Companies and Intellectual Property Commission

ANNUAL REPORT 2014/2015

Companies and Intellectual Property Commission

a member of the dti group

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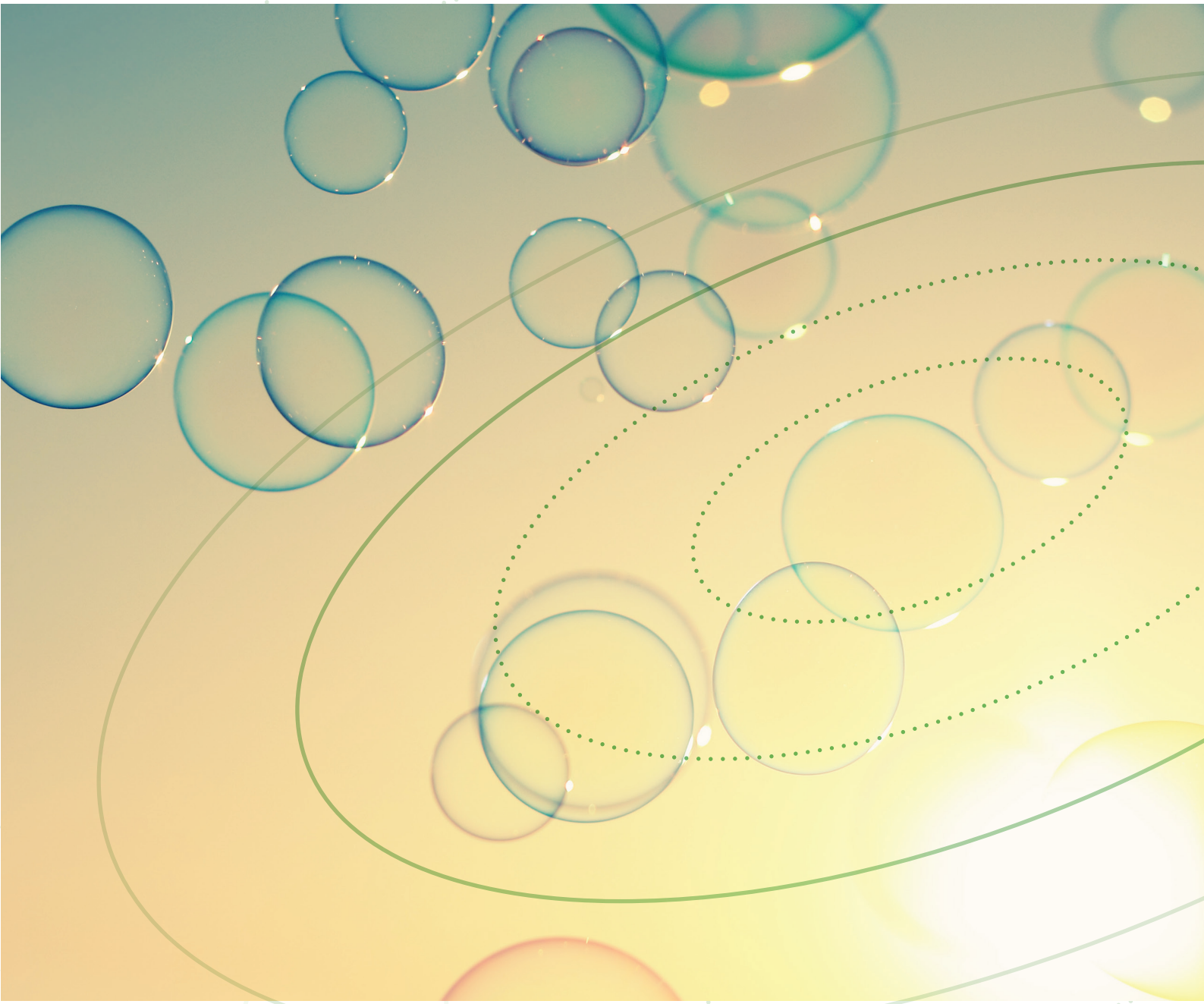
"There is no passion to be found playing small - in settling for a life that is less than the one you are capable of living."

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 Mentjies 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 auditors information
Auditor-General South Africa
PO Box 446
Pretoria
0001

Bankers information
ABSA
PO Box 4210
Pretoria
0001

Company Secretary
Not applicable

1.2 List of Abbreviations /Acronyms

Abbreviation	Description
AA	Accounting Authority
AFS	Annual Financial Statements
AGSA	Auditor General of South Africa
APP	Annual Performance Plan
AR	Annual Return
BEE	Black Economic Empowerment
BP	Business Plan
BR	Business Rescue
BRICS	Brazil, India, China and South Africa
BRP	Business Rescue Practitioner
CC	Close Corporation
CEO	Chief Executive Officer
CET	Commission Executive Committee
CAB	Change Advisory Board
CIPC	Companies and Intellectual Property Commission
CIPRO	Companies and Intellectual Property Registration Office
CIT	Corporate Identity Theft
CT	Companies Tribunal
DOE	Department of Education
DHA	Department of Home Affairs
DST	Department of Science and Technology
FNB	First National Bank
FRSC	Financial Reporting Standards Council
HIPO	Heads of Intellectual Property Offices
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communications Technology
IKS	Indigenous Knowledge Systems
IRBA	Independent Regulatory Board of Auditors
IP	Intellectual Property
IPAP	Industrial Policy Action Plan
IT	Information Technology
IPLAA	Intellectual Property Laws Amendments Act
IPR	Intellectual Property Rights
MOI	Memorandum of Incorporation
MoU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NIPMO	National Intellectual Property Management Office
NMMU	Nelson Mandela Metropolitan University
NT	National Treasury
NLB	National Lotteries Board
OPC	Operational Performance Committee
OTT	Office of Technology Transfer
PFMA	Public Financial Management Act
SA	South Africa
SAPS	South African Police Services
SARS	South African Revenue Service
SCM	Supply Chain Management
SMMEs	Small, Medium and Micro Enterprises
SOC	State Owned Company
SOE	Standard Operating Environment
SST	Self Service Terminals
the dti	The Department of Trade and Industry
TIA	Technology Innovation Agency
TRP	Takeover Regulation Panel
UK	United Kingdom
WIPO	World Intellectual Property Organisation

1.3 Foreword by the Minister

It is my pleasure to present the fourth annual report of the Companies and Intellectual Property Commission (CIPC). The investment in CIPC ICT infrastructure has resulted in a number of improvements; a responsive organization; simplified the environment of doing business; created a better customer experience and improved organisational reputation. The introduction of e-filing for new companies, trade marks, patents, designs and copyright in film, has seen a shift towards the utilization of electronic transactions thereby improving access, customer experience and integrity of the CIPC databases. The CIPC is increasingly showing improvements in creating an enabling and facilitative environment for entrepreneurship, investment and innovation in the broader South African society.

The CIPC also introduced innovations such as an integrated company registration and bank account opening process and self-help terminals (SSTs) aimed at small business people who wish to register companies, effect changes to their companies or maintain the company status by lodging annual returns. The net effect of this has been improved customer identification and ease of transaction facilities. BEE certificates can also now be printed on request at the SST, on registration and on submission of the annual returns. Although the CIPC expanded this service offering, it is still expected that this service must reach all the provinces in the country to ensure improved and equitable access for the customers across the country as envisaged in the CIPC 2015/16 – 2019/20 Strategic plan.

The CIPC continued its involvement in the Brazil, Russia, India, China and South Africa (BRICS) Heads of Intellectual Property Offices (BRICS HIPO). The CIPC also continued its partnership with the National Intellectual Property Management Office (NIPMO), an office of the Department of Science and Technology (DST). These contributed to the advancement of IP in the developing world, BRICS and in South Africa.

Partnerships with the South African Revenue Service (SARS) and Department of Home Affairs (DHA) continued to demonstrate the importance of integrated government services and resultant ease of transacting. These partnerships have also provided improved identity verification.

The CIPC has strengthened governance regulatory functions. The investigation and enforcement of non-compliance with various laws administered by the CIPC, particularly the Companies Act, Act No. 71 of 2008, is continuing; of concern is the failure by entities to prepare and submit annual financial statements.

The Report on business rescue conducted by CIPC through the University of Pretoria during this reporting period identifies the main reasons for financial distress and therefore business rescue as: creditor pressure (36%), profitability problems (20%), management capabilities (13%) and unique circumstances (10%). The lodgements of financial statements is therefore imperative for similar anlaysis in the future. The report also suggests that there is general agreement that business rescue does save jobs. In fact, the report suggests that 60% of jobs were saved by companies that went through business rescue. This is also important noting that this was one of the provisions of the Companies Act, 2008 (as amended).

During the reporting period Compliance Certificates were issued to 38 companies and in respect of 25 companies, authorization was given to forward their non-compliance with the Compliance Notices to the National Prosecuting Authority for possible prosecution. Sixty nine (69) other companies were put on a Cold Case List as the companies did not respond to the Compliance Notices or claimed that they were dormant. The compilation and submission of financial statements is the crux of governance and should be enforced.

The CIPC conducted a test on some listed public companies required to have a Social and Ethics Committee, to determine the level of compliance 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). It was found that 96% (252 out of 263) listed public companies confirmed compliance with the establishment of a Social and Ethics Committee.

I would also like to thank the previous Commissioner of CIPC, Ms Astrid Ludin who resigned at the end of April 2015 for her contribution in building the organization.

_____

Dr Rob Davies
Minister of Trade and Industry

1.4 Commissioner's Overview

It gives me great pleasure to present the fourth annual report of the Companies and Intellectual Property Commission (CIPC) for the 2014/2015 financial year.

In the four years since the establishment of the CIPC, great strides have been made in delivering on the mandate of the organisation not only as far as its administrative and registration capability but also on its regulatory role in the areas of compliance and enforcement of the Companies Act, 2008 and other applicable legislation. The process of transformation of the organisation sought and continues to create a sustained foundation for service delivery holistically but also to support **the dti** in the area of business regulation and reputation; as well as IP development.

In the financial year 2014/2015 the organisation has continued to stabilise and enhance its ICT infrastructure and has launched additional automated services through a number of innovations.

CIPC, amongst others, expanded its self-service terminal (SST) functionality to service centres in Johannesburg and Cape Town. Its partnership with the DHA enables real-time biometric identity verification. Plans to rollout such services in other provinces in the 2015/16 financial year are at an advanced stage. Partnerships with the IDC and Transnet will facilitate the process of having a presence in additional provinces.

CIPC's relationship with SARS and **the dti** respectively led to the tangible reduction of red tape: Enterprises registering at CIPC receive a tax reference number within seconds of a company registration number being issued, this without having to lodge a separate application at SARS. This integrated service is enabled through a collaboration between the two entities which resulted in the implementation of a real-time solution which involves the sharing of non-financial data between SARS and CIPC. The dti and CIPC has a Memorandum of Understanding in place which authorises CIPC to process applications for BEE certificates for Exempted Micro-Enterprises whilst lodging applications for company registration or filing annual returns at CIPC's self-service terminals. In time, this service will be rolled out through additional channels.

The collaboration with banks and FNB in particular, resulted in approximately 15 000 integrated company registrations and bank account opening applications being processed from across the country over the past year. Other banks have shown keen interest in making similar integrated offerings available and at the end of the financial year Standard Bank was testing its technical solution.

The CIPC continues to face the challenge of being able to handle the large volumes of queries and in this regard a new query resolution system was developed and implemented and the groundwork has been laid to capacitate a new call centre as well as the use of query messaging systems for further access to the organisation.

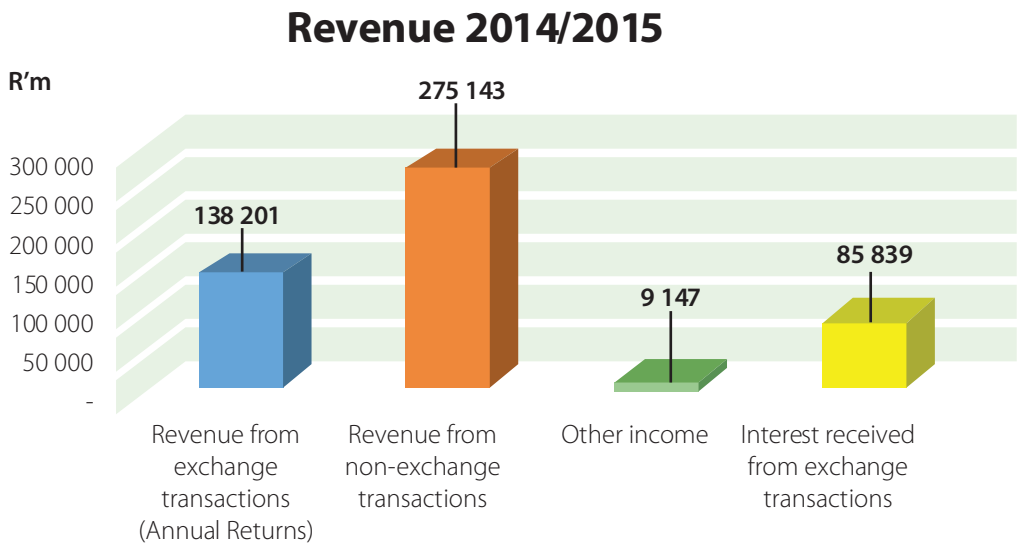
The strategic thrusts will continue to expand on providing additional automation and electronic services, creating internal staff capability and capacity as well as to ensure that access to the organisation through

collaboration and ease of doing business to all citizens, remains at the forefront of the goals of the CIPC. The organisation wishes to express its gratitude towards the staff for their role in transforming the organisation into a modern, credible institution. We will continue to strive to take CIPC to greater heights.

1.4.1 General financial review of the public entity

For the year under review, the CIPC received revenue totalling R508,3 million, of which R138,2 million was derived from annual returns paid by companies and close corporations. The CIPC generates revenue from registrations, maintenance and renewal fees (this includes annual returns for companies and close corporations). After the new annual return filing system was launched in August 2013, the CIPC reinstated penalties for non-compliance and late filing of annual returns. The CIPC has been focussing on improving compliance with the annual return filing requirement. At present, the potential revenue impact of increased annual return compliance is uncertain, as the CIPC will need to establish over time what a reasonable compliance target for South Africa is. In the current financial year, compliance was at 50% for annual return fillings.

1.4.1.1 Revenue



For the period 01 April 2014 to 31 March 2015, a total revenue of R413,3 million was generated from business activities relating to Annual Returns, Companies, Patent, Designs and Trade Marks. R9,1 million was generated from recovery of expenditure for private telephone calls from staff, bursary debt, sale of tender documents, parking and recognition of deposits older than three years. Interest of R85,8 million was earned on the Corporation for Public Deposits (CPD) investment at the Reserve Bank and other related accounts.

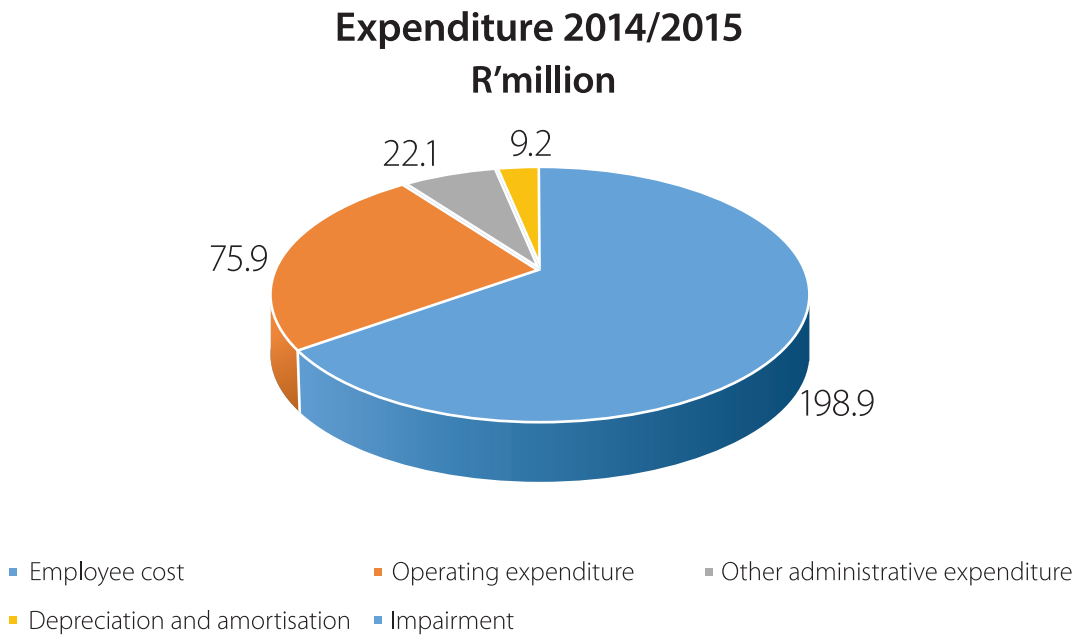
It is expected that the CIPC will generate sufficient revenue over the short to medium term to sustain its operational activities and to enable the organisation to render and maintain quality services as set out in the Companies Act of 2008. In order to be able to fulfil the mandate as set out in the Act, CIPC needs to remain financially sustainable and to cover the annual cost increase in service

delivery an annual adjustment of fees will be required. In this regard National Treasury approved a fee increase for the CIPC and these increases will be implemented after due legal processes are completed. National Treasury has approved a five year financial sustainability analysis and through, proper financial management, funds will be available to achieve the future organisations objectives.

1.4.2 Spending trends of the public entity

The 2013/2014 - 2016/2017 Medium Term Estimate of National Expenditure (MTREF) for CIPC was submitted to **the dti** and National Treasury in accordance with the Public Finance Management Act (PFMA) (Act 1 of 1999). A financial analysis was submitted to **the dti** and approval was granted by National Treasury as part of approval and implementation of the CIPC and the new organisational structure.

1.4.2.1 Expenditure



The main cost drivers for CIPC as a service organisation relates to employee remuneration, IT services, and office accommodation and service delivery enhancement projects. As a service delivery organisation, the bulk of CIPC's expenditure relates to the remuneration of staff, amounting to R198,9 million (65%) of total operating expenditure in the 2014/2015 financial year.

The organisation continues to invest in modernising its infrastructure. During the period under review, IT systems have been stabilised with improved infrastructure, improved functionality, greater security and enhanced bandwidth. The CIPC will reduce its reliance on consulting services over the medium term period, as it is able to appoint more staff and conduct the work itself.

It was expected that there would still be a high dependence on consulting services in the 2013/14 and 2014/15 financial years, especially in the area of ICT due to the purchase of software licences which requires

maintance officials for support functions. The reliance on ICT consulting services will remain significant over the following years due to maintenance required on the legacy systems. See the medium term projected figures below:-
2013/14 – R51 million
2014/15 – R69 million
2015/16 – R46 million

1.4.3 Capacity constraints and challenges facing the public entity

Recruitment efforts to fill critical positions were not successful due to a moratorium on filling of posts, which was put in place as a result of failed consultations with employee representatives, on 08 August 2014 and again on 15 January 2015. This resulted in a vacancy rate of as high as 30% as at the end of the 2014/15 financial year. CIPC also experienced unofficial go slow that affected the organisational performance negatively. System downtimes were experienced when the new e-services system was introduced resulting in some challenges that may have affected production.

1.4.4 Discontinued activities / activities to be discontinued

No services were discontinued or were planned to be discontinued during the period under review.

1.4.5 New or proposed activities

CIPC redesigned its website, rolled out Self-Service Terminals (SSTs) and further launched its new customer service channels during September 2014 at the Carlton Centre, Johannesburg. These efforts aims to increase access to CIPC services and improve ease of transacting. The new channels include a new website with an Enquiry Logging System and easy download and upload of documentation functionality; a transactional website for customer registration, company registrations, address and financial year end changes, annual return calculation and filing and a new web service to effect director and member changes. The Self Service Centres and Terminals allow quick access to customer code creation, password reset, company registration, annual return filing and address and financial year end changes aimed at young entrepreneurs and small business owners.

In an attempt to differentiate its services for different target markets, the CIPC launched an office at the JSE. This office provides specific services for listed companies and its subsidiaries, i.e. director and company amendments. Furthermore, advisory services as well as real-time company registration services (through a self-service terminal) are offered at this office. 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 built technical solutions which enable the two systems to exchange data thereby allowing a real-time issuing of a tax number once an enterprise registration number has been issued. A real-time link exists between SARS and CIPC through which data for all registered enterprises are passed to SARS and tax numbers issued to CIPC. The impact on the customer is that there is no need to apply for separate tax registration once the enterprise is registered with CIPC.

Another flagship project to reduce red tape and to provide integrated government services is the issuing of BBBEE certificates for Exempt Micro Enterprises (EMEs) at the CIPC self-service terminals. CIPC and **the dti** entered into an agreement in the reporting period which provides for such enterprises to apply for BEE certificates upon registration or whilst filing annual returns. Plans are underway to expand the service across CIPC's other channels such as the website.

1.4.6 Requests for roll over of funds

CIPC is a self-sustained entity, hence it has no roll overs.

1.4.7 Supply chain management

The supply chain management is aligned to the CIPC's strategic objective which is to manage financial resources in a manner that enables operational excellence and ensures efficient, effective and sustainable resource utilisation. CIPC has appointed the prescribed Supply Chain Management Committees. All bids advertised for the 2014/2015 financial period were concluded. The code of conduct for SCM practitioners was adopted and signed by all relevant officials for the period under review. The CIPC has an approved Supply Chain Management Policy in place and there are measures in place to upgrade the current systems to a new vendor management model to encourage vendor participation in line with relevant Treasury prescripts.

1.4.8 All concluded unsolicited bid proposals for the year under review

CIPC does 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 in line with the PFMA and Treasury Regulations.

1.4.10 Challenges experienced and how they will be resolved

CIPC experienced labour related challenges where consultations with employee representatives were unsuccessful resulting in delays in approval of new CIPC policies and recruitment for key positions. An unofficial go slow resulted from the disagreements between CIPC leadership and employee representatives. CIPC, with **the dti,** are working tirelessly to resolve these issues.

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

The following were audit findings during 2013/14 reporting period:

(i) Reliability of reported performance information

"I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to the fact that the auditee could

not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures."

CIPC has put mechanisms in place to ensure that sufficient appropriate evidence in support of the reported performance information. This was monitored through the weekly Internal Audit and Risk meetings.

(ii) Compliance with laws and regulations

The accounting authority did not take effective steps to prevent irregular expenditure as required by Section 51 (1) (b) (ii) of the PFMA. Management did not take effective steps to timeously monitor compliance with applicable laws and regulations to prevent irregular expenditure.

CIPC has put in place controls to ensure that irregular expenditure is prevented as per the PFMA and Treasury Regulations. This was monitored through the weekly Internal Audit and Risk meetings.

1.4.12 Outlook/ Plans for the future to address financial challenges

There are currently no financial challenges within the organisation.

1.4.13 Events after the reporting date

The Commissioner, Ms Astrid Ludin resigned as at 30 April 2015. Deputy Commissioner, Advocate Rory Voller was appointed Acting Commissioner as at 01 May 2015. The Divisional Manager: Compliance, Risk and Governance resigned as at 31 March 2015. Ms Lana Van Zyl, Senior Manager: Governance Surveillance and Enforcement (GSE) was appointed to act in this position with effect from 01 April 2015. An Acting Chief Financial Officer (CFO) was appointed on 8 June 2015, pending the finalisation of the disciplinary process of the current Chief Financial Officer.

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 the CIPC.

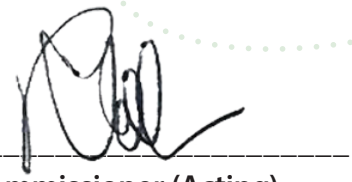
1.4.15 Acknowledgement/s or Appreciation

I would like to appreciate the commitment and dedication of the CIPC senior/executive management, all staff of CIPC who did their jobs with commitment and dedication thereby contributing to the delivery of the services to CIPC clients as well as organized labour for their passion for the organization. Appreciation also goes to the Audit and Risk Committees for their value add and commitment to governance in the organization. Other committees like the Client Liaison Committee (CLC), IP Lawyers fraternity, Standing Advisory Committee in Company Law (SACCL), and all collaboration partners for their contribution to CIPC.

Finally, 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 ended 31 March 2015, 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).



Commissioner (Acting)
Rory Voller
Date: 16 August 2015

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

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

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

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

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

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

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

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2015.

Yours faithfully

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Commissioner (Acting)
Rory Voller
Date: 16 August 2015

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

CIPC values

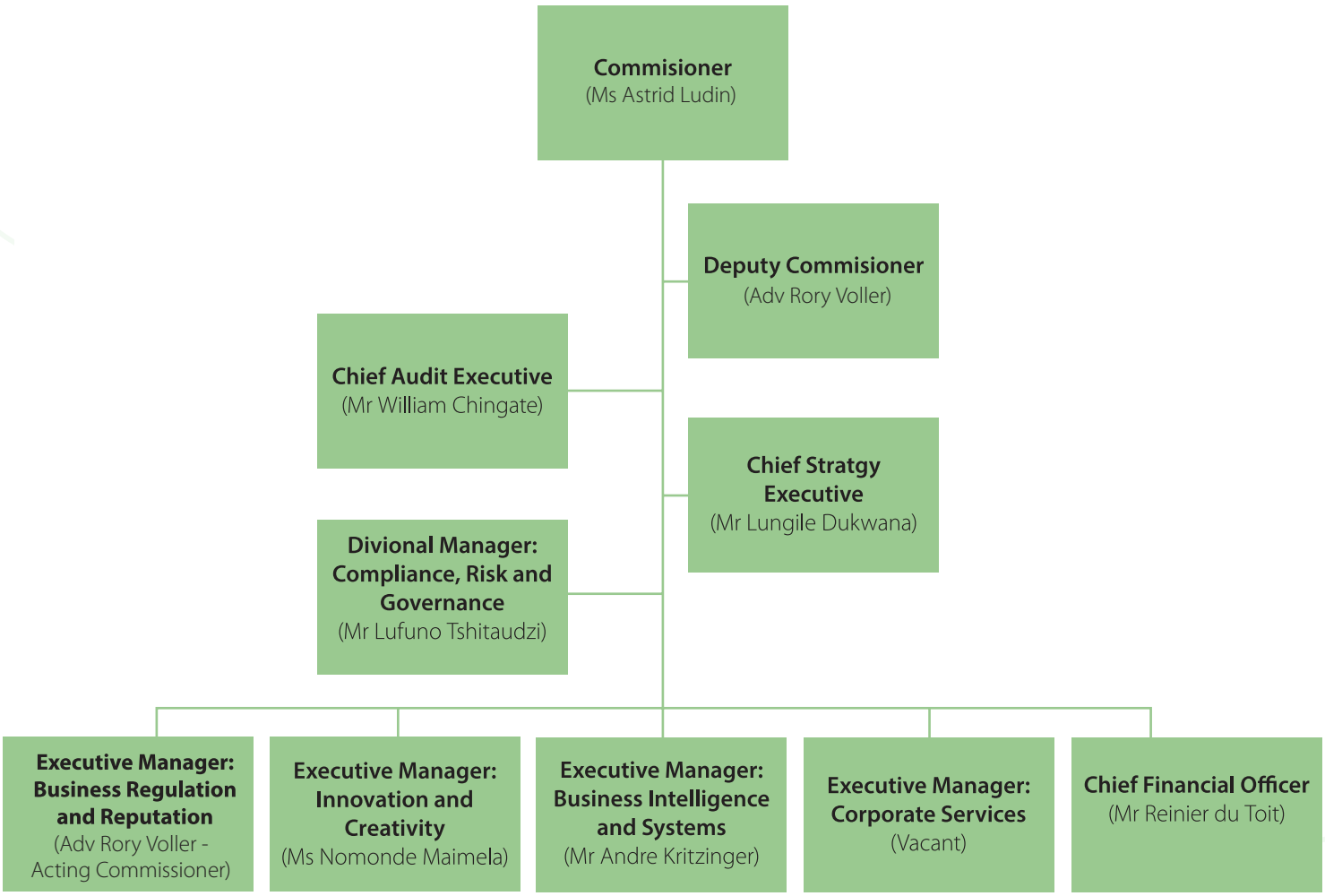
Value	What it means
Passion for service	We work as one to seamlessly serve our Customers with passion, commitment and dedication.
Integrity	We live out fairness, impartiality and respect in all of our actions as individuals and as an organisation.
Empowerment	We recognize the value of our employees and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

1.7 Legislative and Other Mandates

The CIPC is a Schedule 3A Public Entity under the PFMA and administers all or parts of fifteen (15) pieces of legislation relating to corporate and intellectual property regulation. Its mandate encompasses companies, close corporations, co-operatives, trade marks, patents, designs, aspects of copyright legislation and enforcement of rules and regulations in most of these areas of law. 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 Co-operative Development Agency and the 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 (Unauthorized Use of State Emblems Act, No 37 of 1961)	Prevent and enforce the unauthorized use of state emblems	Economy-wide
Patents Act, No 57 of 1978	Register patents, maintain data, publish patent journal, administer Court of Commissioner of Patents	Economy-wide
Designs Act, No 195 of 1993	Register designs, maintain data, resolve disputes	Economy-wide
Copyright Act, No 98 of 1978	Provide non-binding advice to the public	Creative industries
Registration of Cinematography Films Act, No 62 of 1977	Register films, maintain data	Film industry
Performers Protection Act, No 11 of 1967	Accredit Collecting Societies; regulate their governance, conduct and disclosure	Music industry
Intellectual Property Laws Amendment Act of 2013	Record and register Indigenous Knowledge (IK), administer the National Trust and Council for IK, accredit dispute resolution agencies	Creative industries
Counterfeit Goods Act, No 37 of 1997	Conduct and co-ordinate search and seizure operations, oversee depots	Economy-wide

1.8 Organisational Structure





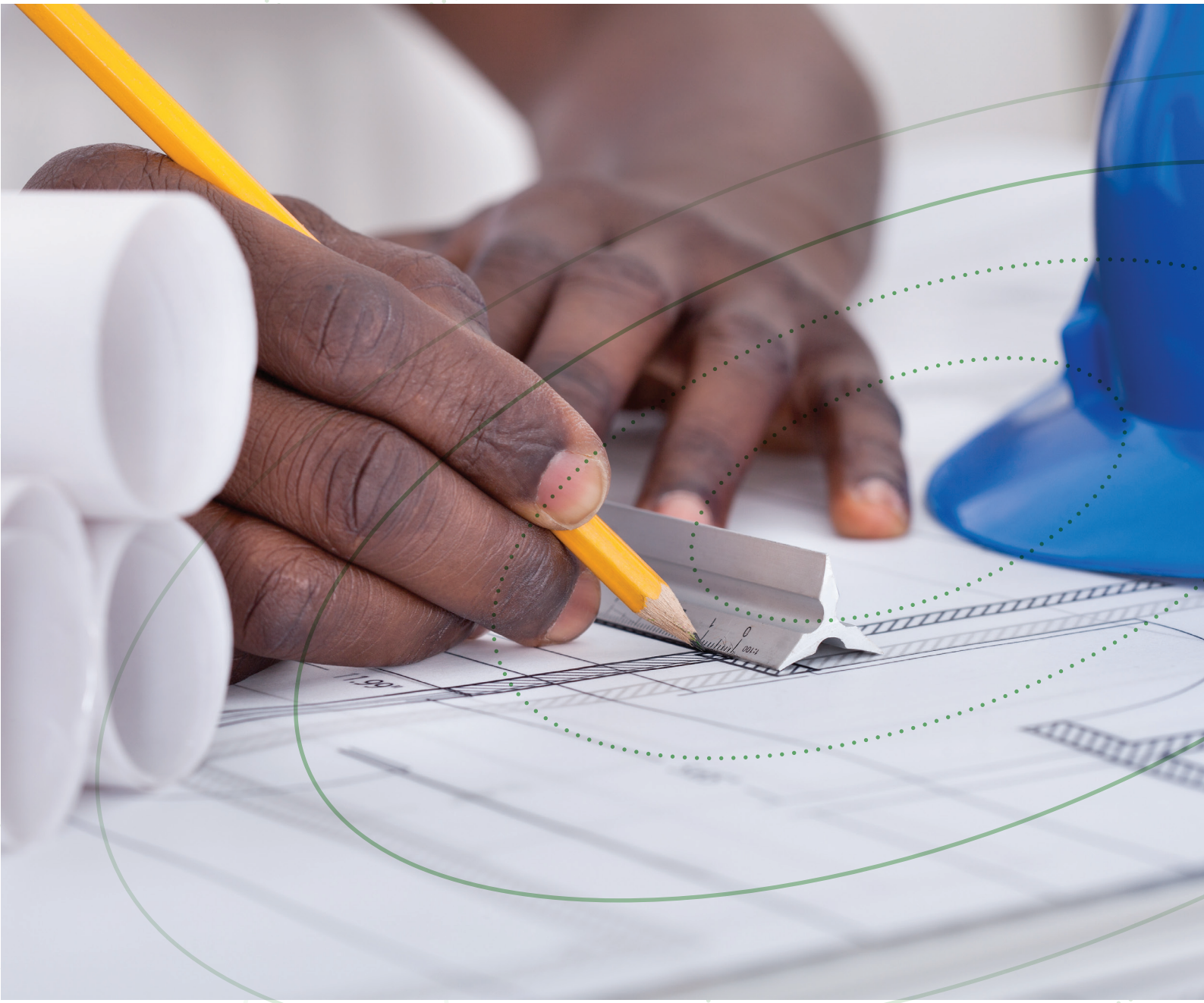


Adv Rory Voller, Mr Andre Kritzinger, Ms Nomonde Maimela, Mr Lungile Dukwana, Ms Fundisiwe Malaza

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 gross domestic product (GDP) growth rate for the last quarter of 2014 was 4.1, compared to 5.1 in 2013. The low growth rate was the result of the number and length of strikes experienced in 2014. The slow growth rates may have had a negative impact on the number of applications for registration that the CIPC received and may have had the effect of increasing the number of companies entering into business rescue. The 2014/2015 registration numbers in the areas of companies, co-operatives, and application numbers in the areas of copyright in film, patents and trade marks declined compared to 2013/2014. The number of business rescue proceedings increased minimally. The South African Post Office strike impacted the service delivery environment especially in the area of co-operatives because most applications were lodged via the post at the time. CIPC introduced an e-mail lodgement option during 2014 as part of mitigating this risk and enhancing the options for lodgement.

The report from a business rescue study conducted by University of Pretoria (UP) identified the main reasons for financial distress and therefore business rescue as creditor pressure (36%), profitability problems (20%), management capabilities (13%) and unique circumstances (10%). The report suggested the business rescue is mostly used by private companies followed by close corporations; public companies use the process to a lesser extent.

Recent global court cases between Apple and Samsung have stressed the importance of IP as a significant business asset and have highlighted the high stakes involved in IP protection. IP is viewed as key strategic asset at both business and national level. It is important to grow South Africa's (SA) stock of IP and protect indigenous knowledge from exploitation. As CIPC awaits the confirmation of the substantive examination as the 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 NIPMO and other relevant offices will contribute to reducing the cost of and improving access to the IP system, strengthening the ability of the National Innovation System for inclusive growth and patent system in particular. The 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.

2.1.2 Organisational environment

CIPC experienced labour unrest during the course of 2014/2015 including unofficial go slows which impacted on the turnaround times in some areas. A moratorium that was put on recruitment on 08 August 2014 and on 15 January 2015 resulted in the organisation functioning at a diminished capacity. During July 2014, certain allegations and concerns were raised by the National Education, Health and Allied Workers Union ("NEHAWU") and other employees regarding the new organisational structure and various other employee matters. Due to the nature of the allegations and concerns raised, the Department of Trade and

Industry ("**the dti**") asked for an independent forensic accounting investigation to determine the veracity of the said allegations. On or about the 1 September 2014, Gobodo Forensic and Investigative Accounting (Pty) Ltd ("GFIA") was mandated by **the dti** to conduct a forensic accounting investigation into the veracity of certain allegations against certain employees of the CIPC. The forensic investigation was completed during March 2015 and recommendations contained therein were presented to the Minister of **the dti**. The process of dealing with the recommendations are currently being dealt with by the CIPC management.

The Commissioner, Astrid Ludin resigned as at 30 April 2015 resulting in the Deputy Commissioner, Rory Voller being appointed as acting Commissioner as at 01 May 2015. Extensive work has been performed to stabilise the labour environment. Key issues of focus for 2015 will be accelerated recruitment to reduce the vacancy levels.

2.1.3 Key policy developments and legislative changes

There were no key policy and legislative changes

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 improve the competitiveness of the South African economy by enhancing the reputation of South African businesses and the South African business environment. There are two strategic objectives under this goal:
   - 1.1 To encourage the formalisation of South African businesses and their identity; and
   - 1.2 To encourage the maintenance of high standards of corporate governance, transparency and brand protection.

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:
   - 2.1 To promote the protection and commercial exploitation of innovations in key sectors; and
   - 2.2 To protect our cultural heritage and support a strong competitive South African creative industry that provides benefit to local artists.

3. To promote broader formal economic participation by enhancing service delivery and extending the reach of CIPC:
   - 3.1 To provide easy access to credible, reliable and relevant information and advice and secure, value-added services;
   - 3.2 Build an enabling and intelligent work environment anchored in a governed and sustainable organisation; and
   - 3.3 To improve the reputation and organisational performance of CIPC.

2.2.1 Progress towards achievement of the Strategic Outcome Oriented Goals

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

Strategic Objective 1.1: To encourage the formalisation of South African businesses and their identity.

Internationally, the ease of doing business is an important differentiator of countries and attractor for global capital. The World Bank (WB) and the International Finance Corporation (IFC) conduct an annual survey, which ranks economies on their ease of doing business. The competitiveness of South Africa and its business environment is falling behind. In terms of the World Bank Ease of Doing Business rankings, South Africa has moved from 37 in 2014 to 43 in 2015. In terms of Starting a Business ranking, to which CIPC contributes directly, SA currently ranks at 61 (2015) from 55 in 2014.

The CIPC envisions reducing regulatory burden and costs whilst increasing customer value add. This influenced the CIPC to explore alternative access channels and partners that should result in improved turnaround times on registrations and a 'one stop' registration process across different government agencies. The CIPC took a strategic decision in 2011 to partner with banks to offer value-added services as there are many overlaps in the data that the banks and the CIPC collect from its mutual customer. To this end the CIPC established partnerships with the following 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 the bank's online facility in one process. The other banks are still doing the necessary changes to its systems to facilitate this progress process. The real benefits for the CIPC are:

- Increased accessibility (FNB has a branch network of over 500 nationally apart from its online functionality which is globally accessible. Other banks would have the same footprint);
- 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 differentiate its services for different target markets, the 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, the 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.

Another flagship project to reduce red tape and to provide integrated government services is the introduction of BBBEE certificates for EMEs at its SSTs. The 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. Plans are underway to expand the service across the CIPC's other channels such as the website.

In an attempt to increase access and improve ease of transacting for entrepreneurs and small enterprises, the 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. SSTs have grown from seven in 2013/2014 to 41 in 2014/2015. The number of electronic transactions significantly increased as a result. The CIPC reduced the average number of days to register a company to six days in 2013/2014. Due to several organisational challenges in 2014/2015, the average number of days increased to eight days.

Strategic Objective 1.2: To encourage the maintenance of high standards of corporate governance, transparency and brand protection.

Globalization requires that SA businesses be viewed as credible, well regulated entities with world class governance standards. The CIPC continues to expand its governance capability and its regulatory functions in this regard. A market test of a cross section of Schedule 2 State Owned Companies (SOCs) was undertaken 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 sensitised the boards of SOCs of their responsibilities in terms of the Act, and consequences if they fail to adhere. An indirect result appears to be greater shareholder activism from the shareholder representatives of these SOCs. CIPC will continue to liaise closely with the Auditor General's office and various inter-Ministerial governance units to strengthen compliance at board level of the different SOCs that fall within their portfolios and recommend enforcement action if the need arises.

CIPC also undertook a pro-active market test to determine what mechanisms audit service providers have put in place in response to Section 92 – rotation of auditor – of the Companies Act No. 71 of 2008 (as amended). 60% (143 out of 238) audit service providers advised the CIPC that they have mechanisms in place to manage the rotation of auditors as per Section 92 of the Act. 19% (45 out of 238) audit service providers advised the CIPC that they were not aware and/or uncertain of what this provision of the Act

entailed. This is a cause for concern as it means compliance will be limited but it also means CIPC should spend more resources on education and awareness. About 21% (50 out of 238) audit service providers advised the 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 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 the 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 a 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. This indicates substantial compliance by listed public companies in establishing Social and Ethics Committees. 4% (11 out of 263) indicated that they were registered as external companies and therefore were of the view that regulation 43 is not applicable to them. CIPC will seek a legal opinion on whether an external company listed on the JSE is required to have a Social and Ethics Committee.

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 pro-active 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 given the companies that have submitted credibility. XBRL is still in its infancy in South Africa, but in some other jurisdictions, is very well established. CIPC has developed the business case for XBRL, and engaged service providers on their readiness to implement XBRL. A tender for a Taxonomy Developer has been re-advertised on 30 April 2015 in the local tender bulletin and the International Website of XBRL International in order to attract more tenderers. Appointment is expected to be made in the second quarter of the financial year. An XBRL Roundtable co-hosted by CIPC and XBRL South Africa is being planned for mid August 2015, with speakers coming from jurisdictions who have previously had experience with XBRL from both the registry and the banking sector. Local regulators will form part of the roundtable event to be attended by regulators and software service providers, amongst others, to ensure monitoring of financial statements continues within CIPC (using Companies Act and IFRS). An internal committee responsible for monitoring of financial statements has also been set up.

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

Strategic Objective 2.1: To promote the protection and commercial exploitation of innovations in key sectors.

Commercialization of IP remains the crux of ensuring that the innovators derive some form of remuneration for their worthy inventions. CIPC realized that despite its mandate extending only to protection of IP, it has to provide a platform for innovators to expose the inventions to the market for licensing among 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 Accession to the Madrid Protocol and the Hague Agreement, CIPC has spent a lot of time ensuring proper capacitation 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 Intellectual Property Offices to learn best practices on examiners' appointment and training programmes. A proposed model for the substantive examination of patents in South Africa and estimated budget has been 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 NIPMO and other relevant offices will contribute to reducing the cost of and improving access to the IP system, strengthening the ability of the National Innovation System for inclusive growth and patent system in particular. The 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.

Strategic Objective 2.2: To protect our cultural heritage and support a strong competitive South African creative industry that provides benefit to local artists.

The key performance areas that was identified to promote this objective included 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 intellectual property rights with 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 focused on enforcement of IPR. In order to effectively implement the Counterfeit Goods Act, 1997, CIPC has been building capacity in this area. Formal training that is self-sustainable

was designed by CIPC and implemented with the assistance of Continuing Education of the University of Pretoria. The Short Course in Enforcement of IPR, "A Strategic Approach" was offered to 50 sponsored learners that was nominated by their constituencies. These included CIPC officials, SAPS Commercial Crime, Customs, the National Prosecuting Authority 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 with the public. This was done by celebrating World IP day in hosting a Movie premiere and a Symposium on Copyright. Local artists, for the first time since the promulgation of Regulations for Collecting Societies in 2006 received royalties collected from users of sound recordings. The first distribution in the history of South Africa's needle time collection regime since the promulgation of regulations in 2006 was achieved in the period under review. The distribution covers the royalties collected from 2008 until 2012 and amounted to more than R117mil. This resulted in a significant contribution towards building the creative industry sector and the economy in general.

In the area of Indigenous Knowledge and Cultural expression, as preparations for the implementation of the IP Amendment Laws Act, 2013 are underway, most notably the aspects relating to the protection of Indigenous Knowledge and specifically preparations for the recordal of Indigenous Cultural Expressions, CIPC has been engaging with IT specialists to identify the 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 Indigenous Knowledge Holders and other stakeholders.

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

Strategic Objective 3.1: To provide easy access to credible, reliable and relevant information and advice and secure, value-added services

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. CIPC has improved its direct services to Customers through the implementation of a direct channel and partnership approach which is aimed at meeting customer needs through on-line services, customer transacting through the website, faxing or emailing documentation and self-help terminals. The CIPC also works with collaboration partners such as banks, JSE and SARS to increase access to its products, services and solutions. 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, including entrepreneurs and inventors as well as the partners' ability to contribute to the increased ease of doing business in South Africa.

The CIPC is aggressively migrating to e-filing in a number of areas of work. During the period under review, the uptake of e-filing in the areas of company registrations, director changes, trade marks, patents, designs and copyright in film has shown a steady growth. This has in turn improved the average turnaround times.

	2012/2013		2013/2014		2014/2015	
	manual	electronic	manual	electronic	manual	electronic
Company Registration	32%	68%	19%	81%	9%	91%
Average Turnaround Time	22 working days	1 working day	11 working days	1 working day	22 working days	8 working days
Director changes	47%	53%	46%	54%	20%	80%
Average Turnaround Time	60 working days	5 working days	30 working days	5 working days	22 working days	22 working days
Trade mark applications	100%	0%	51%	49%	7%	93%
Average Turnaround Time	5 working days		3 working days		3 working days	3 working days
Patent applications	100%	0%	91%	9%	52%	48%
Average Turnaround Time	5 working days		3 working days		3 working days	2 working days
Design applications	100%	0%	92%	8%	72%	28%
Average Turnaround Time	5 working days		3 working days		3 working days	2 working days
Copyright in film applications	100%	0%	86%	14%	3%	97%
Average Turnaround Time	5 working days		4 working days		2 working days	2 working days

Strategic Objective 3.2: Build an enabling and intelligent work environment anchored in a governed and sustainable organisation

In order to deliver the enhanced services required by its customers and stakeholders, CIPC require competent, engaged employees who deliver high quality work at an acceptable speed of delivery. The 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 adjust with change as management tried to introduce new policies to move the organisation forward. Several HR policies were developed and recommended for discussion with organised labour by management. Attempts were made to consult on the policies with recognised trade unions. Unfortunately, the CIPC could not implement the new policies as the consultation could not be concluded owing to the challenges with organised labour. Recruitment efforts to fill critical positions were also not successful which left the vacancy rate of 30% as at the end of the 2014/15 financial year. The CIPC will continue with the efforts to fill critical vacancies in the approved structure. Where relevant

skills are identified in the organisation, the CIPC endeavours to promote from within to encourage internal upwards mobility. Assessment of technical competencies and personality/culture fit are critical aspects of the recruitment process.

Filled and vacant posts as at 31 March 2015 by Programme

Programme	Employment at Beginning of Period	Number of Approved Posts	Employment at End of Period	Vacancies	Vacancy Rate %
Commissioner's Office	44	62	47	15	24.2%
Corporate Service	64	103	68	35	34.0%
Business Intelligence and Systems	31	59	30	29	49.2%
Innovation and Creativity Promotion	62	107	59	48	44.9%
Business Regulation and Reputation	249	309	244	65	21.0%
TOTAL	**450**	**640**	**448**	**192**	**30.0%**

The internship programme has been identified as a priority to provide qualified graduates with practical experience for the CIPC and the South African economy. The CIPC has further identified a programme the recruit and train learners in substantive examinations of patents and designs in order to ensure readiness for the implementation of the IP Amendment Laws Act. This programme is first in South Africa and may include Trade Marks examination depending on the viability of combining the two IP areas. The CIPC hopes to collaborate with other stakeholders including institutions of higher learning in the implementation of this programme.

The CIPC has developed a competency framework, which outlines the competencies required per specific job and the competencies required for future growth. 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 remuneration framework which sets out details for movement within bands, and promotion from one band to another is also in place although is also yet to be consulted with organised labour. Employee wellness is intrinsic to the employee value proposition in terms of optimising wellness within the CIPC. In line with the global trends, CIPC is shifting towards a holistic preventative approach to wellness. This encompasses the provision of support and guidance to healthy employees, as well as the traditional health and wellness provided by organisations.

As a public sector regulatory agency rather than a business, the CIPC's ultimate goal is not to be profitable but is rather focussed on a self-sustaining funding model that delivers sufficient revenue to cover the capital and operating costs of the services it delivers. National Treasury approved a fee increase for the

CIPC and these increases will be implemented after due legal processes are completed. National Treasury also approved a five year financial sustainability analysis and through, proper financial management, funds are available to achieve the future organisations objectives. For the year under review, the CIPC received revenue totalling R512,8 million, expenditure was R304,9 million and a surplus of R203,3 million.

Strategic Objective 3.3: To improve the reputation and organisational performance of CIPC

Respondents of a stakeholder and customer survey gave the CIPC an average satisfaction rating of 6.30 out of 10. At an overall level, stakeholders are less satisfied with the CIPC than customers, giving the CIPC an average rating of 4.70 out of 10. The main reasons for being dissatisfied with the CIPC were slow/inefficient service (28%), that the CIPC doesn't respond or provide feedback (17%), and that it is difficult to contact the CIPC (13%). Positive reasons centred on the staff being friendly and helpful; additionally, 3% of respondents felt that the systems/processes are convenient. Service Excellence and Communication received the lowest satisfaction ratings among both customers and stakeholders. These two attributes require urgent improvement, as they are currently under-performing and have an impact on overall satisfaction scores. The three most urgent improvement areas in terms of the CIPC's communication were identified as; communicating information about the CIPC's news, campaigns and events; making it easy to get in touch with the CIPC; and improving the CIPC's response rate to queries and requests logged on to the query resolution system. The three most urgent improvement areas in terms of the CIPC's service excellence were identified as; for the CIPC to consistently provide quality service; for the CIPC to handle client queries and requests to their satisfaction; and for the CIPC to decrease the number of service-related problems experienced by clients. The CIPC is performing well on all of the other key attribute dimensions which were measured i.e. systems and processes, reputation, leadership and vision as well as the CIPC's mediums of communication.

To improve organisational performance, CIPC monitors service delivery standards as well the level of performance organisation-wide. Since its inception, CIPC has undertaken to provide its services responsively, reliably and dependably. In qualifying its undertaking, CIPC has committed to process 90% of its products and services within the specified service delivery standards. These service delivery standards were developed, published, and are monitored monthly and reviewed annually. Monthly monitoring and evaluation reports are presented to an Operational Performance Committee (OPC) for review and approval. It is the intention of CIPC that these reports should be published widely externally to appraise the public about CIPC's performance on its commitments.

2.3 Performance information by programme

CIPC is divided into three programmes:

1) Programme 1: Business Regulation and Reputation
2) Programme 2: Innovation and Creativity Promotion
3) Programme 3: Service Delivery and Access

2.3.1 Programme 1: Business Regulation and Reputation

2.3.1.1 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 co-ordination, implementation and impact of the respective laws. The functions, amongst others, that fall within this programme are 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; educating business owners and practitioners on compliance of the legislation as well as, promote and enforce compliance with the legislation.

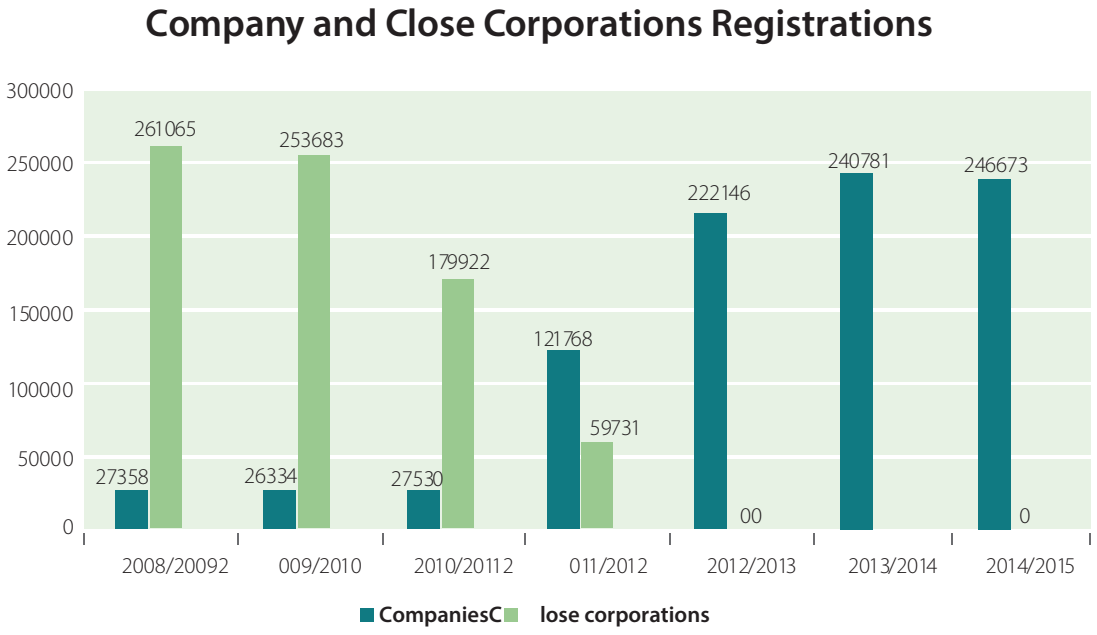
The CIPC is required to monitor compliance with certain requirements of the legislation, such as the submission of annual returns, the rotation of auditors and disclosures in terms of the financial reporting standards and the requirements for prospectuses. Furthermore, the CIPC investigates complaints 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 incorporate a focus on policy and legal matters. This includes support for the prosecution of offences, 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 and trade marks.

2.3.1.2 Overview of programme activities

Companies

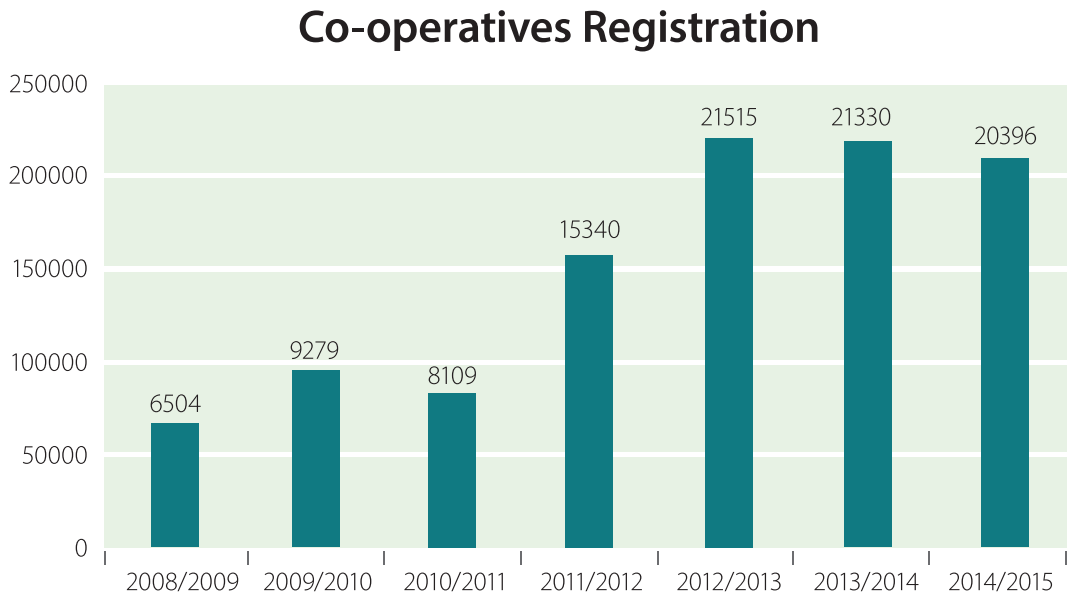
The table below reflects that the number of companies registered have increased since the inception of the CIPC in 2011 to 121 768 in 2011/12, to 222 146 in 2012/13, and 240 781 in 2013/14 but slightly declined to 236 673 in 2014/15.

The table below shows that the number of registration of close corporation type of entities dwindled to 0 due to the reforms introduced by the new Companies Act, 2008 to do away with Close Cooperation type of entities.



Co-operatives

The table below shows that the number of co-operatives registered increased drastically since 2011, continued in this trend to 15 340 in 2011/12, to 21 330 in 2013/14, but declined slightly to 20 396 in 2014/15. The discontinuation of close corporations may have sparked a renewed interest in the co-operatives. The perceived strategic role of co-operatives in the empowerment of communities may have also contributed to this renewed interest.



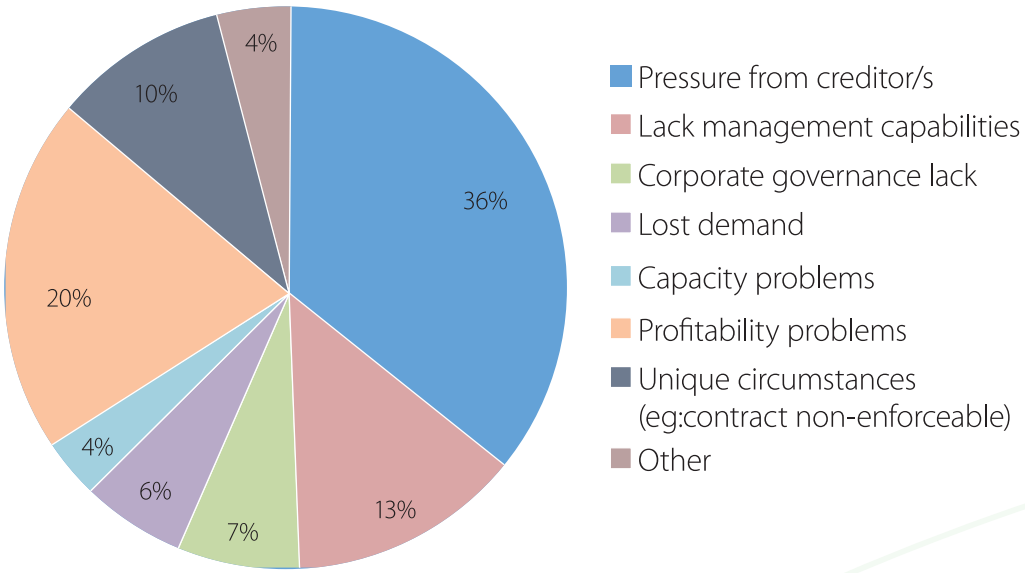
Business Rescue

The table below reflects the status of commenced business rescue (BR) proceedings from inception of business rescue to 31 March 2015.

Operational BR Proceeding Applications	2011 - 2012	2012 - 2013	2013 -2014	2014 -2015	total
Business Rescue Proceedings Started	384	446	411	413	1654
Invalid filings	59	22	21	40	142
Business Rescue Proceedings Ended	282	239	181	69	771
CoR125.2 (Terminated)	65	81	58	22	226
CoR125.3 (Substantially implemTented)	61	83	61	6	211
Liquidation	49	44	41	21	155
CO_Set Aside BR	2	8	2	0	12
Nullities (Proceedings started but was declared a nullity)	105	23	19	20	167
Active as at 31 March 2015	102	207	230	344	883
Active as at 31 January 2015	119	212	240	307	878
Active as at Q3 (2014-2015 financial year)	120	212	243	285	860

From the 1654 cases (invalid filings are not included since the proceedings never commenced) for which business rescue proceedings commenced, 167 cases became a nullity in law; 226 cases have been terminated by the filing of the Notice of Termination (CoR125.2); 211 cases was substantially implemented by the filing of the Notice of Substantial Implementation (CoR125.3); 155 cases ended up directly in liquidation without a Notice of Termination (CoR125.2) being filed in 12 case, the court set aside the business rescue proceedings; and 883 cases are still in business rescue.

The report on business rescue conducted by CIPC through the University of Pretoria during this reporting period identifies the main reasons for financial distress and therefore business rescue as, creditor pressure (36%), profitability problems (20%), Management capabilities (13%) and unique circumstance (10%). The Report identifies the main reasons for financial distress and therefore business rescue as follows: creditor pressure (36%), profitability problems (20%), management capabilities (13%) and unique circumstance (10%).



The report states that the Public opinion suggests support for BR as a job saving mechanism. Over 65% of respondents support the statement that BR contributed to jobs being saved. Similarly those who are involved on BR reported much higher agreement that jobs are saved during business rescue.

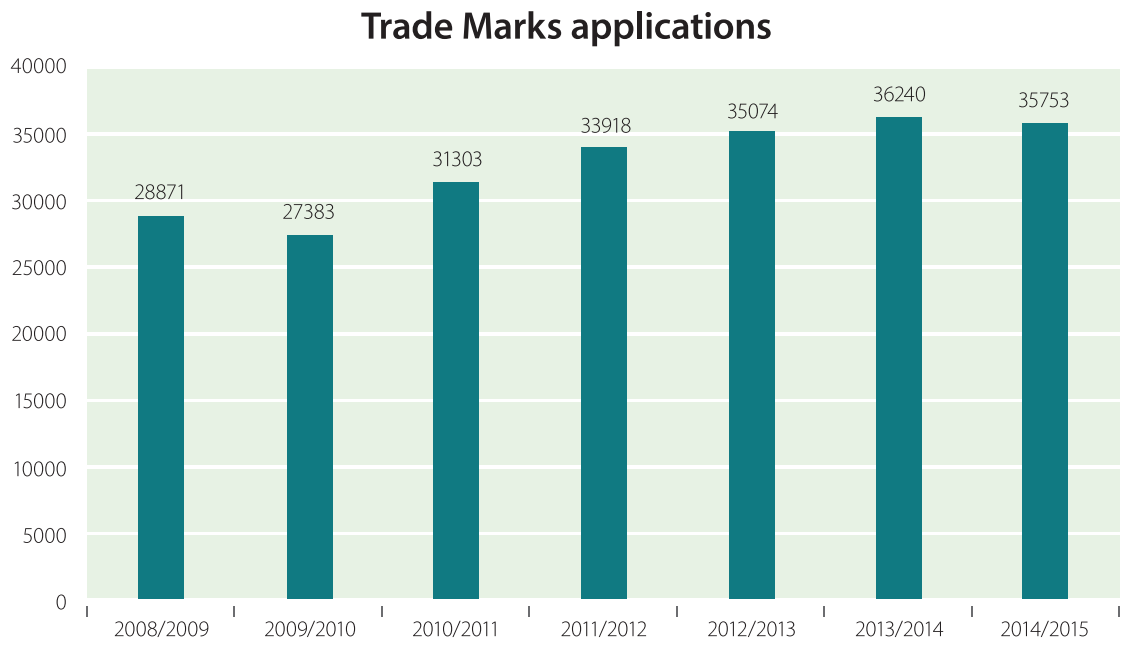
From a sample of 87 businesses, 16% (14 businesses) reported not having any employees at filing. For the 84% (71 businesses) reported employment of 7443 jobs at date of filing. From these, 4479 of the 7443 jobs were saved suggesting 60% jobs saved in the sample.

Trade marks

The table below shows the production figures of the Trade Marks function.

Production Figures: Trade Marks 2014/2015	
New Applications (Received and Captured)	35 753
Special Searches (Received and Issued)	1 816
Searching	35 067
Coding	34 140
Examination	25 784
Correspondence (Examination - Responded)	18 078
Official Actions (Issued)	25 784
Acceptances (Issued)	24 070
Correspondence (Received and Files Requested)	43 523
Registration Certificates (Issued)	31 452
Renewals & Restorations	19 221

The table below shows that trade mark applications have been steadily increasing with a slight decrease in 2014/2015.



The table below shows the ratio between Trade Marks filings filed by South African residents and those filed by non-South Africans.

Year	Total Trade Mark applications	Residents	Non-Residents	% Residents	Non-Residents
2011/2012	33918	19389	14529	57%	43%
2012/2013	35074	20288	14786	58%	42%
2013/2014	36422	21441	14981	59%	41%
2014/2015	35753	20921	14832	59%	41%

The table below shows that the trend of Trade Marks registrations.

Investigations

The table below shows statistics regarding investigations for the period under review.

Activity	Status of each activity	Mar 2014	April 2014	May 2014	June 2014	July 2014	Aug 2014	Sept 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015
INVESTIGATIONS	Cases brought forward	40	39	41	40	44	53	34	39	45	47	40	44	43
	Complaints Received	11	7	4	10	29	4	5	15	14	3	10	5	19
	Cases finalized and Referred	12	5	5	6	20	23	0	9	12	10	6	6	11
	Pending cases	39	41	40	44	53	34	39	45	47	40	44	43	51
	Average Turnaround time on determination of complaint / request for investigation / closed	25 days	25 days	54 days	9 days	13 days	23 days		22 days	13 days	16 days	57 days	19 days	9 days
	No of investigators	5	5	5	5	7	9	9	9	9	9	9	9	9

Reportable Irregularities

The table below represents the total number of cases handled over a period of time since April 2014 until March 2015. Seven (7) new employees joined the unit in June 2014 and have been receiving on the job training. Based on the statistics below it is evident that the impact of having additional team members became visible during January 2015 to March 2015 looking at the number of cases which have been closed during the this quarter. The same momentum will be carried through into the following quarters during the new financial year to ensure expeditious finalization of complaints as required by the Act.

	April - June	Jul - Sept	Oct - Dec	Jan - Mar
Opening Balance	49	98	143	193
Cases Received	77	96	88	108
Closed Cases	28	51	38	116
Closing Balance	98	143	193	185

Closed cases per type of entities

The majority of the cases of non-compliance are reported against private companies, it is possible that the culture of the Old Companies Act is being brought into the new dispensation with the new Companies Act. With the new Act advocating for increased disclosure and transparency, it is highly likely that the culture of non-compliance will decrease as the provisions of the Act are enforced.

	Apr - Jun	Jul - Sept	Oct - Dec	Jan - Mar	Total
(PTY) LTD	62	81	78	99	320
INC	2	2	0	5	9
LTD	4	11	6	7	28
NPC	3	0	1	0	4
CC	1	3	2	2	8
OTHER	2	0	1	3	6
Total	**74**	**97**	**88**	**116**	**375**

Types of Complaints Received

The table below shows that many entities are not in compliance with the requirement to prepare annual financial statements and this culture is being addressed through conducting of investigations and issuance of compliance notices where necessary. Going forward education and awareness interventions will be developed to address this challenge.

Types of complaints received	Companies Act contravened	April - June	Jul - Sept	Oct - Dec	Jan - Mar	Total
Failure to give access to company records	Sec 26	3	1	5	0	9
Failure to prepare Annual Financial Statements	Sec 30	56	70	68	102	296
Failure to convene Annual General Meeting	Sec 61	0	0	0	0	0
Loans or financial assistance to directors	Sec 45	2	10	3	0	15
Misstatement of Annual financial statements	Sec 29(6)	0	0	0	0	0
Non Compliance with IFRS	Sec 29 (4)	0	0	0	0	0
Trading recklessly - liabilities exceed assets	Sec 22	6	2	0	3	11

Types of complaints received	Companies Act contravened	April - June	Jul - Sept	Oct - Dec	Jan - Mar	Total
Failure to keep Accounting records	Sec 28	0	1	2	0	3
Trading Recklessly and Financial Assistance	Sec 22, Sec 45 & Sec 46	7	3	4	0	14
	Other	3	9	6	11	29
Total		**77**	**96**	**88**	**116**	**377**

In the previous Annual Report (2013/14) it was reported that 160 Compliance Notices were issued to companies where reasonable grounds existed that the companies have contravened Sections 28, 30 and 61(7) of the Companies Act. At the end of March 2015, Compliance Certificates were issued to 38 (thirty eight) companies and in respect of 25 (twenty five) companies authorization was given to forward their non-compliance with the Compliance Notices to the National Prosecuting Authority for possible prosecution. With regard to 69 (sixty nine) companies, it was resolved to put them on a Cold Case List as the companies did not respond to the Compliance Notices or claimed that they are dormant. The Cold Case List will be periodically checked to ascertain if attempts have been made to reinstate the registration of those companies or if the statuses of those companies have changed from dormant to active.

2.3.2 Programme 2: Innovation and Creativity Promotion

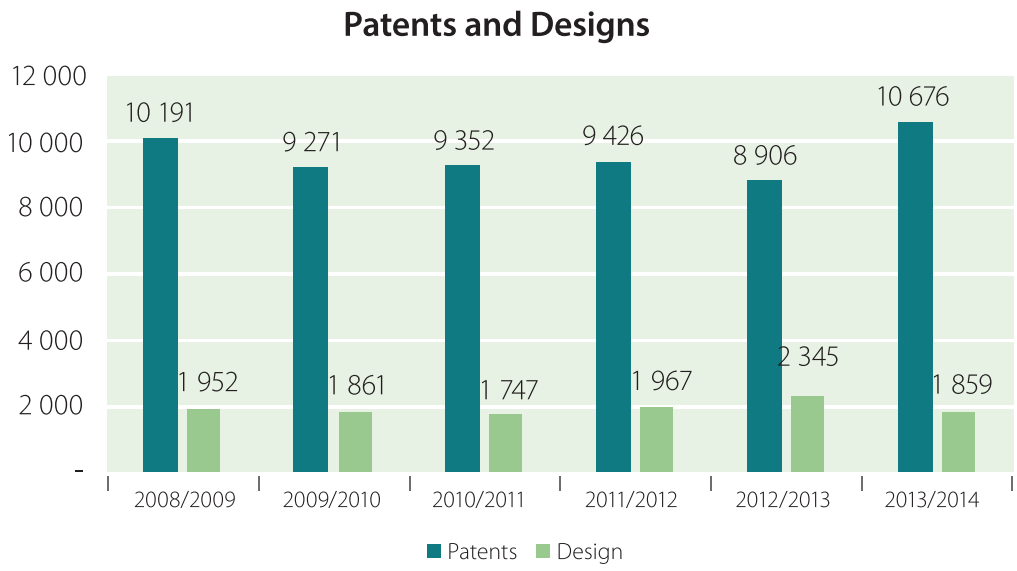
2.3.2.1 Purpose of the Programme

The Innovation and Creativity Promotion Programme's purpose is primarily to encourage the uptake in the registering of patents, designs, film productions and recording 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. The Programme is responsible for monitoring the unauthorised use of private and public intellectual property rights, with a particular focus on the protection of the intellectual property rights holders in the creative industries. These rights holders would also include communities that have registered rights in respect of indigenous cultural expressions and knowledge. The CIPC also sees an opportunity to promote local innovation and creativity by creating awareness of the opportunities that could flow from formalising rights through their registration, but also by making available information about opportunities and financing available for commercialisation.

2.3.2.2 Overview of Programme Activities

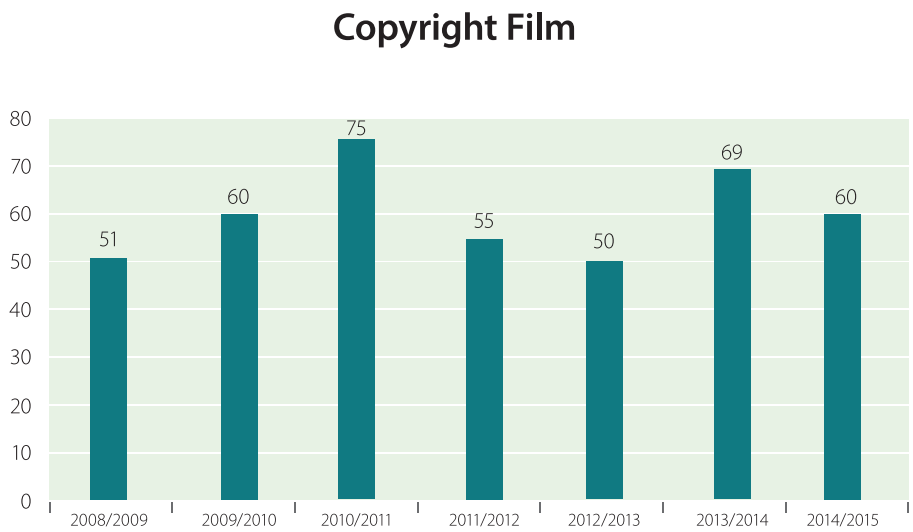
Patents and Designs

The table below show the trend of the patent and design applications.



Copyright in Film

The table below show the trend of the Copyright in film applications.



Indigenous Knowledge Systems

CIPC is expected to educate all communities about the importance and the significance of the Intellectual Property Laws Amendment Act, 2013 to stimulate recordals. As an arm of government, CIPC was invited by the Department of Science and Technology (DST) to address their constituencies on the role played by IP Laws Amendment Act (IPLAA) on the protection of IKS. The Annual Indigenous Knowledge Documentation Centres Knowledge Sharing Forum was held at Chris Hani District from the 16-17 February 2015, Eastern Cape. It is expected that these efforts will be intensified in the new reporting period.

2.3.3 Programme 3: Service Delivery and Access

2.3.3.1 Purpose of the Programme

The purpose of the programme is to promote better access to and service delivery by CIPC by ensuring 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. Under this programme falls the Finance, ICT, Human Capital and all the support functions.

2.3.3.2 Overview of Programme Activities

Please see the HR oversight report for HR activities; and the Annual Financial Statements for finance activities.

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

Outcome oriented strategic 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

Companies

For the year, 2014/15, a total of 236 673 new companies were registered. 215 841(91%) company registrations were filed electronically at an average turnaround time of 8 working days. 20 832 (9%) company registrations were filed manually at an average turnaround time of 22 working days.

71% (14 722) of the manually filed company registrations were processed within the service delivery standard of 25 working days; and 55% (119 681) of the company registrations filed electronically were processed within the service delivery standard of 3 working days.

Manual Director Changes

For the year 2014/15, a total of 15 485 director changes requests filed manually were processed at an average turnaround time of 22 working days with 78% (12 064) processed within the service delivery standard of 5 working days.

Electronic Director Changes

For the year 2014/15, a total of 62 937 director changes requests filed manually were processed at an average turnaround time of 7 working days with 46 703 (74%) processed manually within the service delivery standard of 5 working days.

Co-operatives

For year 2014/15 (1 April 2014 – 31 March 2015), a total of 20 396 new co-operatives were registered at an average turnaround time of 12 working days with 79% (16 078) of the co-operatives registrations processed within the service delivery standard of 21 working days.

Trade marks

For year 2014/15, a total of 35 571 new trade mark applications were allocated an official application number at an average 5 working days. 99% (35 307) were allocated an official application number within the service delivery standard of 5 working days.

Annual Returns

Of the total of 1 051 059 entities which were projected to file annual returns during the period, 1 April 2014 – 31 March 2015, only 525 470 (50%) complied.

Complaints

For 2014/15, a total number of 480 complaints received of which a determination to close or refer the matter to another regulatory authority or to be directed in terms of the Act to investigate the matter was made at an average of 17 working days. 85% (409) of these were processed within the service delivery standard of 30 working days.

PROGRAMME 1: BUSINESS REGULATION AND REPUTATION						
Output	**Measure/ Indicator**	**Actual achievement 2013/2014**	**Planned Target 2014/2015**	**Actual Achievement 2014/2015**	**Deviation from planned targets to actual achievement for 2014/2015**	**Reason for Variance**
STRATEGIC GOAL 1: To improve the competitiveness of the South African economy by enhancing the reputation of South African businesses and the South African environment						
STRATEGIC OBJECTIVE 1.1 To encourage the formalisation of South African businesses and their identity						
Companies registered that were filed manually within the published service standard of 25 working days from the date of tracking of an application	% of companies registered that were filed manually within the published service standard of 25 working days from the date of tracking an application	92%	85%	71%	-14%	There were delays in processing due to the implementation of e-mail indexing solution; building renovations; new system implementation; problems with images on scanned documents; high volumes of applications received; continuous "Computron Abort Error" reflecting when capturing manual applications; daily; slow system response time; disruptions due to union activities and unofficial go slow by staff. The incentive scheme introduced to address backlogs was unsuccessful due the staff unwillingness to participate in it.

PROGRAMME 1: BUSINESS REGULATION AND REPUTATION						
Output	Measure/ Indicator	Actual achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned targets to actual achievement for 2014/2015	Reason for Variance
STRATEGIC GOAL 1: To improve the competitiveness of the South African economy by enhancing the reputation of South African businesses and the South African environment						
Companies registered that were filed electronically within the published service standard of 5 working days from receipt of documentation	% of companies registered that were filed electronically within the published service standard of 3 working days from receipt of documentation	98%	85%	55%	-30%	The delays were due to high volumes of transactions as a result of the introduction of the new e-services on the website in the middle of September 2014. During the same period, as well as in Quarter 3 and 4 some staff members engaged in unauthorised activities which impacted negatively on processing company registrations. There were also significant disruptions due to union activities and an unofficial go slow by staff. The incentive scheme introduced to address backlogs was unsuccessful due the staff unwillingness to participate in it.

PROGRAMME 1: BUSINESS REGULATION AND REPUTATION						
Output	**Measure/ Indicator**	**Actual achievement 2013/2014**	**Planned Target 2014/2015**	**Actual Achievement 2014/2015**	**Deviation from planned targets to actual achievement for 2014/2015**	**Reason for Variance**
STRATEGIC GOAL 1: To improve the competitiveness of the South African economy by enhancing the reputation of South African businesses and the South African environment						
Changes in company director details processed that were filed manually within the published service standard of 30 working days from the date of tracking	% changes in company director details processed manually within the published service standard of 30 working days from the date of tracking	Not reported	85%	78%	-7%	The delays in processing were due to the introduction of indexing and scanning of images; poor images received from the mail room; labour unrest, which led to disruptions in the production environment; high volumes of e-services transactions (when faced with huge demands for eservices then resources are channelled to eservices). There were system challenges which impacted on the performance level reflected such as: that the dispatch date changes every time a registration certificate is printed. Some applications are not traceable and only processed until the applicant provides a copy, by this time there is delay. Some of the applications do not have images which makes it impossible to process it until images are restored.

PROGRAMME 1: BUSINESS REGULATION AND REPUTATION						
Output	**Measure/ Indicator**	**Actual achievement 2013/2014**	**Planned Target 2014/2015**	**Actual Achievement 2014/2015**	**Deviation from planned targets to actual achievement for 2014/2015**	**Reason for Variance**
STRATEGIC GOAL 1: To improve the competitiveness of the South African economy by enhancing the reputation of South African businesses and the South African environment						
Changes in company director details processed electronically within the published service standard of 5 working days	% changes in company director details processed electronically within the published service standard of 5 working days	Not reported	85%	74%	-11%	The delays in processing were due to the introduction of new processes - indexing and scanning of images; images not saved after indexing; delays in the receipt of emailed documents; and labour unrest, which led to disruptions in the production environment. Similar (as those filed manually) system challenges and more impacted on the performance level.
Co-operatives registered that were filed manually within the published service standard of 21 working days from date of tracking of an application (received date)	% of co-operatives registered that were filed manually within the published service standard of 21 working days from date of tracking of an application (received date)	92%	60%	79%	19%	During the 1st Quarter Performance Review Session issues that could result in underperformance were identified, such as backlogs that would result from delayed mail as a result of the post office strike. The target was revised as well as an incentive programme was put in place to ensure that the turnaround times were met.

PROGRAMME 1: BUSINESS REGULATION AND REPUTATION						
Output	**Measure/ Indicator**	**Actual achievement 2013/2014**	**Planned Target 2014/2015**	**Actual Achievement 2014/2015**	**Deviation from planned targets to actual achievement for 2014/2015**	**Reason for Variance**
STRATEGIC GOAL 1: To improve the competitiveness of the South African economy by enhancing the reputation of South African businesses and the South African environment						
Manual and electronic trade mark applications allocated an official application number within the published service standard of 5 working days of having received an application	% of manual and electronic trade mark applications allocated an official application number within the published service standard of 5 working days of having received an application	96%	90%	99%	9%	The resources were managed effectively and efficiently to ensure that performance targets are met. Through the monthly and quarterly performance monitoring and reporting, CIPC management was able to put in place measures to ensure that performance levels were maintained.
STRATEGIC OBJEC TIVE 1.2 To 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 reporting period (year to date)	52%	60%	50%	-10%	Although reminders were issued, it does not seem that this had a desired impact on the volume of filings. An analysis needs to be conducted to understand the dynamics relating to annual returns and to create more dedicated strategies regarding customer education and awareness.

PROGRAMME 1: BUSINESS REGULATION AND REPUTATION						
Output	**Measure/ Indicator**	**Actual achievement 2013/2014**	**Planned Target 2014/2015**	**Actual Achievement 2014/2015**	**Deviation from planned targets to actual achievement for 2014/2015**	**Reason for Variance**
STRATEGIC GOAL 1: To improve the competitiveness of the South African economy by enhancing the reputation of South African businesses and the South African environment						
Complaints received of which a determination to close or refer the matter to another regulatory authority or to be directed in terms of the Act to investigate the matter is made within the published service standard of 30 working days	% of complaints received of which a determination to close or refer the matter to another regulatory authority or to be directed in terms of the Act to investigate the matter is made within the published service standard of 30 working days	Not measured	80%	85%	5%	Proper allocation of resources ensured that as much as possible complaints were attended to within 30 working days. Through the monthly and quarterly performance monitoring and reporting, CIPC management was able to put in place measures to ensure that performance levels were maintained.

Outcome oriented strategic goal 2: To promote innovation, creativity and indigenous cultural expression

Strategic Objective 2.1: Promote the protection and commercial exploitation of innovations in key sectors

For the year 2014/15, a total of 9 421 new patent applications filed manually and electronically were allocated an official application number at an average of 3 working days during the period of which 98% (9 271) were allocated an official application number within the service delivery standard of 5 working days.

For the year 2014/15, a total of 1 987 new design applications filed manually and electronically were allocated an official application number at an average of 3 working days of which 98% (1 938) were allocated an official application number within the service delivery standard of 5 working days.

To protect our cultural heritage and support a strong competitive South African creative industry that provides benefit of local artist

For the year 2014/15, a total of 60 copyrights in film applications filed manually and electronically were allocated an official application number at an average of 2 working days of which 98% (59) were allocated an official application number within the service delivery standard of 5 working days.

PROGRAMME 2: INNOVATION AND CREATIVITY PROMOTION						
Output	**Measure/ Indicator**	**Actual achievement 2013/2014**	**Planned Target 2014/2015**	**Actual Achievement 2014/2015**	**Deviation from planned targets to actual achievement for 2014/2015**	**Reason for Variance**
STRATEGIC GOAL 2: To contribute to a knowledge-based economy and competitive local industries by promoting innovation, creativity and indigenous cultural expression and knowledge						
STRATEGIC OBJECTIVE 2.1: To promote the protection and commercial exploitation of innovations in key sectors						
Manual and electronic patent applications allocated an official application number within the published service standard of 5 working days of having received an application	% of manual and electronic patent applications allocated an official application number within the published service standard of 5 working days having received an application	98%	90%	98%	8%	Electronic filing tool resulted in even more improvement in the speed processing of applications. Through the monthly and quarterly performance monitoring and reporting, CIPC management was able to put in place measures to ensure that performance levels were maintained.
Manual and electronic design applications allocated an official application number within the published service standard of 5 working days of having received an application	% of manual and electronic design applications allocated an official application number within the published service standard of 5 working days having received an application	97%	90%	98%	8%	Electronic filing tool resulted in even more improvement in the speed processing of applications. Through the monthly and quarterly performance monitoring and reporting, CIPC management was able to put in place measures to ensure that performance levels were maintained.
STRATEGIC OBJECTIVE 2.2: To protect our cultural heritage and support a strong competitive South African creative industry that provides benefit to local artist						
Manual and electronic copyright in film applications allocated an official application number within the published service standard of 5 working days of having received an application	% of manual and electronic copyright in film applications allocated an official application number within the published service standard of 5 working days of having received an application	57%	90%	98%	8%	Copyright in film applications volumes are low. The introduction of e-filing therefore ensured improved speed in processing applications. Through the monthly and quarterly performance monitoring, CIPC management was able to proactively in put in place measures to ensure that performance levels were maintained.

Outcome oriented strategic goal 3: To promote broader formal economic participation

Strategic Objective 3.1: Provide easy access to credible, reliable and relevant information and advice and secure, value-added services

For the year 2014/15, of a total of 236 673 new companies registered, 91% (215 841) were filed via the on-line channels.

- For the year 2014/15, of a total of 78 423 director changes processed, 80% (62 937) were filed via the hybrid on-line channels.
- For the year 2014/15, of a total of 35 571 trade mark applications were received, processed and issued an official application number, of which 33 222 (93%) were filed via on-line channels.
- For the year 2014/15, of a total of 9 421 patent applications issued an application number, 48% (4 501) were filed via on-line channels.
- For the year 2014/15, of a total of 1 987 design applications issued an application number, 28% (1424) were filed via on-line channels.
- For the year 2014/15, of a total of 60 copyright in film applications issued an application number, 58 (97%) were filed via on-line channels.
- For the year 2014/15, the Website Availability was at 96%.

41 Self-help terminals were installed up to 31 March 2015 and are operational.

Strategic Objective 3.2: Build an enabling and intelligent work environment anchored in a governed and sustainable organization

100% of operational expenses were covered by operating revenue during the period 1 April 2014 – 31 March 2015.

70% positions of the approved structure have been filled as at 31 March 2015.

The Strategic Objective 3.3: Improve the reputation and organizational performance of CIPC

12 (57%) out of 21 APP targets were achieved during financial year.

PROGRAMME 3: SERVICE DELIVERY AND ACCESS						
Output	**Measure/ Indicator**	**Actual achievement 2013/2014**	**Planned Target 2014/2015**	**Actual Achievement 2014/2015**	**Deviation from planned targets to actual achievement for 2014/2015**	**Reason for Variance**
STRATEGIC GOAL 3: To promote broader economic participation						
STRATEGIC OBJECTIVE 3.1: To promote broader formal economic participation by enhancing service delivery and extending the reach of CIPC						
Companies (private type COR 15.1A) registered electronically	% of companies (private type COR 15.1A) registered electronically.	81%	90%	91%	1%	The introduction of self-help terminals, improvement of the CIPC website as well as filing through FNB might have resulted in increase on electronic transactions.
Changes in company director details processed electronically	% of changes in company director details processed electronically	54%	50%	80%	30%	The introduction of self-help terminals, improvement of the CIPC website as well as filing through FNB might have resulted in increase on electronic transactions.
Electronic trade mark applications allocated an application number	% of electronic trade mark applications allocated an application number	49%	90%	93%	3%	Trade marks e-filing seemed to be most welcomed by customers lodging trade marks applications.
Electronic patent applications allocated an application number	% of electronic patent applications allocated an application number	9%	50%	48%	-2%	One of the two big law firms - Spoor and Fisher has not come on board to use patents e-filing.
Electronic design applications allocated an application number	% of electronic design applications allocated an application number	8%	50%	28%	-22%	The two big law firms i.e. Spoor & Fisher and Adams & Adams did not come on board in time to realise the required increase in design applications filed on-line. Adams and Adams implemented designs e-filing on 07 April 2015.

PROGRAMME 3: SERVICE DELIVERY AND ACCESS						
Output	**Measure/ Indicator**	**Actual achievement 2013/2014**	**Planned Target 2014/2015**	**Actual Achievement 2014/2015**	**Deviation from planned targets to actual achievement for 2014/2015**	**Reason for Variance**
STRATEGIC GOAL 3: To promote broader economic participation						
Electronic copyright in film applications allocated an application number	% of electronic copyright in film applications allocated an application number	14%	90%	97%	7%	Through the monthly and quarterly performance monitoring, CIPC management was able to proactively in put in place measures to ensure that performance levels were maintained.
Website availability for on-line filings 24/7	% website availability for on-line filings 24/7	92%	95%	96%	1%	Through the monthly and quarterly performance monitoring, CIPC management was able to proactively in put in place measures to ensure that performance levels were maintained.
Self-help terminals installed and operational	Number of self-service terminals installed and operational	7	45	41	-4	The wireless device for one SST located in the reception area of the JSE was not connected. The DHA connectivity for three SSTs located at the IDC in Sandton had not been finalised.
STRATEGIC OBJECTIVE 3.2: To build an enabling and intelligent work environment anchored in a governed and sustainable organisation						
Operating expenditure covered by operating revenue year to date (Year to date (YTD))	% of operating expenditure covered by operating revenue (Year to date (YTD))	100%	100%	100%	0	The CIPC received revenue totalling R512,8 million, and expenditure at R304,9 million resulting in a surplus of R203,3 million.
Positions of the approved structure filled	% of positions of the approved structure filled	70%	75%	70%	-5%	A moratorium was placed on recruitment on 08 August 2014 and on 15 January 2015.

PROGRAMME 3: SERVICE DELIVERY AND ACCESS						
Output	Measure/ Indicator	Actual achievement 2013/2014	Planned Target 2014/2015	Actual Achievement 2014/2015	Deviation from planned targets to actual achievement for 2014/2015	Reason for Variance
STRATEGIC GOAL 3: To promote broader economic participation						
STRATEGIC OBJECTIVE 3.3: To improve the reputation and organisational performance of CIPC						
APP targets met	% of APP targets met	67%	80%	57%	-23%	As indicated above

2.3.5 Strategy to overcome areas of under performance

The stabilization of the labour relations environment is key to the improvement of performance and achievement of targets in the organization. To this end management will be proactively engaging organised labour so that an enabling environment for performance can be created. Once the moratorium is lifted more positions will be advertised to increased capacity for processing as we as invest more on the training and development of CIPC employees. Internship programme will also be implemented to ensure that CIPC contributes to skills development whilst creating enhanced internal capacity. Further the implementation of the performance management system will be discussed and finalised with the relevant stakeholders to ensure agreement and subsequent implementation. CIPC will also make more efforts to achieve increased ICT stability and implement more electronic processes to ensure better and speedy processing.

2.3.6 Changes to planned targets

The Minister approved the following changes to the planned targets:

(i) Revision of target of % of co-operatives registered manually within the published service standard from 90% to 60%;
(ii) Removal of the KPI "% of calls answered that come through the call centre number;
(iii) Revision of the measurement tool of the % website availability for on-line filings 24/7;
(iv) Approved budget; and
(v) Alignment of Technical Indicator Profile with APP, Business Plan and published service delivery standards.

2.3.7 Linking performance with budgets

	2014/2015			2013/2014		
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
Compensation of employees	238,163	199,149	39,041	191700	186,861	5,717
Goods and services	173,356	107,657	65,699	150,969	123,007	33,689
Audit Fees	7,636	6,021	1,615	9,300	7,386	1,914
Bank Charges	1,450	1,529	(79)	1,500	1,138	362
Advertisements	4,700	1,081	3,619	6,535	3,851	2,684
Communications	13,302	1,926	11,376	17,018	11,316	5,702
Temporary Admin and Support Staff	120	119	1	1,310	681	629
Consultants and Special Services	69,525	38,817	30,708	51,002	34,356	16,646
Depreciation and Amortisation	7,500	8,992	(1,492)	0	5,068	(5,068)
Internet and Network Costs - ICT related services	8,800	4,030	4,770	4,000	2,132	1,868
Inventory	8,070	6,016	2,054	8,907	6,970	1,937
Maintenance, Repair and Running cost	4070	2,104	1,966	6,048	8,385	(2,337)
Operating Lease	29,500	25,022	4,478	25,401	24,062	1,339
Travel and Subsistence	3,933	1,871	2,062	4,200	3,493	707
Doubtful Debts and Impairment	0	92	(92)	0	81	(81)
Other	14,750	10,037	4,713	15,748	14,088	1,660
Total Expenditure	**411,519**	**306,806**	**104,713**	**342,669**	**309,868**	**37,406**

As a service delivery organisation, the bulk of expenditure related to the remuneration of staff, amounting to 64,9% (R199,1 million) (2013/2014 – R186,8 million: 60%) of the total operating expenditure. Substantial funding was also allocated for the operational expenditure and capital investment requirements for ICT. CIPC will continue with its modernisation investments in the ICT systems and infrastructure in the medium term to enable the digitisation of records.

2.4 Revenue collection

2014/2015				2013/2014		
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: Companies	150,000	150,076	(76)	102,546	137,690	(35,144)
Annual Returns: CC	120,000	125,067	(5,067)	94,658	101,678	(7,020)
Companies	70,000	64,487	5,513	62,000	65,233	(3,233)
Cooperatives	7,500	5,283	2,217	5,543	3,774	1,769
Data Sales	0	1,819	(1,819)	12,000	20,291	(8,291)
Trade marks	35,000	24,918	10,082	30,000	28,703	1,297
Patents and designs	25,000	26,603	(1,603)	17,000	19,481	(2,481)
Copyright in film	1,500	549	951	3,000	2,782	218
Total	**409,000**	**398,802**	**10,198**	**326,747**	**379,632**	**(52,885)**

The CIPC generates revenue from registration, maintenance and renewal fees (this includes annual returns for companies and close corporations). For the year under review, the CIPC received revenue totalling R398,8 million (2013/2014 - R379,6 million), of which R275.1 million (68,9%) (2013/2014 – R239,3 million) was derived from annual returns paid by companies and close corporations. After the new Annual Return filing system was launched in August 2013, the CIPC reinstated penalties for non-compliance and late filing of annual returns. The CIPC has made substantial progress in cleaning the data in the companies and close corporations register, as well as placing companies and close corporations into deregistration, which will assist in improving the compliance rate of annual return filings. CIPC also experienced an increase of R2,5 million in fees generated from various other services (an increase from R140,2 million for 2013/2014 to R142,7 million in 2014/2015).

2.5 Capital investment

	2014/2015			2013/2014		
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	0	0	0	0	0	0
Computer hardware	12,750	(1,832)	14,582	17,500	17,096	404
Computer software	4,500	2,061	2,439	2,500	4,270	-1,770
Furniture and equipment	3,101	1,067	2,034	8,500	5,332	3,168
Leasehold improvement: Cabling cost	2,000	1,910	90	0	0	0
Total Expenditure	**22,351**	**3,205**	**19,146**	**28,500**	**26,698**	**1,802**

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.

3.2 Portfolio Committee

CIPC attended the Portfolio Committee Meetings on the following dates: 31 July 2014; 19 September 2014; 24 March 2015 and 14 April 2015. (after year end)

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 part achievement of the planned quarterly targets.
- Raised a concern regarding automation of most of CIPC services as not all South Africans have access to ICT and implored that CIPC continue providing support to those who do not have access to ICT facilities.
- Raised a concern about the deteriorating labour relations within CIPC that is impacting service delivery.

3.4 The Accounting Authority

3.4.1 Introduction

The Commissioner is designated as the Accounting Authority of the Companies and Intellectual Property Commission.

3.5 Committees

3.5.1 Audit Committee and Risk Committee

The CIPC has established oversight structures in line with the requirements of the PFMA, Treasury regulations and related good governance requirements. 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 subcommittee 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.

In addition to the above structures, the Executive Authority approved an external governance framework to prioritise the establishment of selective governance structures to provide advisory capacity to the Accounting Authority, namely, the Social and Ethics Committee, Human Resource Committee, and Remuneration Committee. An external governance administrative committee policy has been developed to guide the administration and management of operations of all external governance structures.

Committee	No. of meetings held	No. of members	Name of members
Audit Committee	9	6	Mr AN Mhlongo – Chairperson Mr AC Bischof – Independent Member Mr YN Gordhan - Independent Member Ms R Kenosi – Independent Member Ms A Ludin - Commissioner Mr K Naidoo – Group CFO **the dti**
Risk Committee	6	5	Ms R Kenosi- Chairperson Mr YN Gordhan – Independent Member Mr K Naidoo – Group CFO **the dti** Ms A Ludin - Commissioner Adv R Voller – Deputy Commissioner

3.5.2 Remuneration of committee members

Audit Committee members neither hold executive office in the Commission nor being in the public service. They are remunerated in accordance with tariffs approved by the Executive Authority.

Name	Remuneration	Other allowance	Other reimbursements	Total
Mr AN Mhlongo (Chair)	R 294,515	-	-	R 294,515
Mr AC Bischof	R 204,732	R 7,385	R 30	R 212,147
Mr YN Gordhan	R 279,578	R 9,371	-	R 288,949
Ms R Kenosi	R 343,316	R 6,009	-	R 349,325
Ms A Ludin (Commissioner: CIPC)	N/A	N/A	N/A	N/A
Mr K Naidoo (Group CFO **the dti**)	N/A	N/A	N/A	N/A
Total	**R 1,122,141**	**R 22,765**	**R 30**	**R 1,144,936**

3.6 Risk Management

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

The CIPC 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. Both strategic and operational risk assessments aligned with the strategic objectives were conducted during the year under review. The Internal Fraud and Risk Committee provide oversight on all strategic and operational risks and fraud investigations. The independent Risk Committee (a subcommittee of the Audit Committee) performs an oversight function in line with its approved charter, which incorporates monitoring the implementation of risk management system and programme in the organisation. The monitoring of emerging risks and mitigation plans to address the risks are continuously monitored throughout the year. During the period under review remarkable progress had been evidenced 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 2015/16 financial year.

3.7 Internal Audit and Audit Committees

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 CIPC's risk management, internal controls and governance processes. In addition, Internal Audit may provide consulting services to add value and improve the CIPC's operations.

During the year 2014/15, Internal Audit performed audits covering operations, financial controls, asset management, risk management and information systems.

The Audit Committee members profile.

Name	Qualifications	Internal/ External	Position	Date Appointed	Date Resigned	No. of meetings attended
Mr Nala Mhlongo	CA (SA)	External	N/A	01 November 2013	N/A	9/9
Mr AC Bischof	CA (SA)	External	N/A	01 April 2014	N/A	9/9
Mr YN Gordhan	CA (SA)	External	N/A	01 April 2014	N/A	9/9
Ms R Kenosi	CA (SA)	External	N/A	01 November 2013	N/A	9/9
Ms A Ludin	Masters in International Affairs	Internal	Commissioner	01 May 2011	N/A	9/9
Mr K Naidoo GROUP CFO DTI	B Com	Internal	Group CFO – the dti		N/A	7/9

3.8 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. The Legislative Compliance Framework which provides an

approach of determining the legislative compliance universe, implementation of strategy and monitoring mechanisms including the maturity assessment processes has been developed. The Commission continues to maintain effective, efficient and transparent systems of financial, internal control and risk management.

3.9 Fraud and Corruption

The Commission continues to implement controls in order to strengthen risk management. The web based fraud alert still remains the channel most used to report fraudulent activities. Some of the complaints received are service delivery related queries and complaints that are referred to the relevant divisions for action. Cases are investigated and referred to other enforcement authorities where necessary. The Commission plans to improve its investigation capacity in the 2015/16 financial year.

The most common complaints received relate to misuse of customer accounts that usually occur due to sharing of confidential information by clients and/or agents. Awareness campaigns will be conducted in an effort to alert clients on the dangers of sharing their confidential information in order to reduce fraud and corruption. The Commission remains committed in its fight against fraud and corruption.

3.10 Minimizing Conflict of Interest

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

3.11 Code of Conduct

The Commission has 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 organization. Any breach of the code of conduct and ethics is dealt with as misconduct and disciplinary measures are taken against the responsible official. The code of ethics includes provision on whistleblowing arrangements and reporting of breaches of the code of ethics and protecting the confidentiality of such reporting.

3.12 Health, Safety and Environmental Issues

Health and Safety within the organisation was maintained as prescribed in terms of the Occupational Health and Safety Act, (Act 85 of 1993), as the required appointments were made and duties performed. Safety within the workplace was maintained as safety risk and hazards identified were attended to and the challenge with large volumes of paper was minimised in the new working environment and with changes

to business processes. During the reporting period (four 4) injuries were reported of which (1) was serious, resulting in the hospitalisation of the officials and loss of man hours.

3.13 Company Secretary (if applicable)

This is not applicable to CIPC.

3.14 Social Responsibility

The following Social Responsibility initiatives took place in 2014/15:

1. Christmas clothes were donated to the Leamogetswe Home in Atteridgeville in November 2014. In addition, the Home was invited to the CIPC Christmas party event.
2. CIPC officials participated in six (6) blood donation initiatives by South African Blood Donation Services.
3. Seventy four (74) CIPC officials participated in the "Run for Mandela" initiative.
4. Grocery items were donated to Leamogetswe Home for the Mandela Day initiative; and
5. On the Casual Day event we sold stickers that amounted to more than R2 000.

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)

3.15 Audit Committee Report

We present our report for the year ended 31 March 2015.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee, consisting of the members listed below, convened nine times during the year under review. Five of the nine meetings were special meetings held in addition to the scheduled quarterly meetings.

Name of Member	Number of eligible meetings	Number of meetings attended
Independent Non-Executive Members		
Mr. AN Mhlongo	9	9
Ms. R Kenosi	9	9
Mr. AC Bischof	9	9
Mr. Y Gordhan	9	9
Executive Members – ex officio		
Ms. A Ludin (Commissioner - CIPC)*	9	9
Mr. K Naidoo (Group CFO – **the dti**)	9	7
*Resigned 30 April 2015		

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 experienced 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. Consequently this and the negative effect on senior management and changes thereof 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 and the Auditor-General South Africa (AGSA), 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 management of reported fraud allegations and the weaknesses in the matters referred to above. 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.

FINANCE FUNCTION

The Finance function discharged its responsibilities despite the moratorium on the filling of vacancies. Management has committed to engaging organized labour to uplift the moratorium and fill the vacancies during the financial year 2015-2016.

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.

FORENSIC INVESTIGATIONS

A forensic investigation was conducted during the year ended 31 March 2015. In September 2014, the Executive Authority initiated a forensic investigation into concerns over alleged irregularities based on claims made by the National Education, Health and Allied Workers' Union (NEHAWU) in July 2014. The forensic report made adverse recommendations against four CIPC officials. Subsequently the Executive Authority and Management implemented proceedings and are in the process of further proceedings to address the recommendations in the said report.

Notwithstanding the forensic report, it had no adverse impact on the presentation of the annual financial statements.

EVALUATION OF THE AUDITED FINANCIAL STATEMENTS

The Audit Committee has:

- Reviewed and discussed with Management, the Management Report from the Auditor-General (SA);
- 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 approval by the Accounting Authority.

The Audit Committee concurs with and accepts the conclusions of the Auditor-General (SA) on the annual financial statements.

A.N. Mhlongo
Chairperson of the Audit Committee
Date:

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

The 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 adjust to the changes as management tried to introduce new policies to move the organisation forward. Several HR policies were developed and recommended for approval by management. Attempts were made to consult on the policies with recognised trade unions. Unfortunately, the CIPC could not implement the new policies as the consultation could not be concluded. Recruitment efforts to fill critical positions were also not successful. This left the vacancy rate at 30% as at the end of the 2014/15 financial year.

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

The CIPC People Strategy and HR Plan will expire in 2016. The plan provides for the following:
Organisational culture, values and ethics – the organisation still strives to establish a new culture which encompasses the CIPC values and encourages team work and collaboration. Management remain committed to the management of the change and create a new culture that enables efficient service for excellent customer experience.

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

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

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

Recruitment and Selection – the CIPC will continue with the efforts to fill critical vacancies in the approved structure. Where relevant skills are identified in the organisation the CIPC endeavours to promote from within to encourage internal upwards mobility. Assessment of technical competencies and personality/ culture fit are critical aspects of the recruitment process.

The Internship programme has been identified as a priority to provide qualified graduates with practical experience for the CIPC and the South African economy. The CIPC has further identified a programme the recruit and train learners in substantive examinations of patents and designs. This is a first in South Africa. This may include Trade Marks examination depending on the viability of combining the two IP areas. The CIPC hopes to collaborate with other stakeholders including institutions of high learning in the implementation of this programme.

Competence and Capability – The CIPC has developed a competency framework and it is important that communication strategies are designed and executed, explaining the framework, the competencies required per specific job and the competencies required for future growth. The remuneration framework sets out details for movement within bands, and promotion from one band to another. Competency assessmtents will be conducted for all staff and feedback on their strengths and areas of development will be incorporated into personal development plans.

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

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

- Technical (or regulatory competence)
- Management and Leadership competencies
- Service competencies
- Job family specific technical competencies (typing, matric programme, 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 30%. 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. The CIPC may require more skills in ICT.

The CIPC established a Call Centre by transferring volunteering employees from different Business Units. The Call Centre is still not fully capacitated and more positions will be transferred to ensure that customers get quality services without holding for too long.

4.1.4 Employee performance management framework

The Performance Management framework was not implemented during the financial year under review. The policy and the automation of the performance agreements and performance evaluation will be implemented in 2015/16.

4.1.5 Policy development

A number of policies were recommended for approval by management pending consultation with organised labour as mentioned above. Management recognises the need for consultation to source inputs from representatives of CIPC employees. On the other hand it is important to move the organisation forward without disadvantaging employees where consultation is not possible. HR policies are earmarked for implementation in 2015/16.

4.1.6 Highlight/achievements

The Commissioner continued to provide leadership with the Organisational Design processes. The following achievements were registered:

- New CIPC Remuneration Framework was approved for consultation with Labour and implemented.
- A Reward and Recognition Strategy and Performance Management Policy were approved by CIPC Executive Team for consultation with Labour and are being consulted with Organised Labour.
- VIP System was implemented. This includes the institutionalisation of Employee Self Service (ESS) which enabled the automation of leave. This simplified leave management in the CIPC.
- Educational programmes on Wellness provided. These include Financial Management programme provided to staff in each year since 2012-2014.
- 24/7 counselling services provided to staff since 2011 to date.
- Occupational Health Clinic services provided on working days (HIV Programmes form part of this).
- Health Screenings provided to staff on a quarterly basis (HIV Programmes form part of this).
- Social Responsibility programmes conducted. These include: Blood Donation initiatives, Leamogetswe Project, Fun Run initiatives which have a social responsibility element.
- Attempts made to promote a physically active organisation (these include intention to purchase exercise and recreational equipment; promoting on- site physical exercise programmes; promoting initiatives on participating in Fun Run event). implementation of these initiatives is pending on approval.

4.1.7 Challenges faced by the public entity

- The 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. It is believed that with more employee engagement the management is confident that all employees will finally embrace change and allow the organisation to move forward.

- The CIPC is still in the process of finalising HR policies and relevant support processes.
- The vacancy rate remain high mainly due to the moratoriums on recruitment that were put in place at different periods in 2014/15.
- Currently unstable employee relations compromise the general wellbeing of employees and of the organisation.
- The current high vacancy rate and the moratorium compromises the wellbeing of employees and the performance of the organisation.
- There is a need for an approved Change Management strategy as this has never been implemented in CIPC.

4.1.8 Future HR plans /goals

The HR Plan contains the following goals for the 2015/16 financial year:

- Focus on leadership and management capabilities.
- Review and enhancement of HR solutions to support CIPC performance objectives.

This is in addition to the objectives carried over from the 2014/15 financial year which are still in progress as mentioned below.

- Revision and implementation of Human Capital policies and aligning them to the new organizational emuneration framework and organizational values and leadership philosophy.
- Implementation of the new performance management philosophy and management and training on the new Performance Management System.
- Communication and capacitation on the new remuneration philosophy and framework, reward and recognition.
- Employment Equity and platforms and processes to support this

4.1.9 Report on the CIPC establishment

The tables below provide information on the CIPC establishment from 1 April 2014 to 31 March 2015.

Employment and Vacancies

1 April 2014 to 31 March 2015					
Programme	Employment at Beginning of Period	Number of Approved Posts	Employment at End of Period	Vacancies	Vacancy Rate %
Commissioner's Office	44	62	47	15	24.2%
Corporate Service	64	103	68	35	34.0%
Business Intelligence and Systems	31	59	30	29	49.2%
Innovation and Creativity Promotion	62	107	59	48	44.9%
Business Regulation and Reputation	249	309	244	65	21.0%
TOTAL	**450**	**640**	**448**	**192**	30.0%

1 April 2014 to 31 March 2015						
Salary 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	1	0	0.0%
	3	2	5	3	2	40.0%
Senior Management and advanced Specialists	4	6	14	6	8	57.1%
Professionally qualified and experienced specialists and mid-management	5	15	19	14	5	26.3%
	6	20	24	20	4	16.7%
	7	30	52	30	22	42.3%
Skilled technical and academically qualified employees, junior management, supervisors, foremen Superintendants, Specialists	8	44	122	53	69	56.6%
	9	45	62	42	20	32.3%
	10	41	83	37	46	55.4%
Semi-Skilled and Discretionary decision making	11	221	231	217	13	5.6%
	12	25	27	25	3	11.1%
TOTAL		**450**	**640**	**448**	**192**	30.0%

Salary Bands	Peromnes Grade	Employment at Beginning of Period	Appointments	Terminations	Turnover Rate %	Employment at End of Period
Top Management / Executives	2	1	0	0	0.0%	1
	3	2	1	0	0.0%	3
Senior Management and advanced Specialists	4	6	1	1	16.7%	6
Professionally qualified and experienced specialists and mid-management	5	15	0	1	7.1%	14
	6	20	2	2	10.0%	20
	7	30	0	1	3.3%	30
Skilled technical and academically qualified employees, junior management, supervisors, foremen Superintendents, Specialists	8	44	9	4	7.5%	53
	9	45	0	2	4.8%	42
	10	41	2	2	5.4%	37
Semi-Skilled and Discretionary decision making	11	221	0	4	1.8%	217
	12	25	0	0	0.0%	25
TOTAL		**450**	**15**	**17**	**3.8%**	**448**

Reason for staff Leaving

1 April 2014 to 31 March 2015		
Reason	**Number**	**Percentage of Total Staff Leaving**
Death	2	11.8%
Resignation	12	70.6%
Dismissal	0	0.0%
Retirement	2	11.8%
Ill Health	0	0.0%
Expiry of Contract	1	5.9%
TOTAL	**17**	100.0%

Equity Target and Employment for Males as per the EE Plan

	MALE							
	African		Coloured		Indian		White	
Salary Bands	Current	Target	Current	Target	Current	Target	Current	Target
Top Management / Executives	0	2	1	1	0	0	1	1
Senior Management and advanced Specialists	3	6	1	1	0	0	1	1
Professionally qualified and experienced specialists and mid-management	22	27	3	4	4	3	4	4
Skilled technical and academically qualified employees, junior management, supervisors, foremen Superintendents, Specialists	50	70	3	12	0	5	5	5
Semi-Skilled and Discretionary decision making	72	83	2	3	1	3	4	4
TOTAL	**147**	**188**	**10**	**21**	**5**	**11**	**15**	**15**
%	**32.8%**	**33.6%**	**2.2%**	**3.8%**	**1.1%**	**2.0%**	**3.3%**	**2.7%**

***NB: The Current percentage is based on 448 positions while the target is based on 599 positions.**

Equity Target and Employment for Females as per the EE Plan

	MALE							
	African		Coloured		Indian		White	
Salary Bands	Current	Target	Current	Target	Current	Target	Current	Target
Top Management / Executives	1	1	0	0	0	0	1	1
Senior Management and advanced Specialists	0	4	0	1	0	0	1	1
Professionally qualified and experienced specialists and mid-management	15	25	3	3	2	2	12	11
Skilled technical and academically qualified employees, junior management, supervisors, foremen Superintendents, Specialists	55	84	5	10	3	3	11	13
Semi-Skilled and Discretionary decision making	128	126	8	9	0	2	26	28
TOTAL	**199**	**240**	**16**	**23**	**5**	**7**	**51**	**54**
%	**44.4%**	**42.9%**	**3.6%**	**4.1%**	**1.1%**	**1.3%**	**11.4%**	**9.7%**

***NB: The Current percentage is based on 448 positions while the target is based on 599 positions.**

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

1 April 2014 to 31 March 2015		Disabled Staff			
Staff Total	448	MALE		FEMALE	
Salary Bands	Peromnes Grade	Current	Target	Current	Target
Top Management / Executives	2	0	0	0	0
	3				
Senior Management and advanced Specialists	4	0	1	0	1
Professionally qualified and experienced specialists and mid-management	5	0	0	0	0
	6				
	7				
Skilled technical and academically qualified employees, junior management, supervisors, foremen Superintendents, Specialists	8	3	4	0	0
	9				
	10				
Semi-Skilled and Discretionary decision making	11	2	5	2	2
	12				
TOTAL		**5**	**10**	**2**	**3**
	TOTAL	**1.1%**	**1.8%**	**0.4%**	**0.5%**

***NB: The Current percentage is based on 448 positions while the target is based on 599 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. The CIPC has an opportunity to improve on the percentage of employees with disabilities as recruitment unfolds.

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 Parliament on the Companies and Intellectual Property Commission (CIPC)

Report on the financial statements

Introduction

1. I have audited the financial statements of the Companies and Intellectual Property Commission (CIPC) set out on pages 86 to 134, which comprise of the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, statement of cash flows 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) and 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 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 risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the CIPC as at 31 March 2015, 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) 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 programmes presented in the annual performance report, non-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 selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2015:

- Programme 1: Business regulation and reputation (on pages 30 to 38)
- Programme 3: Service delivery and access (on pages 40 to 53)

9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

10. 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).

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

12. The material findings in respect of the selected programmes are as follows:

Selected programmes
Reliability of reported performance information

13. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain certain pertinent information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to the fact that the auditee could not provide sufficient appropriate evidence on certain critical data fields in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

Additional matter

14. I draw attention to the following matter:

Achievement of planned targets

15. Refer to the annual performance report on pages 29 to 41 and pages 42 to 53 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the reliability of the reported performance information for the selected programmes reported in paragraph 13 of this report.

Compliance with laws and regulations

16. I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

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

Performance management

18. Corrective action implemented by management did not adequately address deficiencies relating to performance information in order to ensure that performance information is supported by reliable evidence. Furthermore, management did not have sufficient controls to ensure that source documentation contained certain pertinent information to support actual achievements.

Other reports

Investigation

19. 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, salary discrepancies, sponsorships and budgets. The investigation was concluded on 4 March 2015 and resulted in disciplinary enquiries being instituted against three employees.

Auditor- General

Pretoria
28 July 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence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Annual Financial Statements

for the year ended 31 March 2015

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

Kevin O'Leary

Contents

Business address:
77 Meintjies Street
Sunnyside
Pretoria
0002

Bank details: ABSA
PO Box 4210
Pretoria
0001

Postal address:
PO Box 429
Pretoria
0001

Auditors: Auditor General
PO Box 446
Pretoria
0001

Accounting Authority's responsibility for the annual financial statements
for the year that ended 31 March 2015

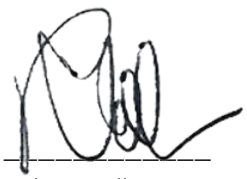
The annual financial statements (AFS) for the year ended 31 March 2015, are prepared in accordance with the South African Statements of GRAP and incorporate disclosure in line with the accounting policies of the entity and the requirements of the PFMA.

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 was 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 2015, as set out on pages 86 to 134.



Adv R Voller
Acting Commissioner (Accounting Authority: Companies and Intellectual Property Commission) (CIPC)

Date: 19 August 2015

Statement of Financial Position for the year ended 31 March 2015

	Note	31 March 2015 R'000	31 March 2014 R'000
Assets			
Non-current assets		**43 236**	**41 767**
Property, plant and equipment	1	31 363	30 533
Intangible assets	2	11 780	10 582
Prepayments	4	93	652
Current assets		**1 574 397**	**1 394 055**
Receivables from exchange transactions	3	855	621
Prepayments	4	7 953	6 629
Cash and cash equivalents	5	1 565 589	1 386 805
Total assets		**1 617 633**	**1 435 822**
Net assets and liabilities			
Net assets		**1 500 492**	**1 298 678**
Accumulated surplus		1 500 492	1 298 678
Current liabilities		**117 141**	**137 144**
Provisions	6	21 903	21 690
Payables from exchange transactions	7	15 010	39 517
Payables from customer deposits received	8	80 228	75 937
Total assets and liabilities		**1 617 633**	**1 435 822**

Statement of Financial Performance for the year ended 31 March 2015

	Note	31 March 2015 R'000	31 March 2014 R'000
Revenue		**508 330**	**455 611**
Revenue from exchange transactions	9	233 187	216 243
Fees	9.1	138 201	140 268
Interest income	9.2	85 839	67 246
Other income	9.3	9 147	8 729
Revenue from non-exchange transactions		275 143	239 368
Annual return fees and penalties	10	275 143	239 368
Operating expenditure		**306 516**	**309 868**
Advertising		1 081	3 851
Audit fees	11	6 021	7 386
Bad debt	15	92	81
Bank charges		1 529	1 138
Communication and postage		1 926	11 316
Consulting and professional fees	12	38 817	34 356
Depreciation and amortisation	13	9 288	5 068
Employee costs	14	198 903	186 861
Loss on disposal of assets – property, plant and equipment	1.2	454	661
Impairment loss – property, plant and equipment	1	199	16
Impairment loss – intangible assets	2	-	629
Internet and network costs		4 030	2 132
Maintenance and repairs		2 104	8 385
Operating lease charges	16	25 022	24 062
Publications, printing and stationery	17	6 016	6 970
Temporary administrative support staff		119	681
Travelling and subsistence		1 871	3 493
Other operating expenses	18	9 044	12 782
Surplus for the year		**201 814**	**145 743**

Statement of Changes in Net Assets for the year ended 31 March 2015

	Note	Accumulated surplus
		R'000
Balance as at 1 April 2013		**1 152 935**
Balance at 1 April 2013 as previously reported		1 157 065
Correction of prior year error	28.2	(4 130)
Net surplus for the year		145 743
Balance as at 1 April 2014 restated		**1 298 678**
Net surplus for the year		201 814
Balance at 31 March 2015		**1 500 492**

Statement of Cash Flows for the year ended 31 March 2015

	Note	31 March 2015 R'000	31 March 2014 R'000
Cash flow from operating activities			
Receipts		**508 096**	**456 164**
Revenue from exchange transactions		147 114	149 550
Fees	9.1	138 201	140 268
Other income		8 913	9 282
Revenue from non-exchange transactions		275 143	239 368
Annual return fees and penalties	10	275 143	239 368
Interest income	9.2	85 839	67 246
Payments		**(317 344)**	**(282 574)**
Employee cost	14	(198 903)	(186 861)
Suppliers		(118 441)	(95 713)
Net cash flow from operating activities	21	**190 752**	**173 590**
Cash flow from investing activities		**(11 968)**	**(27 259)**
Acquisition of property, plant and equipment	1	(9 209)	(23 079)
Proceeds on disposal of property, plant and equipment	1.2	434	90
Acquisition of intangible assets	2	(3 193)	(4 270)
Net increase in cash and cash equivalents		**178 784**	**146 331**
Cash and cash equivalents at beginning of year		1 386 805	1 240 474
Cash and cash equivalents at end of year	5	**1 565 589**	**1 386 805**

Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2015

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Variance actual vs final *
Revenue	R'000	R'000	R'000	R'000	R'000
Revenue from exchange transactions	176 520	(20 320)	156 200	138 201	(17 999)
Revenue from non-exchange transactions	216 924	53 076	270 000	275 143	5 143
Other income	-	5 700	5 700	9 147	3 447
Interest received from exchange transactions	43 000	28 860	71 860	85 839	13 979
Total revenue	436 444	67 316	503 760	508 330	4 570
Expenses					
Employee cost	250 178	(12 015)	238 163	198 903	39 260
Operational expenditure	111 253	8 712	119 965	75 945	44 020
Other administrative expenditure	63 216	*(17 325)	45 891	22 181	23 710
Depreciation and amortisation	-	7 500	7 500	9 287	(1 787)
Impairment	-	-	-	200	(200)
Total expenses	424 647	(13 128)	411 519	306 516	105 003
Net Surplus	11 797	80 444	92 241	201 814	109 573

* The variances between the actual and budget amounts are presented and explained in note 29.

Accounting policies for the year ended 31 March 2015

1. Basis of preparation

The financial statements were prepared in accordance with Standards of GRAP, including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 91(1) of the PFMA.

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

Applicable Standards of GRAP approved for which the Minister of Finance determined the effective date and which were adopted:

Standard	Description	Objective
GRAP 1	Presentation of Financial Statements	The objective of this Standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous years and with the financial statements of other entities. To achieve this objective, this Standard sets out overall considerations for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The recognition, measurement and disclosure of specific transactions, other events and conditions are dealt with in other Standards of GRAP.
GRAP 2	Cash Flow Statements	The objective of this Standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flow during the year from operating, investing and financing activities.
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors	The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of the entity's financial statements and the comparability of those financial statements over time and with the financial statements of other entities. Disclosure requirements for accounting policies, except those for changes in accounting policies, are set out in the Standard of GRAP on Presentation of Financial Statements. The application of this Standard of GRAP is considered to be consistent with the requirements of the equivalent Statement of SA GAAP which had been previously complied with, and therefore has no effect on the amounts previously reported.
GRAP 5	Borrowing Costs	This Standard prescribes the accounting treatment for borrowing costs. This Standard generally requires an entity to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. However, the Standard permits the expensing of borrowing costs where it is inappropriate to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Other borrowing costs are recognised as an expense.

Accounting policies for the year ended 31 March 2015

Standard	Description	Objective
GRAP 9	Revenue from Exchange Transactions	The objective of this Standard is to prescribe the accounting treatment of revenue arising from exchange transactions and events. The principle issue in accounting for revenue is determining when to recognise revenue. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably. This Standard identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognised. It also provides practical guidance on the application of these criteria.
GRAP 12	Inventories	The objective of this Standard is to prescribe the accounting treatment for inventories. A principle issue in accounting for inventories is the amount of cost to be recognised as an asset and carried forward until the related revenues are recognised. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realisable value or current replacement cost. It also provides guidance on the cost formulas that are used to assign costs to inventories.
GRAP 13	Leases	The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to leases.
GRAP 14	Events After the Reporting Date	The objective of this Standard is to prescribe: (a) When an entity should adjust its financial statements for events after the reporting date; and (b) The disclosures that an entity should give about the date when the financial statements were authorised for issue and about events after the reporting date. The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting date indicate that the going concern assumption is not appropriate.
GRAP 17	Property, Plant and Equipment	The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that the users of financial statements can discern information about an entity's investment in its property, plant and equipment, and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts, and the depreciation charges and impairment losses to be recognised in relation to them.
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets	The objective of this Standard is to define provisions, contingent liabilities and contingent assets, identify the circumstances in which provisions should be recognised, how they should be measured, and the disclosures that should be made about them. The Standard also requires that certain information be disclosed about contingent liabilities and contingent assets in the notes to the financial statements to enable users to understand their nature, timing and amount.
GRAP 21	Impairment of Non-cash-generating Assets	The objective of this Standard is to prescribe the procedures that an entity applies to determine whether a non-cash-generating asset is impaired, and to ensure that impairment losses are recognised. The Standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)	The objective of this Standard is to prescribe requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. The Standard deals with issues that need to be considered in recognising and measuring revenue from non-exchange transactions, including the identification of contributions from owners.

Accounting policies for the year ended 31 March 2015

Standard	Description	Objective
GRAP 24	Presentation of Budget Information in Financial Statements	This Standard requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. Compliance with the requirements of this Standard will ensure that entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating compliance with the approved budget for which they are held publicly accountable and, where the budget and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.
GRAP 25	Employee Benefits	The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise: (a) A liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) An expense when the entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits. The implementation of the Standard will not have a material impact on the annual financial statements and may lead to additional disclosure requirements.
GRAP 26	Impairment of cash-generating Assets	The objective of this Standard is to prescribe the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognised. The Standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.
GRAP 31	Intangible Assets	The objective of this Standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard of GRAP. This Standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets.
GRAP 100	Non-current Assets held for Sale and Discontinued Operations	The objective of this Standard is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations. In particular, the Standard requires: (a) Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease; and (b) Assets that meet the criteria to be classified as held for sale to be presented separately on the face of the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
GRAP 104	Financial Instruments	This Standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are broadly defined as those contracts that results in a financial asset in one entity, and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

Accounting policies for the year ended 31 March 2015

Applicable directives to Standards of GRAP approved for which the Minister of Finance has determined the effective date and which were adopted:

Directive	Description
Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 5	Determining the GRAP Reporting Framework
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
Directive 11	Changes in Measurement Bases following Initial Adoption of Standards of GRAP

Applicable interpretations of the Standards of GRAP for which the Minister of Finance has determined the effective date and which were adopted:

Interpretation	Description
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 3	Determining Whether an Arrangements Contains a Lease
IGRAP 14	Recognised Accounting Practice Evaluating The Substance of Transactions Involving the Legal Form of a Lease
IGRAP 16	Applying the Probability test on Initial Recognition of Revenue

Applicable Standards of GRAP approved, but for which the Minister of Finance has not yet determined an effective date, and that entities may consider to early adopt:

Standards	Description	Objective
GRAP 20	Related Party Disclosures	The objective of this Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The implementation of the Standard will not have a material impact on the annual financial statements and may lead to additional disclosure requirements.
GRAP 108	Statutory Receivables	The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

Accounting policies for the year ended 31 March 2015

Standards, interpretations and directives of Standards of GRAP approved, whether effective or not, which are not applicable to the operations of the CIPC:

GRAP 4	The effects of changes in Foreign Exchange Rates
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventory
GRAP 16	Investment Property
GRAP 18	Segment Reporting
GRAP 27	Agriculture
GRAP 32	Service Concession Arrangements: Grantor
GRAP 103	Heritage Assets
GRAP 105	Transfer of functions between Entities under Common Control
GRAP 106	Transfer of functions between Entities not under Common Control
GRAP 107	Mergers
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 4	Practice Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-Cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidation – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-Monetary Contributions by Ventures
IGRAP 13	Operating Leases – Incentives
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
Directive 3	Transitional Provisions for High Capacity Municipalities
Directive 4	Transitional Provisions for Medium and Low Capacity Municipalities
Directive 6	Transitional Provisions for Revenue collected by the South African Revenue Service (SARS)
Directive 8	Transitional Provisions for Parliament and Provincial Legislatures
Directive 9	The application of the Standards of GRAP by Trading Entities
Directive 10	Application of the Standards of GRAP by Public Further Education and Training Colleges

Accounting policies for the year ended 31 March 2015

2. Property, plant and equipment

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

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

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

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

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

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

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

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

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

Accounting policies for the year ended 31 March 2015

3. Intangible assets

Recognition and measurement

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

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Costs pertaining to research are charged to surplus or deficit. Development costs are recognised as intangible assets. The cost of an item of intangible assets is recognised as an asset when:

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

An intangible asset arising from development of an internal project is recognised when the following can be demonstrated:

(a) The technical feasibility of completing the intangible asset so that it will be available for use;
(b) Intention to complete the intangible asset and use it;
(c) Ability to use the intangible asset;
(d) How the intangible asset will generate probable future economic benefits or service potential;
(e) The availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and
(f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Amortisation

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

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

- Computer software 5 – 12 years

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

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

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

4. Non-current assets held for sale

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

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

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

5. Impairment

Financial assets

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

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

Accounting policies for the year ended 31 March 2015

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

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

Non-financial assets

Non-cash generating assets

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

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

Cash generating assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use, and its fair value less costs to sell.

Accounting policies for the year ended 31 March 2015

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 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 was recognised.

6. Operating Leases

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

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

7. Inventories

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

(a) It is probable that future economic benefits or service potential associated with the item will flow to the entity, and

(b) The cost of the inventories can be measured reliably.

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.

Accounting policies for the year ended 31 March 2015

8. Financial instruments

Financial assets

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

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

The entity classifies financial assets into the following category:

- Financial instruments at amortised cost.

Cash and cash equivalents

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

Loans and receivables

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

Financial liabilities

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

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

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

Accounting policies for the year ended 31 March 2015

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, is recognised as revenue.

Fair value determination

Financial assets and financial liabilities are subsequently measured at amortised cost. The interest expense or revenue is calculated using the effective interest rate method. This method calculates the rate of interest that is necessary to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument, to equal the amount at initial recognition. The rate is then applied to the carrying amount at each reporting date to determine the interest expense or income for the year. In this manner, the interest expense or income is recognised on a level yield to maturity basis.

Derecognition

A financial asset is derecognised only when:

(a) The contractual rights to the cash flows from the financial asset expire, are settled or waived;

(b) The entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

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

(i) Derecognise the asset; and

(ii) Recognise separately any rights and obligations created or retained in the transfer.

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

Gains and losses

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

Accounting policies for the year ended 31 March 2015

Offsetting

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

9. Revenue from exchange transactions

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

Interest income

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

Revenue from fees

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

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

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

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

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

Trade receivables from exchange transactions

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

Accounting policies for the year ended 31 March 2015

10. Revenue from non-exchange transactions

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

Revenue from annual return fees

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

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

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

Trade receivables from non-exchange transactions

Annual return fees 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.

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

11. Finance cost

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

12. Provisions and contingencies

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

Accounting policies for the year ended 31 March 2015

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

13. Employee benefits

Post-retirement benefits

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

Short and long-term benefits

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

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

14. Critical accounting estimates and judgements

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

15. 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.

Accounting policies for the year ended 31 March 2015

16. Irregular expenditure

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

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

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

17. Fruitless and wasteful expenditure

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

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

18. Related parties

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

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

Notes to the Financial Statements for the year ended 31 March 2015

1. Property, plant and equipment

Total Assets	Cost	Accumulated depreciation and impairment	Carrying value
	R'000	R'000	R'000
31 March 2015			
Computer equipment	41 714	(20 164)	21 550
Office furniture and equipment	9 916	(2 155)	7 761
Leasehold improvements	2 407	(355)	2 052
	54 037	(22 674)	31 363
31 March 2014			
Computer equipment	43 547	(19 673)	23 874
Office furniture and equipment	8 850	(2 734)	6 116
Leasehold improvements	651	(108)	543
	53 048	(22 515)	30 533

Reconciliation of carrying amounts

31 March 2015	Leasehold improvements	Computer equipment	Office furniture and equipment	Total
	R'000	R'000	R'000	R'000
Opening balance	543	23 874	6 116	30 533
Acquisitions during the year	1 910	4 391	2 908	9 209
Disposals during the year	-	(633)	(254)	(887)
Impairment for the year - note 1.3	-	(155)	(44)	(199)
Depreciation for the year	(401)	(5 927)	(964)	(7 292)
Carrying amount at end of year	2 052	21 550	7 761	31 363

Notes to the Financial Statements for the year ended 31 March 2015

Reconciliation of carrying amounts

31 March 2014	Leasehold improvements	Computer equipment	Office furniture and equipment	Total
	R'000	R'000	R'000	R'000
Opening balance	-	10 370	1 627	11 997
Acquisitions during the year	651	17 096	5 332	23 079
Disposals during the year	-	(217)	(488)	(705)
Impairment for the year	-	(16)	-	(16)
Depreciation for the year	(108)	(3 359)	(355)	(3 822)
Carrying amount at end of year	543	23 874	6 116	30 533

1.1 Changes in accounting estimates - property, plant and equipment

Management reviewed the estimated useful lives of property, plant and equipment at the end of the annual reporting year as required 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 as follows:

	31 March 2015 R'000	31 March 2014 R'000
Reassessment of property, plant and equipment useful lives	601	467

1.2 Disposal of assets

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

31 March 2015	Cost	Accumulated depreciation	Net Book value
	R'000	R'000	R'000
Computer equipment	6 223	(5 589)	634
Office furniture and other equipment	1 842	(1 588)	254
Total	8 065	(7 177)	888
Proceeds on disposal of property, plant and equipment			(434)
Loss on disposal			454

Notes to the Financial Statements for the year ended 31 March 2015

31 March 2014	Cost	Accumulated depreciation	Net Book value
	R'000	R'000	R'000
Computer equipment	2 284	(2 066)	218
Office furniture and other equipment	1 273	(785)	488
Total	3 557	(2 851)	706
Proceeds on disposal of property, plant and equipment			(45)
Loss on disposal			661

1.3 Impairment

At the end of the 2014/2015 financial year, property, plant and equipment were reviewed in terms of GRAP 31 to assess if significant changes resulted in assets becoming idle or to be discontinued. For the 2014/2015 financial year discontinued property, plant and equipment assets with a carrying value of R199 000 (2013/2014 – R16 000) were impaired.

Notes to the Financial Statements for the year ended 31 March 2015

2. Intangible assets

	Cost	Accumulated amortisation	Accumulated impairment	Carrying amount
	R'000	R'000	R'000	R'000
31 March 2015				
Capitalised computer software	24 337	(12 557)	-	11 780
31 March 2014				
Capitalised computer software	22 276	(10 856)	(838)	10 582

Reconciliation of carrying amounts:

	31 March 2015	31 March 2014
	R'000	R'000
Opening balance	10 582	8 187
Acquisitions during the year	3 193	4 270
Amortisation	(1 995)	(1 246)
Impairment of the year	-	(629)
Carrying amount at end of year	11 780	10 582

2.1 Changes in accounting estimates - intangible assets

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

	31 March 2015	31 March 2014
	R'000	R'000
Reassesment of intangible assets useful lives	108	212

2.2 Derecognised intangible asset

During the 2013/2014 financial year, software with a net book value of Rnil were derecognised as no future economic benefits or service potential are expected from its use or disposal. The software relate to the IT software development which were impaired to Rnil in the 2009/2010 financial year. Also refer to note 9.3 where the retention liability was derecognised.

Notes to the Financial Statements for the year ended 31 March 2015

31 March 2015	Cost	Accumulated amortisation	Net Book value
	R'000	R'000	R'000
Intangible assets derecognised	1 132	(1 132)	-
	1 132	(1 132)	-

31 March 2014	Cost	Accumulated amortisation	Net Book value
	R'000	R'000	R'000
Intangible assets derecognised	101 998	(101 998)	-
	101 998	(101 998)	-

3. Receivables from exchange transactions

	31 March 2015	31 March 2014
	R'000	R'000
Receivables from exchange transactions:	855	621
Trade receivables	342	295
Patent Corporation Treaty (PCT) receivables	1	5
Staff receivables	279	329
Less: Provision for doubtful debt	(77)	(8)
Other receivables	310	-

Reconciliation of trade receivables:

31 March 2015	Total	Longer than one year	Less than one year
	R'000	R'000	R'000
Accounts receivable from exchange transactions	855	-	855
	855	-	855

31 March 2014	Total	Longer than one year	Less than one year
	R'000	R'000	R'000
Accounts receivable from exchange transactions	621	-	621
	621	-	621

Notes to the Financial Statements for the year ended 31 March 2015

4. Prepayments

	31 March 2015	31 March 2014
	R'000	R'000
Prepaid expenses:	8 046	7 281
Security services	-	3
IT outsourced security services	-	84
Training	161	158
Rental: Conference facility	134	-
Software maintenance agreement	604	3 795
Computer warranty	45	10
Insurance on assets	44	-
Renewal of software licence	7 058	3 231

Reconciliation of prepayments

31 March 2015	Total	Longer than one year	Less than one year
	R'000	R'000	R'000
Prepayments	8 046	93	7 953
	8 046	93	7 953

31 March 2014	Total	Longer than one year	Less than one year
	R'000	R'000	R'000
Prepayments	7 281	652	6 629
	7 281	652	6 629

5. Cash and cash equivalents

	31 March 2015	31 March 2014
	R'000	R'000
Bank balance	4 080	3 504
Cash on hand	-	2
Collection account	23	236
Call account– Corporation for Public Deposits (CPD)	1 561 486	1 383 063
	1 565 589	1 386 805

Notes to the Financial Statements for the year ended 31 March 2015

6. Provisions

31 March 2015	Opening balance	Provision raised / (reversed)	Provision utilised	Closing batlance	Current portion
	R'000	R'000	R'000	R'000	R'000
Leave pay benefits	13 716	13 331	(13 716)	13 331	13 331
Legal fees	-	-	-	-	-
Performance bonuses	7 668	7 421	(6 517)	8 572	8 572
Services in dispute	-			-	-
Workmen's compensation	306	-	(306)	-	-
	21 690	20 752	(20 539)	21 903	21 903

31 March 2014	Opening balance	Provision raised / (reversed)	Provision utilised	Closing balance	Current portion
	R'000	R'000	R'000	R'000	R'000
Leave pay benefits	9 903	9 621	(5 808)	13 716	13 716
Legal fees	21	-	(21)	-	-
Performance bonuses	6 532	8 750	(7 614)	7 668	7 668
Services in dispute	589	(64)	(525)	-	-
Workmen's compensation	-	306	-	306	306
	17 045	18 613	(13 968)	21 690	21 690

- 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.
- Provision for settlement costs in respect of legal cases against the CIPC, which existed but were not yet settled.
- 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.
- Provision for the settlement of a claim of R589 000 for services rendered that was in dispute for more than 12 months. The account was settled in the 2013/2014 financial year.
- Provision was made for the payment of Workman's Compensation in the 2013/2014 financial year.

Notes to the Financial Statements for the year ended 31 March 2015

7. Payables from exchange transactions

	31 March 2015 R'000	31 March 2014 R'000
Payables:	15 010	39 517
Trade payables	4 099	21 197
Operating lease liability	720	821
Accruals: Trade Payables	5 837	6 076
Accruals: Remuneration related	4 354	11 423

8. Payables – customer deposits

Deposits of advance receipts*	80 228	75 937

*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 three (3) years from receipt date, are recognised as revenue.

9. Revenue from exchange transactions:

Revenue - exchange transactions	233 187	216 423
9.1 Fees:	138 201	140 268
Corporate information	19 059	18 502
Company registration and maintenance	64 516	65 234
Data sales	1 819	1 790
Intellectual property registration and maintenance	47 524	50 968
Cooperatives registration and maintenance	5 283	3 774
9.2 Interest income		
Interest received – cash and cash equivalents	85 839	67 246
9.3 Other income:	9 147	8 729
Other exchange transactions	164	145
Patent Corporation Treaty (PCT) income	58	74
Recognition of unallocated deposits as revenue	7 667	4 574
Derecognition of ECM liability (refer note 2.2)	-	3 936
Waiving of penalties and interest - SARS	1 258	-

Notes to the Financial Statements for the year ended 31 March 2015

10. Revenue from non-exchange transactions:

	31 March 2015 R'000	31 March 2014 R'000
Revenue - non-exchange transactions	275 143	239 368
Annual return revenue*	275 143	239 368

*Part of the 2013/2014 financial years were waived. Annual Return penalties were re-instated with effect from 1 October 2013. Included in annual return revenue are penalties.

11. Audit fees

Surplus from operations is stated after taking into consideration the following expenditure:		
External audit fees	4 264	3 959
• Regularity audit	3 628	3 723
• Computer audits	636	236
Internal audit fees (co-sourced portion)	1 757	3 427
	6 021	7 386

12. Consulting and professional fees

{Specialist information technology consultants, licences and services}	32 611	29 139
Management consultants	6 206	5 217
	38 817	34 356

13. Depreciation and amortisation

• Computer equipment	5 927	3 359
• Office furniture and other equipment	964	355
• Leasehold improvements	401	108
Amortisation of intangible assets	1 996	1 246
	9 288	5 068

Notes to the Financial Statements for the year ended 31 March 2015

14. Employee costs

	31 March 2015 R'000	31 March 2014 R'000
Total per the Statement of Financial Performance	198 903	186 861
Salary	153 347	137 044
Pension contributions	15 104	13 259
Medical contributions	6 348	6 217
Service Bonuses	8 944	7 035
Performance Bonuses	7 420	7 614
Other benefits	7 740	15 692

The CIPC changed its organisational structure with effect from 1 July 2013. The remuneration framework was also changed from a basic plus benefit remuneration model to a total cost to company remuneration framework.

Payments made to Key Management:

		31 March 2015 R'000			
Designation	Name	Remuneration	Travel and Subsistence allowance	Performance bonus	Total package
Commissioner	Ms A Ludin	1 694	15	-	1 709
Deputy Commissioner	Mr R Voller	1 349	31	40	1 420
Executive Manager: Business Intelligence and Systems	Mr A Kritzinger (Acting - Fixed term contract 1 April 2013 - 17 January 2014.	1 823	-	57	1 880
Executive Manager: Business Intelligence and Systems	Mr A Kritzinger (Appointed 18 January 2014)	389	-	-	389
Chief Financial Officer	Mr ER du Toit	1 443	-	46	1 489
Chief Strategy Executive	Mr L Dukwana	1 302	-	39	1 341
Chief Audit Executive	Mr W. Chingate – Appointed 6 January 2014*	978	-	8	986
Divisional Manager: Risk, Governance and Compliance	Mr TL Tshitaudzi appointed 1 April 2014	989	-	-	989

Notes to the Financial Statements for the year ended 31 March 2015

Payments made to Key Management:

		31 March 2014 R'000			
Designation	Name	Remuneration	Travel and Subsistence allowance	Performance bonus	Total package
Commissioner	Ms A Ludin	1 585	24	-	1 609
Deputy Commissioner	Mr R Voller	1 156	32	14	1 202
Executive Manager: Business Intelligence and Systems	Mr A Kritzinger (Acting - Fixed term contract 1 April 2013 - 17 January 2014.	2 298	-	-	2 298
Executive Manager: Business Intelligence and Systems	Mr A Kritzinger (Appointed 18 January 2014)	285	-	-	285
Chief Financial Officer	Mr ER du Toit	1 235	-	14	1 249
Chief Strategy Executive	Mr L Dukwana	1 121	31	14	1 166
Chief Audit Executive	Mr W. Chingate – Appointed 6 January 2014*	180	-	-	180
Divisional Manager: Risk, Governance and Compliance	Vacant	-	-	-	-

15. Bad debt

	31 March 2015 R'000	31 March 2014 R'000
• Accounts receivable - exchange transactions	92	81
	92	81

16. Operating lease charges

• Vehicles	251	245
• Property	14 044	12 998
• Off-site storage facility	10 727	10 819
	25 022	24 062

Notes to the Financial Statements for the year ended 31 March 2015

17. Publications, printing and stationery

	31 March 2015 R'000	31 March 2014 R'000
• Publication and printing	930	1 482
• Stationery	5 086	5 488
	6 016	6 970

18. Other operating expenses

• Audit and Risk Committees fees	1 145	921
• Bursaries	326	160
• Conferences and venues	1 089	3 668
• Entertainment and refreshments	52	65
• Internships	-	623
• Legal fees	1 843	1 496
• Membership fees - Staff	41	82
• Membership fees - Institutions	2 003	1 500
• Other	60	454
• Interest – SARS	-	581
• Penalties – SARS	-	254
• Security and cleaning services	1 457	1 731
• Sponsorship – Note 33	25	-
• Training	1 003	1 247
	9 044	12 782

19. 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 the CIPC.

Total contributions to the scheme	15 104	13 259

Notes to the Financial Statements for the year ended 31 March 2015

20. Operating lease commitments

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

31 March 2015	0–1 Years	2-5 Years	Total
	R'000	R'000	R'000
dti Campus lease	12 952	-	12 952
202 Esselen Street	-	-	-
JSE self service centre	65	372	437
Sunnyside self service centre and offices	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

31 March 2014	0–1 Years	2-5 Years	Total
	R'000	R'000	R'000
dti Campus lease	11 715	-	11 715
202 Esselen Street	287	-	287
Sunnyside self service centre and offices	549	385	934
Katanga parking	200	67	267
Backup storage facility	60	-	60
Off-site storage facility	11 044	8 468	19 512
	23 855	8 920	32 775

The dti Campus lease

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

Office: 202 Esselen Street

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

Katanga Parking

The lease is for the renting of parking bays at **the dti** campus.

Office: Johannesburg Stock Exchange (JSE)

The lease is for the renting of office space in the JSE over three (3) years (2014 – 2017). The CIPC will exercise the option to extend the lease up year 2020 and the extension is included in the commitments.

Office: Sunny Park

The lease is for the renting of office space in Sunny Park over 2 years (2014- 2016). The CIPC will exercise the option to extend the lease up year 2019 and the extension is included in the commitments.

Notes to the Financial Statements for the year ended 31 March 2015

Office: Transnet

The lease is for the renting of office space in Carlton Centre over three (3) years (2014- 2017). The CIPC will exercise the option to extend the lease up to year 2020 and the extension is included in the commitments.

Backup storage facility

A contract was entered into for a backup storage facility over two (2) years (2014 – 2015).

Off-site file storage

A contract was entered into for an off-site file storage facility over five (5) years (2015 – 2017).

21. Reconciliation of net cash flow from operating activities to surplus for the year

	31 March 2015		31 March 2014
	R'000		R'000
Surplus for the year	201 814		145 743
Adjusted for non-cash flow items:			
Depreciation of property, plant and equipment	7 292		3 822
Amortisation of intangible assets	1 995		1 246
Impairment loss on intangible assets	-		629
Impairment loss on property, plant and equipment	199		16
Loss on disposal of property, plant and equipment and intangible assets	454		661
Movement in provision for leave pay	(385)		3 813
Movement in provision for service bonuses	-		(408)
Movement in provision for legal cases	-		(21)
Movement in provision for services in disputes	-		(589)
Movement in provision for merit awards	904		1 136
Movement in provision for Workmen's Compensation	(306)		306
Cash flows before changes in working capital	**211 967**		**156 354**
Decrease in inventories	-		430
(Increase) / Decrease in prepayments	(764)		682
(Increase) / Decrease in trade and other receivables	(234)		(129)
(Decrease) / Increase in trade and other payables	(20 216)		16 253
Cash generated from operations	**190 752**		**173 590**

Notes to the Financial Statements for the year ended 31 March 2015

22. Taxation

22.1 *Income tax*

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

22.2 *Value-added tax*

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

23. Contingent liabilities

	31 March 2015 R'000	31 March 2014 R'000
23.1 Housing guarantees	23	67
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 was realised in this regard. The likelihood of a possible outflow of resources is remote and no liability is recognised in the financial statements.		
23.2 Accumulated surplus	455 849	254 036
The surplus for the year under review was classified as a contingent liability at 31 March 2015. In terms of Treasury Regulation 19.7.1 the entity at the end of the financial year needs to declare any surplus to the NT. The NT may apply such surplus to reduce any proposed allocation to the trading entity; or require that all or part of it be deposited in the Exchequer bank account. A request was submitted to the NT to retain the 2012/2013 surplus (R108,3 million). Approval in this regard is still awaited. The surplus for 2013/2014 was declared and the 2014/2015 surplus will be declared to the NT as required.		
23.3 Enterprise Content Management System (ECM)	11 000	-
Legal proceedings were 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 CIPC was informed during 2013/2014 that the litigation process is not active and that the service provider did not indicate any intent to pursue further legal action, therefore the contingent liability was derecognised. In April 2015 the CIPC was informed that the service provider instituted further legal action and the contingent liability was thus reinstated.		

Notes to the Financial Statements for the year ended 31 March 2015

24. Contingent assets

	31 March 2015 R'000	31 March 2014 R'000
The cashier function was outsourced to a service provider for the period May 2004 to July 2008. In terms of the contractual arrangements the service provider recovered the transaction fees from the cash collections and only transferred the net collections to the CIPC. Based on an investigation, it was found that the service provider overcharged on the transaction fees and litigation is in process and the outcome is uncertain.	1 332	1 600

25. Planned capital programmes

The following capital programmes were approved but not yet contracted:

• Furniture The entity is planning to replace all furniture to optimise current available office space at **the dti** campus.	2 000	2 000
• Establishment of self service centres	3 300	-
• ICT improvement programme The entity is continuously investing in improving ICT systems for improved service delivery.	16 710	30 500

26. Patent Corporation Treaty (PCT) Trust Account

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

PCT creditors	55	55

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

Balance in the PCT bank account	55	126

27. Financial instruments

Financial risk management

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

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

Market risk

Market risk is the risk that changes in market prices, such as the interest rate which 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. 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 of the CPD.

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

Notes to the Financial Statements for the year ended 31 March 2015

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

31 March 2015	Change in interest rate	Increase / (decrease) in the surplus for the year	
		Upward change	Downward change
		R'000	R'000
Cash and cash equivalents	1%	14 488	(14 488)

31 March 2014	Change in interest rate	Increase / (decrease) in the surplus for the year	
		Upward change	Downward change
		R'000	R'000
Cash and cash equivalents	1%	13 868	(13 868)

Credit risk

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

Exposure to credit risk

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

	31 March 2015	31 March 2014
	R'000	R'000
Cash and cash equivalents *	1 565 589	1 386 805
Receivables from exchange transactions	8 901	7 902
Total	1 574 490	1 394 707

* Included is an amount of R1 561 million (2014: R1 383 million) invested in a call account at the SA Reserve Bank.

Notes to the Financial Statements for the year ended 31 March 2015

Concentration of credit risk

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

31 March 2015	Change in interest rate	*Baa2 and Government		Unrated
		R'000		R'000
Cash and cash equivalents		1 565 589		-
Prepayments		-		8 046
Receivables from exchange transactions		-		855

31 March 2014	Change in interest rate	*Baa2 and Government		Unrated
		R'000		R'000
Cash and cash equivalents		1 386 805		-
Prepayments		-		7 281
Receivables from exchange transactions		-		621

** Based on Moody's credit rating as at 10 November 2014*

Ageing of financial assets

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

31 March 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
	R'000	R'000	R'000	R'000
Cash and cash equivalents	1 565 589	-	-	1 565 589
Receivables from exchange transactions	-	855	-	855
31 March 2014	**Neither past due nor impaired**	**Past due but not impaired less than 12 months**	**Past due but not impaired more than 12 months**	**Carrying value**
	R'000	R'000	R'000	R'000
Cash and cash equivalents	1 386 805	-	-	1 386 805
Receivables from exchange transactions	-	621	-	621

Notes to the Financial Statements for the year ended 31 March 2015

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.

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

31 March 2015	Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
	R'000	R'000	R'000	R'000
Payables from exchange transactions	15 010	15 010	15 010	-
Payables from deposits received in advance	80 228	80 228	80 228	-
Total	95 238	95 238	95 238	-

31 March 2014	Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
	R'000	R'000	R'000	R'000
Payables from exchange transactions	39 517	39 517	39 517	-
Payables from deposits received in advance	75 937	75 937	75 937	-
Total	115 454	115 454	115 454	-

28. Prior year error

28.1 Reclasiffication of expenditure

An analysis of the 2013/2014 provisions and payables from exchange transactions revealed that some transactions were not correctly classified. The effect of the corrections of classification are as follows:

Statement of financial position:

• Decrease in provisions	(3 289)
• Increase in payables from exchange transactions	3 289
Change in accumulated surplus for the year	-

The reclassification of expenditure did not have an impact on the statement of financial position of the prior year.

Notes to the Financial Statements for the year ended 31 March 2015

28.2 Prior year adjustments

(i) An analysis of the 2012/2013 expenditure revealed that expenditure relating to travel, agency support staff and ICT related services were understated.

(ii) The CIPC became a schedule 3A Public Entity on 1 May 2011. The staff of the CIPC for the period 1 May 2011 to 30 June 2013 was still remunerated in terms of the Department of Public Service Administration ("DPSA") remuneration framework. The NT approved a new organisational structure and remuneration framework for the CIPC with effect from 1 July 2013. A material uncertainty existed whether the CIPC is liable for Skills Development Levy (SDL) and Unemployment Insurance Fund (UIF) contributions. Because of the uncertainty, a formal legal opinion was requested from the Department of Justice and Constitutional Development and the SARS. A final response on this matter was received from the SARS indicating that the CIPC is liable for SDL and UIF with effect from 1 May 2011. The necessary provision for the full period was included in the statement of financial performance and statement of financial position.

Effect of changes:	**31 March 2013**
Statement of financial performance:	**R'000**
• Increase in consulting and professional fees	588
• Increase in temporary admin support staff	10
• Increase in travel and subsistence	3
• Increase in employee cost	2 910
• Increase in other expenditure	619
Decrease in surplus	4 130
Statement of financial position:	
• Increase in payables from exchange transactions	(4 130)
• Decrease in accumulated surplus	4 130

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

The budget is approved on a cash basis by functional classification. The approved budget covers the year from 1 April 2014 to 31 March 2015. The financial statements are prepared on an accrual basis using a classification of the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on a cash basis.

29.1 Reconciliation of cash between the accrual and cash basis

The amounts in the financial statements were adjusted from the accrual basis to a cash basis and reclassified by functional classification to be on the same basis as the final approved budget. The amounts of these adjustments are identified in the following table. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the cash flow statement for the year that ended 31 March 2015 is presented below.

2014/2015	Operating	Financing	Investing	Total
	R'000	R'000	R'000	R'000
Actual amount on comparable basis as presented in the budget and actual comparative statement*	201 814	-	-	201 814
Basis difference	(11 062)	-	(11 968)	(23 030)
Timing difference	-	-	-	-
Entity difference	-	-	-	-
Actual amount in the cash flow statement*	190 752	-	(11 968)	178 784

29.2 Notes on variances

Adjustment to the initial budget:

An adjustment was made on the initial approved budget during the financial year relating to the following:

a. Revenue

- Revenue from exchange transactions did not perform as expected and the expected budget was reduced by R20 million. Included in the revenue budget was provision for a fee increase. Although the NT approved a fee increase the required legal process still needs to be finalised;
- Revenue from non-exchange transaction exceeded the expectations due to the improved online registration which prompted an upward revision of R53 million;
- Income from interest was adjusted upwards with R28 million. Due to the increased level of investment of Retained Earnings the interest was more than anticipated; and
- R5 million was made available for the other income because no provision was made during the budget preparation in the beginning of the financial year.

Notes to the Financial Statements for the year ended 31 March 2015

b. Expenditure

- Provision was made for the filling of vacancies. During the financial year it became evident that not all the vacancies will be filled. Employee costs were reduced by R12 million;
- A further adjustment of R8,7 million against operational expenditure and a reduction of R17,3 million against other admin expenditure were effected during the financial year; and
- Depreciation and impairment was not included in the approved budget. An amount of R7,5 million was allocated to depreciation and impairment during the revision of the budget.

Variances between actual and final budget:

Revenue:

- There is a negative variance of R17,9 million on revenue from exchange transactions due to a net decrease in specific revenue streams. The NT approved a fee increase for the CIPC. This increase could not be implemented as the required legal and regulatory processes have not been finalised;
- The positive variance of R5,1 million on revenue from non-exchange transactions (annual returns fees) is attributed to growth in annual return filings due to various measures being implemented over the reporting period. These measures included the issuing of filing reminders, education and awareness initiatives, reintroduction of late filing fees and penalties and the implementation of SSTs to file annual returns; and
- The positive variance of R14 million against income from interest is due to the increased level of investment of retained earnings. The interest received was more than anticipated.

Expenditure:

- There is underspending of R39 million on employee costs which relates to the non-filling of vacant posts. The CIPC could not initiate a recruitment process during the financial year, due to a moratorium placed on the filling of vacancies;
- Funds were made available for operational and administrative expenditure. The organisational structure also influenced the provision for both administrative and operating expenses hence there is R44 million underspending on operating expenses and R23 million underspending on administrative expenses. Other budget allocations that were underspent, relate to advertising, communication, consulting and special services and bursaries, as well as travel and subsistence costs; and
- The impairment of assets at year-end resulted in a negative variance of R1,7 million against depreciation and impairment.

30. Related party transactions

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

Name	Relationship	Nature of transaction	Transactions 31 March 2015 R'000	Balance due as at 31 March 2015 R'000	Transactions for the year up to March 2014 R'000	Balance due at 31 March 2014 R'000
Department of Trade and Industry	Parent department	Lease of building and other operating expenditure	13 282	105	12 935	894

The following entities are part of **the dti** portfolio. The CIPC did not transact with the entities below during the financial year.

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
South African National Accreditation System (SANAS)	Member of **the dti** group

Transactions with key management

Total remuneration of key management is included in employees' remuneration (refer to note 14 for Executive Management's remuneration).

Notes to the Financial Statements for the year ended 31 March 2015

Income

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 as no process was introduced to record such transactions.

Name	Relationship	Nature of transaction
Community Schemes Ombud Services	Government institution	Disclosure of CIPC information
Commission for the Promotion and Protection of Rights of Cultural, Religious and Linguistic Communities	Government institution	Disclosure of CIPC information
Department of Labour	National sphere of government	Disclosure of CIPC information
Department of Agriculture, Forestry and Fisheries	National sphere of government	Disclosure of CIPC information
Department of Basic Education	National sphere of government	Disclosure of CIPC information
Department of Community Safety	National sphere of government	Disclosure of CIPC information
Department of Co-operative Governance	National sphere of government	Disclosure of CIPC information
Department of Correctional Services	National sphere of government	Disclosure of CIPC information
Department of Cultural Affairs and Sport	National sphere of government	Disclosure of CIPC information
Department of Defence	National sphere of government	Disclosure of CIPC information
Department of Energy	National sphere of government	Disclosure of CIPC information
Department of Environmental Affairs	National sphere of government	Disclosure of CIPC information
Department of Economic Development	National sphere of government	Disclosure of CIPC information
Department of Tourism	National sphere of government	Disclosure of CIPC information
Department of Finance	National sphere of government	Disclosure of CIPC information
Department of Health	National sphere of government	Disclosure of CIPC information
Department of Justice	National sphere of government	Disclosure of CIPC information
Department of Public Enterprises	National sphere of government	Disclosure of CIPC information
Department of Water Affairs	National sphere of government	Disclosure of CIPC information

Notes to the Financial Statements for the year ended 31 March 2015

Name	Relationship	Nature of transaction
Department of Home Affairs	National sphere of government	Disclosure of CIPC information
Department of Public Works	National sphere of government	Disclosure of CIPC information
Department of Roads and Transport	National sphere of government	Disclosure of CIPC information
Department of Rural Development and Land Reform	National sphere of government	Disclosure of CIPC information
Parliament	National sphere of government	Disclosure of CIPC information
Department of Infrastructure development	National sphere of government	Disclosure of CIPC information
Department of Science and Technology	National sphere of government	Disclosure of CIPC information
Financial Intelligence Centre	Government institution	Disclosure of CIPC information
Independent Police Investigation Directorate	Government institution	Disclosure of CIPC information
Independent Regulatory Board for Auditors	Government institution	Disclosure of CIPC information
National Consumer Commission	Government institution	Disclosure of CIPC information
National Department of Social Development	National sphere of government	Disclosure of CIPC information
National Energy Regulator	Government institution	Disclosure of CIPC information
National Nuclear Regulator	Government institution	Disclosure of CIPC information
National Prosecuting Authority	National sphere of government	Disclosure of CIPC information
National Treasury	National sphere of government	Disclosure of CIPC information
Office of Ombud for Financial Services Providers	Government institution	Disclosure of CIPC information
Office of the President	National sphere of government	Disclosure of CIPC information
Office of the Public Service Commission	Government institution	Disclosure of CIPC information
Public Protector	National sphere of government	Disclosure of CIPC information
Public Service Sector Education and Training	Government institution	Disclosure of CIPC information
SA National Parks Board	Government institution	Disclosure of CIPC information

Notes to the Financial Statements for the year ended 31 March 2015

Name	Relationship	Nature of transaction
SA Police Services	National sphere of government	Disclosure of CIPC information
South African Revenue Services	Government institution	Disclosure of CIPC information
Special Investigation Unit	Government institution	Disclosure of CIPC information
State Security Agency	Government institution	Disclosure of CIPC information
Western Cape Liquor Authority	Government institution	Disclosure of CIPC information

Expenditure

The entity, as a Schedule 3A Public Entity under the 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.

31. Material losses

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

	31 March 2015	31 March 2014
	R'000	R'000
Wasteful Expenditure		
ICT licence re-instatement fee	-	750
Reprinting of the 2012/2013 Annual report	-	59
Implementation of SDL and UIF – interest	-	581
Interest on the late payment of a supplier	23	-
	23	1 390

A motivation for the waiving of penalties (R732 828) was submitted to the SARS in the 2013/2014 financial year. SARS subsequently approved the waiving of penalties.

Notes to the Financial Statements for the year ended 31 March 2015

32. Irregular expenditure

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

Payment was only effected after the irregular expenditure was regularised:

	31 March 2015	31 March 2014
	R'000	R'000
	500	2 426
Appointment of Chief Technical Officer	-	1 380
Internet services outside contract period	-	220
ICT Security services outside contract period	-	30
Repair of equipment – single quotation	-	12
ICT licence and support outside contract period	-	534
ICT maintenance contract outside contract period	-	247
Transport of foreign visitors	-	3
ICT data connection services	500	-

Reconciliation of irregular expenditure

Opening balance	98 236	99 135
Irregular expenditure –current year	500	2 426
Less: amount approved by the Executive Authority withfunding	(-)	(1 380)
Less: amount approved by the Accounting Authority with funding	-	(1 945)
Irregular expenditure awaiting condonement	98 736	98 236

33. Gifts and donations

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

Smaller gifts (less than R300) to various staff members	2	3

Granting of sponsorships by the CIPC:

Name	Relationship	Nature of transaction		
Project 23 – The Green movement	Non-profit organisation	Sponsorship of employee: N Khumalo	25	-

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