme that has been offered to staff every year since 2012;
- 24/7 counselling services have been provided to staff since 2011;
- Occupational Health Clinic services are provided on working days (HIV Programmes form part of this);
- Health screenings are provided to staff on a quarterly basis (HIV Programmes form part of this);
- Social responsibility programmes are conducted. This includes: Blood donation initiatives, the Leamogetswe Project and Fun Run initiatives which have a social responsibility element; and
- Physical exercise activities such as Taebo and Yoga classes.

4.1.6 Policy development

A number of policies are awaited for consultation with organised labour in the newly established CIPC Bargaining Forum.

4.1.7 Highlight/achievements

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

- A Reward and Recognition policy was consulted and approved;
- The Performance Management Policy was consulted and approved;
- The Constitution for the CIPC Bargaining Forum was developed, consulted and approved;
- 25 CIPC Officials were awarded bursaries in the 2015/2016 financial year; and
- CIPC staff are rewarded for long service in accordance with the approved policy.

4.1.8 Challenges faced by the public entity

- CIPC continued to go through transformation as employees continue to undergo the different stages of change. On the other hand, management continues to provide direction and support amid massive challenges. Management is confident that improved employee engagement will finally lead to all employees embracing change and allowing the organisation to move forward.
- CIPC is still in the process of finalising HR policies and relevant support processes.
- The vacancy rate remains high mainly due to the moratorium on recruitment that was effected at different periods in 2015/2016.

4.1.9 Future HR plans /goals

- The HR Plan contains the following goals for the 2016/2017 financial year:
- There is a need for a review of CIPC organisational structure;
- Focus on leadership and management capabilities;
- Review and enhancement of HR solutions to support CIPC performance objectives; and
- Implementation of the performance management policy and training on the electronic performance management system.

4.2 Human Resource Oversight Statistics

Personnel Cost by programme/ activity/ objective

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration - support	264 022	173 646	66%	154	1 127.57
Business regulations and reputation	52 804	34 729	66%	241	144.10
Innovation and creativity promotion	35 203	23 153	66%	75	308.71

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top management	2 292	1%	4	573
Senior management	12 291	5%	7	1 756
Professional qualified	62 697	27%	63	995
Skilled technical	113 086	49%	160	707
Semi-skilled	41 162	18%	236	174
TOTAL	**231 528**	**100%**	**470**	**493**

Performance Rewards

Programme//activity/objective	Performance rewards	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost (R'000)	No. of employees
Top management	96	2 292	4%	4
Senior management	168	12 291	1%	7
Professional qualified	2 377	62 697	4%	63
Skilled technical	4 465	113 086	4%	160
Semi-skilled	5 914	41 162	14%	236
TOTAL	**13 020**	**231 528**	**6%**	

Training Costs

Programme//activity/objective	Personnel Expenditure (R'000)	Training Expenditure	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee R'000
		(R'000)			
Administration - support	173 646	1 490	1%	79	19
Business regulations and reputation	34 729	298	1%	73	4
Innovation and creativity promotion	23 153	199	1%	41	5

Employment and Vacancies

1 April 2015 to 31 March 2016					
Programme	Employment at Beginning of Period	Number of Approved Posts	Employment at End of Period	Vacancies	Vacancy Rate %
Commissioner's Office	47	61	43	18	29.5%
Corporate services	68	118	81	37	31.4%
Business intelligence and systems	30	58	30	28	48.3%
Innovation and creativity Promotion	59	107	75	32	29.9%
Business regulations and Reputation	244	296	241	55	18.6%
TOTAL	**448**	**640**	**470**	**170**	**26.6%**

1 April 2015 to 31 March 2016						
Occupational Bands	Peromnes Grade	Employment at Beginning of Period	Number of Approved Posts	Employment at End of Period	Vacancies	Vacancy Rate %
Top management / executives	**2**	1	1	0	1	100.0%
	3	3	5	5	0	0.0%
Senior management and advanced specialists	**4**	6	14	7	7	50.0%
Professionally qualified and experienced specialists and mid-management	**5**	14	19	14	5	26.3%
	6	20	24	16	8	33.3%
	7	30	52	32	20	38.5%
Skilled technical and academically qualified employees, junior management, supervisors, foremen, superintendents, specialists	**8**	53	122	81	41	33.6%
	9	42	62	42	20	32.3%
	10	37	83	37	46	55.4%
Semi-skilled and discretionary decision making	**11**	217	231	211	19	8.2%
	12	25	27	25	3	11.1%
TOTAL		**448**	**640**	**470**	**170**	**26.6%**

Employment changes

Occupational Bands	Peromnes Grade	Employment at Beginning of Period	Appointments	Terminations	Turnover Rate %	Employment at End of Period
		1 April 2015 to 31 March 2016				
Top management / executives	**2**	1	0	1		0
	3	2	2	0		5
Senior management and advanced specialists	**4**	6	3	2		7
Professionally qualified and experienced specialists and mid-management	**5**	14	3	2		14
	6	20	0	3		16
	7	30	0	0		32
Skilled technical and academically qualified employees, junior management, supervisors, foremen, superintendents, specialists	**8**	53	25	1		81
	9	42	0	1		42
	10	37	0	0		37
Semi-skilled and discretionary decision making	**11**	217	7	6		211
	12	25	1	1		25
TOTAL		**448**	**39**	**17**	**3.6%**	**470**

Reasons for staff leaving

Reason	Number	Percentage of Total Staff Leaving
	1 April 2015 to 31 March 2016	
Death	4	23.5%
Resignation	10	58.8%
Dismissal	0	0.0%
Retirement	3	17.6%
Ill health	0	0.0%
Expiry of contract	0	0.0%
TOTAL	17	100.0%

Labour Relations: Misconduct and disciplinary action

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

Equity Target and Employment Equity Status

Equity Target and Employment for Males as per the EE Plan

1 April 2015 to 31 March 2016		MALE							
Staff Total	470	African		Coloured		Indian		White	
Occupational Bands	Peromnes Grade	Current	Target	Current	Target	Current	Target	Current	Target
Top management / executives	2	0		0		0		0	
	3	0		1		0		1	
Senior management and advanced specialists	4	2		0		0		1	
Professionally qualified and experienced specialists and mid-management	5	7		0		1		0	
	6	7		1		1		2	
	7	6		2		2		2	
Skilled technical and academically qualified employees, junior management, supervisors, foremen, superintendants, specialists	8	37		2		1		6	
	9	14		0		0		1	
	10	14		1		0		2	
Semi-skilled and discretionary decision making	11	61		1		1		2	
	12	10	38,9%	0	4,4%	0	1,3%	0	4,2%
TOTAL		**158**	**183**	**8**	**21**	**6**	**6**	**17**	**20**
	TOTAL	**33.6%**		**1.7%**		**1.3%**		**3.6%**	

*NB: The current percentage is based on 470 positions while the target is based on 640 positions.

Equity Target and Employment for Females as per the EE Plan

1 April 2015 to 31 March 2016		FEMALE							
Staff Total	470	African		Coloured		Indian		White	
Occupational Bands	Peromnes Grade	Current	Target	Current	Target	Current	Target	Current	Target
Top management / executives	2	0		0		0		0	
	3	2		0		1		0	
Senior management and advanced specialists	4	3		0		0		1	
Professionally qualified and experienced specialists and mid-management	5	1		0		0		5	
	6	3		1		0		1	
	7	11		2		2		5	
Skilled technical and academically qualified employees, junior management, supervisors, foremen, superintendents, specialists	8	26		0		4		5	
	9	19		3		0		5	
	10	15		2		1		2	
Semi-skilled and discretionary decision making	11	118		5		0		24	
	12	10	41,0%	3	4,6%	0	1,2%	1	4,5%
TOTAL		**208**	**193**	**16**	**22**	**8**	**6**	**49**	**21**
	TOTAL	**44.3%**		**3.4%**		**1.7%**		**10.4%**	

*NB: The Current percentage is based on 470 positions while the target is based on 640 positions.

The CIPC endeavours to recruit according to the identified targets as indicated in the EE Plan.

1 April 2015 to 31 March 2016		Disabled Staff			
Staff Total	**470**	**MALE**		**FEMALE**	
Occupational Bands	**Peromnes Grade**	**Current**	**Target**	**Current**	**Target**
Top management / executives	**2**	0		0	
	3	0		0	
Senior management and advanced specialists	**4**	0		0	
Professionally qualified and experienced specialists and mid-management	**5**	0		0	
	6	0		0	
	7	0		0	
Skilled technical and academically qualified employees, junior management, supervisors, foremen, superintendents, specialists	**8**	2		0	
	9	1		0	
	10	1		0	
Semi-skilled and discretionary decision making	**11**	2		2	
	12	0	8	0	12
TOTAL		**6**		**2**	
	TOTAL	**1.3%**	**1.7%**	**0.4%**	**2.6%**

*NB: The Current percentage is based on 470 positions while the target is based on 640 positions.

People with disabilities are currently only at lower levels. In terms of Employment Equity for people with disabilities, 2% is accepted as the national benchmark. CIPC has improved on the percentage of employees with disabilities from the previous reporting period.

Part E:
Financial Information

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

Warren Buffett

Part E: Financial Information

5.1 Report of the External Auditor

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

Report on the financial statements

Introduction

1. I have audited the financial statements of the Companies and Intellectual Property Commission (CIPC) set out on pages 88 to 132, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, 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) arid the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of the 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 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 fisk 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 abasis 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 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

Report on other legal and regulatory requirements

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported· performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following programmes presented in the annual performance report of the public entity for the year ended 31 March 2016:

- Programme 1: Business regulation and reputation on pages 51 to 52
- Programme 3: Service delivery and access on pages 53 to 55.

9. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

10. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

11. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:

- Business regulation and reputation on pages 51 to 52
- Service delivery and access on pages 53 to 55.

Additional matters

12. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matters:

Achievement of planned targets

13. Refer to the annual performance report on pages 51 to 55 for information on the achievement of the planned targets for the year.

Unaudited supplementary schedules and information

14. The supplementary information set out on pages 25 to 49 does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not express a conclusion on them.

Compliance with legislation

15. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material finding on compliance with: specific matters in key legislation, as set out in the general notice issued in terms of the PAA, is as follows:

Expenditure management

16. Effective steps were not taken to prevent irregular expenditure relating to medical and housing allowance increases amounting to R6 054 000, as disclosed in note 33 to the financial statements, in contravention of section 51(1)(b)(ii) of the PFMA.

Internal control

17. I considered internal control relevant to my audit of the financial statements, performance information and compliance with legislation. The matter reported below is limited to the significant internal control deficiency that resulted in the finding on compliance with legislation included in this report.

Leadership

18. The negotiated salary adjustments relating to medical and housing allowances were based on an incorrect interpretation and inadequate review of the approved remuneration framework, which resulted in irregular expenditure.

Other report

19. I draw attention to the following engagement. My opinion is not modified in respect of this engagement that has been completed.

Investigation

20. An independent consulting firm performed an investigation at the request of the Department of Trade and Industry. The investigation was initiated based on allegations of possible irregularities in procurement, sponsorships and budgets, and salary discrepancies. The investigation was concluded on 4 March 2015 and resulted recommendations that disciplinary inquiries be instituted against the relevant employees. The disciplinary proceedings against one employee are still ongoing.

Auditor - General

Pretoria

28/7/2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence


92.37
0.00
0.00
0.00

Annual Financial Statements

for the year ended 31 March 2016

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

Kevin O'Leary

General Information

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

Index

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

Accounting Authority's Responsibilities and Approval

The financial statements for the year ended 31 March 2016, are prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) and incorporate disclosure in line with the accounting policies of the entity and the requirements of the Public Finance Management Act 1999 (Act No. 1 of 1999) (PFMA).

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

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

The Auditor-General South Africa, as an external auditor, is responsible for expressing an opinion on the financial statements.

The Accounting Authority approved and signed the annual financial statements for the year ended 31 March 2016, as set out on pages 91 to 131 on the 27 July 2016.

____

Adv. Rory Voller
Acting Commissioner (Accounting Authority)

Pretoria
27 July 2016

Statement of Financial Position as at 31 March 2016

R'000	Note(s)	2016	2015
Assets			
Current Assets			
Receivables from exchange transactions	3	545	855
Prepayments	4	4 004	7 953
Cash and cash equivalents	5	1 593 874	1 565 589
		1 598 423	**1 574 397**
Non-Current Assets			
Property, plant and equipment	6	29 454	31 363
Intangible assets	7	9 743	11 780
Prepayments	4	46	93
		39 243	**43 236**
Total Assets		**1 637 666**	**1 617 633**
Liabilities			
Current Liabilities			
Provisions	8	26 605	21 903
Payables from exchange transactions	9	22 576	15 010
Payables from customer deposits received	10	82 615	80 228
		131 796	**117 141**
Total Liabilities		**131 796**	**117 141**
Net Assets		**1 505 870**	**1 500 492**
Accumulated surplus		1 505 870	1 500 492

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2016	2015
Revenue			
Revenue from exchange transactions			
Fees	11.1	156 208	138 201
Interest income	11.2	103 288	85 839
Other income	11.3	5 632	9 147
Total revenue from exchange transactions		**265 128**	**233 187**
Revenue from non-exchange transactions			
Fees			
Annual return fees	11.4	282 779	275 143
Total revenue		**547 907**	**508 330**
Expenditure			
Advertising		(586)	(1 081)
Audit fees	12	(6 952)	(6 021)
Bad debt		5	(92)
Bank charges		(1 974)	(1 529)
Communication and postage		(5 515)	(1 926)
Consulting and professional fees	13	(42 035)	(38 817)
Depreciation and amortisation	14	(10 027)	(9 288)
Employee costs	15	(231 432)	(198 903)
Impairment loss	6	-	(199)
Internet and network costs		(3 938)	(4 030)
Temporary administrative support staff		-	(119)
Maintenance and repairs		(1 204)	(2 104)
Operating lease charges	16	(29 630)	(25 022)
Publications,printing and stationery	17	(4 597)	(6 016)
Travelling and subsistence		(3 970)	(1 871)
Other operating expenses	18	(9 932)	(9 044)
Total expenditure		**(351 787)**	**(306 062)**
Gain/(loss) on disposal of assets		10	(454)
Surplus for the year		**196 130**	**201 814**

Statement of Changes in Net Assets

Figures in Rand thousand	Accumulated surplus	Total net assets
Balance at 1 April 2014 - restated	**1 298 678**	**1 298 678**
Changes in net assets		
Surplus for the year	201 814	201 814
Total changes	201 814	201 814
Balance at 01 April 2015	**1 500 492**	**1 500 492**
Changes in net assets		
Surplus for the year	196 130	196 130
Transfer to National Revenue Fund*	(190 752)	(190 752)
Total changes	5 378	5 378
Balance at 31 March 2016	**1 505 870**	**1 505 870**

*Refer to note 25.

Cash Flow Statement

Figures in Rand thousand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Fees		156 208	138 201
Annual return fees		285 166	279 434
Other income		5 632	8 913
Interest income		103 288	85 839
		550 294	512 387
Payments			
Employee costs		(231 432)	(198 903)
Suppliers		(93 755)	(122 732)
		(325 187)	(321 635)
Net cash flows from operating activities	19	**225 107**	**190 752**
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	(5 893)	(9 209)
Proceeds on disposal of property, plant and equipment	6	10	434
Acquisition of intangible assets	7	(187)	(3 193)
Net cash flows from investing activities		**(6 070)**	**(11 968)**
Cash flows from financing activities			
Transfer to National Revenue Fund		(190 752)	-
Net increase in cash and cash equivalents		**28 285**	**178 784**
Cash and cash equivalents at the beginning of the year		1 565 589	1 386 805
Cash and cash equivalents at the end of the year	5	**1 593 874**	**1 565 589**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions	185 346	-	**185 346**	156 208	**(29 138)**	N1
Revenue from non-exchange transactions	238 617	-	**238 617**	282 779	**44 162**	N2
Other income	-	1 042	**1 042**	5 632	**4 590**	N3
Interest received from exchange transactions	42 500	41 458	**83 958**	103 288	**19 330**	N4
Total revenue	**466 463**	**42 500**	**508 963**	**547 907**	**38 944**	
Expenses						
Employee cost	(243 646)	-	**(243 646)**	(231 432)	**12 214**	
Operational expenditure	(145 591)	31 532	**(114 059)**	(81 405)	**32 654**	N5
Other administrative expenditure	(63 174)	18 745	**(44 429)**	(28 928)	**15 501**	N6
Depreciation and amortisation	(8 800)	(500)	**(9 300)**	(10 027)	**(727)**	
Bad debts recovered	-	-	**-**	5	**5**	
Total expenditure	**(461 211)**	**49 777**	**(411 434)**	**(351 787)**	**59 647**	
Operating surplus	**5 252**	**92 277**	**97 529**	**196 120**	**98 591**	
Gain on disposal of assets	**-**	**-**	**-**	10	**10**	
Surplus for the year	**5 252**	**92 277**	**97 529**	**196 130**	**98 601**	
Actual amount as presented in the Budget and Actual Comparative Statement*	**5 252**	**92 277**	**97 529**	**196 130**	**98 601**	

***Refer note 35.**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Non-Current Assets						
Property, plant and equipment	18 119	(7 470)	**10 649**	5 893	**(4 756)**	N7
Intangible assets	5 010	(1 915)	**3 095**	187	**(2 908)**	N8
Total Assets	**23 129**	**(9 385)**	**13 744**	**6 080**	**(7 664)**	
Net Assets						
Reserves						
Capital budget - cash reserves	23 129	(9 385)	**13 744**	6 080	**(7 664)**	

Statement of Comparison of Budget and Actual Amounts

Budget narrations for variances above 15%

N1 - Revenue from exchange transactions
The variance of R29.1 mil (2015: 17.9 mil), translated to 16% (2015: 11.5%) below budget relates to the decline in the demand for disclosure information and establishment of co-operatives.

N2 - Revenue from non-exchange transactions
The variance of R44.1 mil (2015: R5.1 mil), translated to 19% (2015: 1.9%) above budget relates to increase in revenue generated from annual returns.

N3 - Other income
The variance of R4.5 mil (2015: R3.4mil), translated to 440% (2015: 60.5%) above budget revenue relates mainly to the prescription of receipts older than three years. The CIPC does not budget for such due to the uncertainty relating to customer balances which will be prescribed during the financial year.

N4 - Interest income
The variance of R19.3 mil (2015: R13.9 mil), translated to 23% (2015: 19.4%) above budget relates interest earned at the CPD account held at the South African Reserve Bank as a result of increases in cash reserves.

N5 - Operational expenditure
The variance of R32.6 mil (2015: R44 mil), translated to 29% (2015: 36.7%) savings in the budgeted expenditure relates mainly to the following:

*Savings of approximately R7 mil in the budgeted office rental lease costs due to the fact that the CIPC has collaborated with strategic partners in other public sector institutions for the operation of the Self-Service Terminals (sst's) rather than the acquisition of stand alone CIPC offices.

*Savings of approximately R18 mil in the budgeted consultancy fees for Information Communication and Technology (ICT) services as the CIPC is still in the planning phase of the ICT infrastructure revamp project. It is expected that this project will unfold over a period of 5 years. The entity has also implemented cost containment measures regarding the utilisation of consultants, where possible.

N6 - Administrative expenditure
The variance of R15.5 mil (2015: R23.7 mil), translated to 35% (2015: 51.7%) savings in the budgeted expenditure relates mainly to the following:

*Rolling forward of approximately R5 mil in the budgeted expenditure for the education and awareness media campaign which commenced February 2016. The actual expenditure will reflect in the 2016/17 financial year.

*Savings of approximately R2 mil in the budgeted expenditure for the publication of deregistration letters. These will be issued during the first quarter of the 2016/17 financial year.

*Savings of approximately R 4 mil and R2 mil in the budgeted expenditure for audit fees and legal fees respectively.

*Savings of approximately R 1.5 mil in the budgeted expenditure for the Innovation Conference which was postponed to the next financial year pending the finalisation of some collaboration initiatives.

N7-N8 - Capital expenditure
The variance of R7.6 mil translated to 56% below the budgeted capital expenditure is mainly to the fact that the CIPC is still in the process of automating some of its business processes and the modernisation of the current ICT systems.

Accounting Policies

1. Basis of preparation

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Property, plant and equipment

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

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

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

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

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

1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

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

1.4 Intangible assets

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The cost of an item of intangible asset is recognised when:

(a) it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the CIPC; and
(b) the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.4 Intangible assets (continued)

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

Expenditure on research is recognised as an expense when it is incurred. Development costs are recognised as intangible assets when they meet the recognition criteria of intangible assets.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

(a) it is technically feasible to complete the asset so that it will be available for use or sale,
(b) there is an intention to complete and use or sell it,
(c) there is an ability to use or sell the asset,
(d) it will generate probable future economic benefits or service potential,
(e) there are available technical, financial and other resources to complete the development and to use or sell the asset and
(f) the expenditure attributable to the asset during its development can be measured reliably.

Amortisation

Amortisation is recognised in the surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, 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. The imapct of the residual values on the amortisation amount is considered negligable.

The useful lives and residual values are assessed on an annual basis. The estimated useful lives of the assets is as follows:

Item	Useful life
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 the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the assets, are recognised in surplus or deficit when the asset is derecognised.

Subsequent expenditure incurred on intangible assets is only capitalised to the extend 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.

Accounting Policies

1.5 Impairment of 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.

1.6 Impairment of non-cash-generating assets

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

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

1.7 Impairment of cash-generating assets

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

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

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

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

1.8 Leases

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

Operating leases

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

1.9 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

1.9 Inventories (continued)

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.

1.10 Financial instruments

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

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

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

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

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

Financial assets

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

1.10 Financial instruments (continued)

Financial liabilities

A financial liability is any liability that is a contractual obligation to:

(a) deliver cash or another financial asset to another entity; or
(b) exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

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

Finacial assets

Cash and cash equivalents

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They comprise prepayments and receivables from exchange transactions. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method, less any impairment loss.

The CIPC classifies it's financial assets as reflected on the face of the statement of financial position or in the notes thereto as follows:

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

Financial liabilities

Payables from deposits received in advance: Deferred income

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

Accounting Policies

1.10 Financial instruments (continued)

Trade and other payables

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

The CIPC classifies its financial liabilities as reflected on the face of the statement of financial position or in the notes thereto as follows:

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

Initial measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

The effective interest method is used to calculate the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense by discounting the estimated future cash payments or receipts 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 income or expense for the year. In this manner the interest income or expense on a level yield to maturity basis.

Derecognition

Financial assets

The 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; or

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

Accounting Policies

1.10 Financial instruments (continued)

Financial liabilities

The financial liabilities are only derecognised 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.

Offsetting

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

1.11 Revenue from exchange transactions

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

Interest income

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

Revenue from fees

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

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

1.11 Revenue from exchange transactions (continued)

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

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

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

Trade receivables from exchange transactions

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

1.12 Revenue from non-exchange transactions

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

Non-exchange revenue comprises annual return revenue.

Revenue from annual return fees

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

Trade receivables from non-exchange transactions

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

1.13 Finance cost

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

Accounting Policies

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

1.15 Employee benefits

Short-term employee benefits

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

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

Post-retirement benefit: Defined contribution plans

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.

Accounting Policies

1.16 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. The details of management accounting estimates and judgements are disclosed under the relevant notes.

1.17 Budget information

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

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 35.

1.18 Irregular expenditure

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

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

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

Details of irregular expenditure have been disclosed in note 33 to the financial statements.

Accounting Policies

1.19 Fruitless and wasteful expenditure

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

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

1.20 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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 18: Segment Reporting	01 April 2015	There is no impact in the current financial year.
GRAP 105: Transfers of functions between entities under common control	01 April 2015	There is no impact on the financial results, additional disclosure may be required.
GRAP 106: Transfers of functions between entities not under common control	01 April 2015	There is no impact on the financial results and disclosure.
GRAP 107: Mergers	01 April 2015	There is no impact on the financial results and disclosure.
IGRAP 11: Consolidation – Special purpose entities	01 April 2015	There is no impact on the financial results and disclosure.
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	There is no impact on the financial results and disclosure.
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	There is no impact on the financial results and disclosure.
GRAP 7 (as revised 2010): Investments in Associates	01 April 2015	There is no impact on the financial results and disclosure.
GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	There is no impact on the financial results and disclosure.

Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2016	The impact on the financial results is minimal, but may result in additional disclosure.
GRAP32: Service Concession Arrangements: Grantor	01 April 2016	The impact on the financial statements is minimal, additional disclosure may be required.
GRAP108: Statutory Receivables	01 April 2016	The impact on the financial results and disclosure is significant.
IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact on the financial results is minimal, additional disclosure may be required.
DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The impact on the financial statements is minimal, additional disclosure may be required.

3. Receivables from exchange transactions

	2016	2015
Trade receivables	123	342
Patent Corporation Treaty (PCT) receivables	14	1
Staff receivables	302	279
Less: Provision for doubtful debt	(67)	(77)
Other receivables	173	310
	545	**855**

Reconciliation of trade receivables:

March 2016	Less than one year	Longer than one year	Total
Accounts receivables from exchange transactions	545	-	545

March 2015	Less than one year	Longer than one year	Total
Accounts receivables from exchange transactions	855	-	855

Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015

4. Prepayments

Prepaid expenses		
Training	49	161
Rental - Conference facility	-	134
Software maintenance agreement	815	604
Computer warranty	25	45
Insurance assets	48	44
Renewal of software licence*	2 913	7 058
Rental expense	200	-
	4 050	**8 046**

*Prior year figures have been re-classified.

Reconciliation of prepayments

March 2016	Less than one year	Longer than one year	Total
Prepayments	4 004	46	4 050

March 2015	Less than one year	Longer than one year	Total
Prepayments	7 953	93	8 046

5. Cash and cash equivalents

Cash and cash equivalents consist of:		
Bank balances	4 294	4 080
Collection account	1 044	23
Call account-Corporation for Public Deposits (CPD)	1 588 536	1 561 486
	1 593 874	**1 565 589**

Notes to the Annual Financial Statements

6. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Computer equipment	47 192	(26 560)	20 632	41 714	(20 164)	21 550
Office furniture and equipment	10 287	(3 064)	7 223	9 917	(2 155)	7 762
Leasehold improvements	2 406	(807)	1 599	2 407	(356)	2 051
Total	**59 885**	**(30 431)**	**29 454**	**54 038**	**(22 675)**	**31 363**

Reconciliation of property, plant and equipment - March 2016

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

Reconciliation of property, plant and equipment - March 2015

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Computer equipment	23 875	4 391	(634)	(5 927)	(155)	21 550
Office furniture and equipment	6 115	2 908	(254)	(964)	(44)	7 761
Leasehold improvements	542	1 910	-	(401)	-	2 051
	30 532	**9 209**	**(888)**	**(7 292)**	**(199)**	**31 362**

Notes to the Annual Financial Statements

7. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation and impairment	Carrying value	Cost	Accumulated amortisation and impairment	Carrying value
Capitalised computer software	24 525	(14 782)	9 743	24 337	(12 557)	11 780

Reconciliation of intangible assets - March 2016

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

Reconciliation of intangible assets - March 2015

	Opening balance	Additions	Amortisation	Total
Capitalised computer software	10 582	3 193	(1 995)	11 780

8. Provisions

Reconciliation of intangible assets - March 2016

	Opening balance	Provision raised	Provision utilised	Provision reversed	Current portion
Leave pay benefits	13 331	15 519	-	(13 331)	15 519
Performance bonuses	8 572	11 086	(8 572)	-	11 086
	21 903	**26 605**	**(8 572)**	**(13 331)**	**26 605**

Reconciliation of provisions - March 2015

	Opening balance	Provision raised	Provision utilised	Provision reversed	Current portion
Leave pay benefits	13 716	13 331	-	(13 716)	13 331
Performance bonuses	7 668	7 421	(6 517)	-	8 572
Workmen's compensation	306	-	(306)	-	-
	21 690	**20 752**	**(6 823)**	**(13 716)**	**21 903**

Leave pay benefits

In terms of the CIPC leave pay policy, employees are entitled to accumulated leave pay benefits not taken within a leave cycle, provided that any leave benefits, excluding capped leave (R6,5 million) accrued before 1 July 2000, not taken within a period of six months after the end of the leave cycle are forfeited.

Performance bonuses

Merit awards are based on 5% of the total remuneration cost and will be adjusted to the actual % of organisational performance against key performance indicators. The actual expense paid during the 2016 financial year relating to the 2015 provision amounted to R10,747 mil. The under-provision was accepted as immaterial and therefore the comparatives were not restated.

Workman's compensation

Provision has been made for the payment of workman's compensation in the 2013/2014 financial year. This was settled in the 2014/15 financial year. The expense for workman's compensation has been inlcuded in the accruals for the current financial year.

Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015

9. Payables from exchange transactions

Trade payables	8 929	4 099
Operating lease liability	3 254	720
Accruals: Trade payables	5 592	5 837
Accruals: Remuneration related	4 801	4 354
	22 576	**15 010**

10. Payables from customer deposits received

Deposits of advance receipts*	82 615	80 228

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

11. Revenue

Fees	156 208	138 201
Other income	5 632	9 147
Interest income	103 288	85 839
Annual return fees	282 779	275 143
	547 907	**508 330**

The amount included in revenue arising from exchanges transactions:

Total revenue from exchange transactions	265 128	233 187

11.1 Fees

Corporate information	18 582	19 059
Company registration and maintenance	79 409	64 516
Data sales	2 101	1 819
Intellectual property registration and maintenance	53 059	47 524
Cooperatives registration and maintenance	3 057	5 283
	156 208	**138 201**

11.2 Interest Income

Interest received - Call account	103 288	85 839

Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015

11. Revenue (continued)

11.3 Other income

Other exchange transactions	592	164
Patent Corporation Treaty (PCT) income	69	58
Recognition of unallocated deposits as revenue	4 971	7 667
Waiving of penalties and interest - SARS	-	1 258
	5 632	**9 147**

11.4 The amount included in revenue arising from non-exchange transactions:

Annual return revenue*	282 779	275 143

*Included in annual return revenue are penalties.

12. Audit fees

External audit fees - Regularity audit	4 146	3 628
External audit fees - Computer audit	654	636
Internal audit fees (co-sourced portion)	2 152	1 757
	6 952	**6 021**

13. Consulting and professional fees

Specialist information technology consultants, licences and services	37 068	32 611
Management consultants	4 967	6 206
	42 035	**38 817**

14. Depreciation and amortisation

Computer equipment	6 442	5 927
Office furniture and equipment	908	964
Leasehold Improvements	452	401
Amortisation of intangible assets	2 225	1 996
	10 027	**9 288**

Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015

15. Employee costs

Salary	170 478	153 347
Pension contributions	16 474	15 104
Medical contributions	10 650	6 348
Service bonus	8 919	8 944
Performance bonus	12 358	7 420
Other benefits	12 553	7 740
	231 432	**198 903**

16. Operating lease charges

Vehicles	271	251
Property	18 194	14 044
Off-site storage facility	11 165	10 727
	29 630	**25 022**

17. Publications, printing and stationery

Publication and printing	557	930
Stationery	4 040	5 086
	4 597	**6 016**

18. Other operating expenses

Audit and risk committee fees	956	1 145
Bursaries	512	326
Conferences and venues	1 611	1 089
Entertainment and refreshments	212	52
Legal fees	2 850	1 843
Membership fees	92	2 044
Insurance and courier services	96	60
Security and cleaning	1 455	1 457
Sponsorship	-	25
Training	1 988	1 003
Uniforms	141	-
Resettlement costs	19	-
	9 932	**9 044**

Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015

19. Cash generated from operations

Surplus for the year	196 130	201 814
Adjustments for:		
Depreciation and amortisation	10 027	9 286
(Loss)/gain on sale of assets and liabilities	(10)	454
Impairment loss on property, plant and equipment	-	199
Movements in provisions	4 702	213
Changes in working capital:		
Receivables from exchange transactions	310	(234)
Prepayments	3 996	(764)
Payables from exchange transactions	7 565	(24 507)
Payables from customer deposits	2 387	4 291
	225 107	**190 752**

Notes to the Annual Financial Statements

Figures in Rand thousand

20. Key Management emoluments

Executive

March 2016

	Remuneration	Acting allowance	Travel and Subsistence allowance	Performance bonus	Total
Ms Astrid Ludin*1	355	-	-	26	381
Adv Rory Voller*2	1 435	368	65	26	1 894
Mr Renier du Toit*3	1 535	-	-	26	1 561
Ms Fundisiwe Malaza*4	773	-	-	-	773
Mr Lungile Dukwana*5	1 381	-	8	26	1 415
Mr William Chingate*6	889	-	-	26	915
Mr Andre Kritzinger*7	1 938	-	1	26	1 965
Ms Nomonde Maimela*8	1 592	-	84	8	1 684
Ms Bathabile Kapumha*9	49	-	-	-	49
Ms Hamida Fakira-du Toit*10	189	-	-	-	189
	10 136	**368**	**158**	**164**	**10 826**

March 2015

	Remuneration	Travel and Subsistence allowance	Performance bonus	Total
Ms Astrid Ludin*1	1 694	15	-	1 709
Adv Rory Voller*2	1 349	31	40	1 420
Mr Renier du Toit*3	1 443	-	46	1 489
Mr William Chingate*6	978	-	8	986
Mr Andre Kritzinger*7	1 823	-	57	1 880
Mr Lungile Dukwana*5	1 302	-	39	1 341
Mr Lufuno Tshitaudzi*9	989	-	-	989
Ms Nomonde Maimela*8	389	-	-	389
	9 967	**46**	**190**	**10 203**

*1 - Commissioner
*2 - Deputy Commissioner
*3 - Chief Financial Officer - on special leave since 31 May 2015.
*4 - Acting Chief Financial Officer - appointed June 2015.
*5 - Chief Strategy Executive
*6 - Chief Audit Executive - resigned 31 Jan 2016.
*7 - Executive Manager - Business Intelligence and Systems
*8 - Executive Manager - Innovation and Creativity
*9 - Divisional Manager - Risk, Governance and Compliance - appointed 01 March 2016.
*10- Executive Manager - Corporate Services - appointed 01 February 2016

Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015

21. Pension

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

Total contribution to the scheme	16 474	15 104

22. Operating lease commitments

March 2016	0-1 Years	2-5 Years	Total
The dti Campus lease	14 248	51 876	66 124
Johannesburg Stock Exchange	71	304	375
Sunny Park Mall	1 634	3 994	5 628
Katanga parking	70	-	70
Transnet	410	1 614	2 024
Backup storage facility	47	-	47
Off-site storage facility	3 105	-	3 105
Coffee Machines	35	62	98
	19 620	**57 850**	**77 471**

March 2015	0-1 Years	2-5 Years	Total
The dti Campus lease	12 952	-	12 952
Johannesburg Stock Exchange	65	372	437
Sunny Park Mall	1 599	5 890	7 489
Katanga parking	67	-	67
Transnet	380	2 024	2 404
Backup storage facility	44	52	96
Off-site storage facility	8 468	-	8 468
	23 575	**8 338**	**31 913**

Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015

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

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

Offices and parking - Sunny Park Mall
The offices are based at Sunny Park Mall, Pretoria. The lease term is 2 years, from 01 December 2015 to 30 November 2018 and 01 September 2014 to 31 August 2016. The leases escalates at 8% annually. The CIPC will exercise the option to extend the lease up to the year 2019 and the extension is included in the commitments. The lease includes leases for parking which expires on 31 August 2016 and escalates at 8% per annum.

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

Katanga Parking
The lease is for the renting of parking bays at the dti campus. The lease term was 2 years from 01 August 2013 to 31 July 2015. There is no annual escalation applicable. The lease was subsequently extended for 12 months from 01 August 2015 to 31 July 2016.

Backup storage facility
The lease is for the backup storage facilities. The lease period is 2 years, from 01 March 2015 to February 2017. The lease escalates at 8% per annum.

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

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

23. Taxation

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

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

Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015

24. Contingencies

Contingent liabilities
Housing guarantees

	23	23

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.

Accumulated surplus

	1 593 874	455 849

In terms of Treasury Regulation 19.7.1 the entity is required, at the end of the financial year, to declare any cash surplus to the National Treasury. The 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 National revenue Fund.

Surplus for 2012/13 and 2013/14

A request was submitted to the National Treasury to retain the 2012/2013 (R108,3 million) and the 2013/14 (R455.8 million) surplus. Approval in this regard is still awaited. These have been disclosed as a contingent liability in the above note.

Surplus for 2015/16

A declaration of the cash surplus for the current financial year was submitted to the National Treasury on 31 May 2016. An application to retain such surplus was submitted to the National Treasury in terms of Treasury Regulation 19.7.1. The significant increase in the amount disclosed for current year compared to prior year is as a result of the National Treasury Instruction 03 of 2015/2016 which stipulates that entities are now required to declare the accumulated cash balances at year end per the cash flow statement and not the surplus for the year per the statement of financial performance.

Enterprise Content Management System (ECM)

	10 090	11 000

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

Contingent assets

Docex

	444	1 332

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

Figures in Rand thousand	2016	2015

25. Transfer to the National Revenue Fund

Surplus for 2014/15

The CIPC submitted an application to the National Treasury to retain the surplus for the 2014/2015 financial year in terms of section 53 (3) of the PFMA and the Treasury Regulation 19.7.1. The National Treasury did not grant the approval. The cash surplus was paid into the National Revenue Fund in line with paragraph 7.2 of the National Treasury Instruction No 3 of 2015/2016. This amounted to R190,752 million.

26. Planned capital programmes

The following capital programmes were approved but not yet contracted:

Details	2016	2015
(a) Furniture: The entity is planning to replace most furniture to optimise current available office space at the dti campus	2 500	2 000
(b) Establishment of self service terminals	1 000	3 300
(c) The entity is continuously investing in improving ICT systems for improved service delivery.	10 000	16 710
(d) Invest SA centre for international investors	2 000	-
	15 500	**22 010**

27. Patent Corporation Treaty (PCT) Trust Account

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

	2016	2015
PCT creditors	525	55

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

	2016	2015
Balance in the PCT bank account	525	55

Figures in Rand thousand	2016	2015

28. Risk management

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

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

Liquidity risk

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

March 2016	Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
Payables from exchange transactions	22 576	22 576	22 576	-
Payables from deposits received in advance	82 615	82 615	82 615	-
	105 191	**105 191**	**105 191**	**-**

March 2015	Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
Payables from exchange transactions	15 010	15 010	15 010	-
Payables from deposits received in advance	80 228	80 228	80 228	-
	95 238	**95 238**	**95 238**	**-**

Credit risk

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

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

Exposure to credit risk		
Cash and cash equivalents *	1 593 874	1 565 589
Receivables from exchange transactions	4 595	8 901
	1 598 469	**1 574 490**

* Included is an amount of R1 588 million (2015: R1 561 million) invested in a call account-CPD at the South African Reserve Bank.

Concentration of credit risk

Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015

28. Risk management (continued)

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

March 2016	*Baa2 and Government	Unrated
Cash and cash equivalents	1 593 874	-
Prepayments	-	4 050
Receivables from exchange transactions	-	545
	1 593 874	**4 595**

March 2015	*Baa2 and Government	Unrated
Cash and cash equivalents	1 565 589	-
Prepayments	-	8 046
Receivables from exchange transactions	-	855
	1 565 589	**8 901**

Ageing of financial assets

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

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

March 2015	Neither past due nor impaired	Past due but not impaired less than 12 months	Past due but not impaired more than 12 months	Carrying value
Cash and cash equivalents	1 565 589	-	-	1 565 589
Receivables from exchange transactions	-	855	-	855
	1 565 589	**855**	**-**	**1 566 444**

Market risk

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

Interest rate risk

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

Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015

28. Risk management (continued)

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

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

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

March 2015	Change in interest rate	Increase in the surplus for the year upward change	Decrease in the surplus for the year downward change
Cash and cash equivalents	1 %	14 488	(14 488)

29. Changes in accounting estimates

Property, plant and equipment

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

	2015/2016	2014/2015
Re-assessment of property plant and equipment useful lives	63	601

Intangible asset

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

	2015/2016	2014/2015
Re-assessment of intangible assets useful lives	-	108

Impairment

At the end of the 2015/2016 financial year, the intangible assets were reviewed in terms of GRAP 41 to assess if there were significant changes which resulted in the assets becoming idle or discontinued. For the 2014/2015 financial year discontinued property, plant and equipment with a carrying value of R199 000 were impaired. No Intangible assets were impaired during the current financial year.

	2015/2016	2014/2015
Impairment	-	199

Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015

30. Prior period error

Annual performance increases for the 2014/15 financial year

During the current financial year, it was discovered that the annual performance increase for the 2014/15 financial year were incorrectly implemented at 1% instead of 1.5%. The difference of 0.5% was corrected during the current financial year and officials were back-paid from 01 April 2014 to 31 March 2015.

The financial impact of the error amounted to R996,410. Management decided not to restate the prior year financial statements as the amount of the error is below the organisational materiality of R 5 089 630.

The impact of the error in the 2014/15 financial statements is that the salary costs were understated by R996,410. The impact of the error in 2015/16 financial statements is that the salary costs and opening balance of the accumulated surplus are overstated by R996,410.

31. Related party transactions

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

Department of Trade and Industry (dti)	Transactions 31 March 2016	Balance due as at 31 March 2016	Transactions 31 March 2015	Balance due as at 31 March 2015
Lease of building	12 952	-	11 714	105
Telephone costs	902	72	1 339	-
Internet costs	229	19	229	-
	14 083	**91**	**13 282**	**105**

The dti group

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

Income (Dislosure of information)

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

Name	**Relationship**
Companies Tribunal	Member of **the dti** group
Competition Tribunal	Member of **the dti** group
National Consumer Commission (NCC)	Member of **the dti** group
National Consumer Tribunal (NCT)	Member of **the dti** group
National Credit Regulator (NCR)	Member of **the dti** group
National Gambling Board (NGB)	Member of **the dti** group
National Lotteries Board (NLB)	Member of **the dti** group
National Lottery Distribution Trust Fund (NLDTF)	Member of **the dti** group
National Regulator for Compulsory Specifications NRCS)	Member of **the dti** group
Small Enterprise Development Agency (SEDA)	Member of **the dti** group
South African Bureau of Standards (SABS)	Member of **the dti** group
Export Credit Insurance Corporation of South Africa	Member of **the dti** group
National Empowerment Fund (NEF)	Member of **the dti** group
National Metrology Institute of South Africa	Member of **the dti** group
National Accreditation System (SANAS)	Member of **the dti** group
Competition Commission	Government institution
Community Schemes Ombud Services	Government institution

Figures in Rand thousand	2016	2015

31. Related party transactions (continued)

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

Transactions with key management

Total remuneration of key management is included in employees' remuneration (refer to note 20 for Executive Managements' remuneration).

Figures in Rand thousand	2016	2015

31. Related party transactions (continued)

Expenditure
The entity, as a Schedule 3A Public Entity under the Public Finance Management Act (PFMA), operates in an economic environment currently dominated by entities directly or indirectly owned by the South African Government. The CIPC discloses related party 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.

32. Fruitless and wasteful expenditure

Interest on late payment of supplier	-	23
Supplier overpayment - to be recovered	27	-
	27	**23**

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 above.

33. Irregular expenditure

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

ICT data connection services	128	500
ICT maintenance contract outside of contract period	281	-
Printing outside contract scope	44	-
Printing outside contract period	30	-
Mailing service	118	-
Catering	30	-
Staff uniforms	150	-
Medical and housing adjustments - not in line with the remuneration framework	6 054	-
	6 835	**500**

Opening balance	98 736	98 236
Add: Irregular Expenditure - current year	6 835	500
Less: Amounts condoned for current year	(601)	-
Less: Amounts condoned for prior year balances	(500)	-
	104 470	**98 736**

Details of irregular expenditure not yet condoned

Enterprise Content Management System (ECM)	98 236
Medical and housing adjustments	6 054
Catering	30
Staff uniform	150
	104 470

Enterprise Content Management System (ECM)

*The Enterprise Content Management System (ECM) - cannot be condoned as litigation is in process. Refer to note 24 for details on the contingent liability disclosure.

Notes to the Annual Financial Statements

Figures in Rand thousand	2016	2015

33. Irregular expenditure (continued)

Medical and housing allowance

*The entity incurred Irregular expenditure of R6 054 000 relating to increases in medical and housing allowances due to the incorrect interpretation of the approved remuneration framework.The request for the condonation of the medical and housing allowance adjustments for the 2015/16 financial year will be requested during the 2016/17 financial year from the Executive Authority.

Catering and staff uniform

*The expenditure was condoned subsequent to year end.

34. Gifts and donations

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

	2016	2015
•Smaller gifts (less than R300) to various staff members	1	2
Granting of sponsorships by the CIPC:		
Sponsorship of employee: N Khumalo	-	25

35. Reconciliation between budget and cash flow statement

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

	2016	2015
Operating activities		
Actual amount as presented in the budget statement	196 130	201 814
Basis differences	28 977	(11 062)
Net cash flows from operating activities	**225 107**	**190 752**
Investing activities		
Actual amount as presented in the budget statement	(6 080)	(12 402)
Timing differences	10	434
Net cash flows from investing activities	**(6 070)**	**(11 968)**
Financing activities		
Basis differences	(190 752)	-
Net cash generated from operating, investing and financing activities	**28 285**	**178 784**

36. Comparative figures

Certain comparative figures have been reclassified in order to ensure fair presentation. Refer to note 4.

Notes

RP283/2016
ISBN: 978-0-621-44853-5
CIPC Annual Report 2015/2016

CIPC Contact Number: 086 100 2472

Postal Address: PO Box 429, Pretoria, 0001

www.cipc.co.za