Companies and Intellectual Property Commission

ANNUAL REPORT

2017/2018

Companies and Intellectual
Property Commission

a member of **the dti** group

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

Kevin O'Leary

PART A
GENERAL INFORMATION

1.1 PUBLIC ENTITY'S GENERAL INFORMATION

Registered name of the public entity
Companies and Intellectual Property Commission (CIPC)

Registration Numbers and/or other relevant numbers
Not applicable

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

Postal Address
P.O. Box 429
Pretoria
0001

Contact telephone numbers
+27 86 100 2472

Enquiries
http://enquiries.cipc.co.za

Website address
www.cipc.co.za

External Auditors Information
Auditor-General South Africa (AGSA)
PO Box 446
Pretoria
0001

Bankers Information
ABSA
PO Box 4210
Pretoria
0001

Company Secretary
The CIPC does not have a Company Secretary

1.2 LIST OF ABBREVIATIONS/ACRONYMS

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

CIPC has adopted a Mascot as a face of interaction with it's customers. A name Kgwebo was adopted because it reflects on what CIPC is mandated to do which is to enable economic participation for all.

Companies and Intellectual Property Commission

a member of **the dti** group

" Your Business, Our Focus"

Hi, I'm Kgwebo

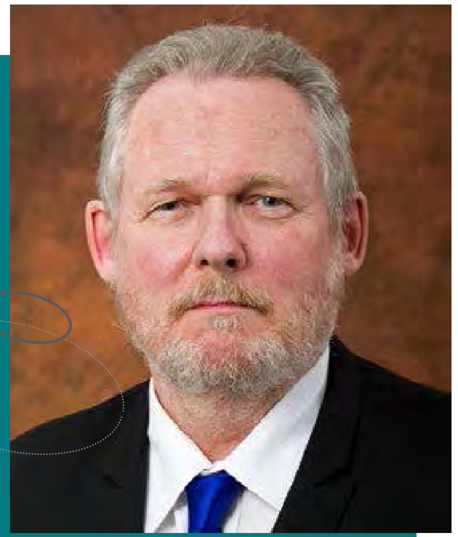
The choice of this mascot embodies CIPC as explained.

Why the ant mascot?

1. Ants are hard workers
2. Ants show amazing team work
3. Ants store resources for the future
4. Ants are very strong
5. Ants are very creative
6. Ants are great explorers
7. Ants follow the rules, they keep in line
8. Ants have antennas to sense new opportunities
9. Ants have big eyes to see the bigger picture
10. Ants never give up

1.3 FOREWORD BY THE MINISTER

Dr Rob Davies, MP
Minister of Trade and Industry



Dr Rob Davies, MP
Minister of Trade and Industry

It is my pleasure to present the annual report of the Companies and Intellectual Property Commission (CIPC) for the 2017/18 financial year.
The CIPC after a few challenging years is increasingly regarded as a reputable regulator, and custodian of the Companies Act, 2008 (No. 71 of 2008) and Intellectual Property Protection Regime during the year under review . The CIPC proved that it is equal to its task when it dealt with high profile cases such as South African Airways, KPMG, Steinhoff and the "Gupta Leaks". With its partners, the CIPC has spread business regulation and intellectual property protection knowledge through its education and awareness efforts. The country and the world will reap the fruits of such efforts in the form of increased IP capital in a few years to come.
The CIPC has been visible, playing a key role in shaping and strengthening the business environment and the country's innovation strategy locally, as well as internationally, through bodies such as Corporate Registers Forum (CRF), the recently held Technical Workshop for Africa and Middle Eastern Corporate Registries , as well as Brazil, Russia, India, China and South Africa (BRICS).

The CIPC heeded the call to gear itself for the Fourth Industrial Revolution. It has become the catalyst for innovation and integrated government services. This is setting a new framework for providing government services using existing infrastructure, physical and digital, in the public and private sector, resulting in a reduced regulatory burden. I congratulate CIPC on receiving numerous innovation awards within the past 18 months, a testimony to its improvements. I am confident that the CIPC is will address the imminent challenges arising from the automation and digitisation of services. I expect the CIPC to lead the way in government, in transforming its taskforce into a new type of public servants - the public servants of the future.

I am confident the CIPC will persist with its innovative efforts and therefore contribute to the country's economic recovery.

Dr Rob Davies, MP
Minister of Trade and Industry

1.4 COMMISSIONER'S OVERVIEW

Adv. Rory Voller

CIPC Commissioner

Adv. Rory Voller
CIPC Commissioner

It is my pleasure to present the annual report of the Companies and Intellectual Property Commission (CIPC) for the 2017/18 financial year.

In the year under review, the CIPC achieved 100% of the targets set in its Annual Performance Plan (APP). This is a result of focus, collaboration and partnership internally and externally.The CIPC has used its organisational performance management as a feedback and learning mechanism to drive continuous improvement in building the necessary organisational capabilities and achieving its targets. The CIPC Executive and Staff are now more confident to carry out its mandate and live out its core values of innovation and collaboration.

Key highlights for the year under review are the piloting of XBRL, the introduction of the new billing and payment system, the commencement of the one-stop-shop project through Domain Name Registration, the Call Centre improvements, the extension of services offered by the Banks, the implementation of the Social Media Strategy, the CRF Technical Workshop, Innovation Awards won by the CIPC, and the revival of the BRICS project.

The challenges faced by the CIPC are optimisation of the ICT network and infrastructure, the impact of automation on staff, and unstable relations with unions. These have caused delays in the approval of important operational policies and capacity shortages due to the moratorium on filling of posts. The CIPC Executive is working tirelessly to address these and other challenges.

1.4.1 General financial Review of the public entity

For the year under review, the CIPC received revenue totalling R597 million, of which R 319.4 million was derived from annual returns paid.

For the period 01 April 2017 to 31 March 2018, a total revenue of R484 million was generated from business activities related to submission of annual returns and registrations of companies, patents, designs and trade marks. Revenue generated from other income amounted to R7 million. This comprised mainly recognition as revenue of customer deposit balances older than three years, amounting to R6 million and other sundry income. Interest of R106 million was earned on the Corporation for Public Deposits (CPD) investment at the South Africa Reserve Bank (SARB) and other related accounts..

It is expected that the CIPC will generate sufficient revenue over the short- to medium-term to sustain its operational activities and to improve its efficiencies in rendering and maintaining quality services, as set out in the Companies Act, 2008 (No. 71 of 2008). If the CIPC is to remain financially sustainable and to cover the annual cost increase in service delivery, an annual adjustment of fees will be required. In this regard, National Treasury (NT) approved a fee increase for the CIPC. These increases will be implemented after due legal processes are completed. During the previous year, NT approved a five-year financial sustainability analysis and funds will be available to achieve the future organisational objectives.

The focus on the submission of financial data and other regulatory prescripts has the CIPC working hard during the year in the rollout of an eXtensible Business Reporting Language (XBRL) system. The mandated date for the pilot of this multi-year project is July 2018.

In January 2018, the entity transferred R1 billion accumulated surplus to NT, resulting in a substantial decrease in interest revenue. This will impact revenue going forward and it is therefore necessary for the entity to implement fee increases to remain financially sustainable. The entity envisages implementing these increases within the next financial year.

1.4.2 Spending trends of the public entity

The 2017/2018 - 2020/2021 Medium Term Revenue and Expenditure Framework (MTREF) for the CIPC was submitted to **the dti** and NT, in accordance with the Public Finance Management Act (PFMA), 1999 (No. 1 of 1999).

The main cost drivers for CIPC as a service organisation relate to employee remuneration, information technology (IT) services, office accommodation and service delivery enhancement projects. The remuneration of staff remains the most substantial expense, amounting to R323 million (67%) of total operating expenditure in the 2017/2018 financial year.

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

1.4.3 Capacity constraints and challenges facing the public entity

The CIPC is faced with capacity constraints in proper monitoring and reporting capabilities for all its modernisation efforts. This is being addressed through numerous ICT investments. Other challenges facing the CIPC are the impact of automation on staff, which is being addressed through consultation with the unions, internal transfer of staff and organisational re-design. Labour unrest or instability, resulting in intermittent moratoria on recruitment, which affects organisational strategy implementation; delay on consultation on policies due to organised labour unavailability, and organised labour taking long to consult with their members are some of the challenges being addressed by continuously engaging with labour unions. Although 2017/18 financial year saw the continuation of investment in infrastructure, it did not provide optimum ICT network, system and application stability to enable consistent performance in areas such as the co-operatives area. Automation of new co-operative registrations will assist greatly in improving efficiencies and performance in this area. There is also no workflow system for business rescue proceedings to assist in the effective and speedy processing of filed applications, with all statistical information stored manually. The automation of business rescue proceedings and business rescue practitioners have been prioritised within the business plan for 2018/19.

The rationale behind the provisions of Chapter 6, in particular Section 138, of the Companies Act, 2008 (No. 71 of 2008) read together with Regulations 126 is being questioned by the professional bodies as they lead to a dual process of accreditation with the licencing of individuals. They state that this dual process defeats the purpose of dealing with rogue characters within their professional bodies, thus avoiding companies incurring the costs of having to approach the courts. The CIPC is engaging with the State Attorney's office on this matter to obtain an opinion, thus avoiding preclusion and infringement on the rights of others who qualify, but do not want to belong to any professional body.

There are still challenges with migration of patent data to the Industrial Property Automation System (IPAS). The data migration should be completed to enable the unit to test the IPAS system in the CIPC environment. The MoU between CIPC and World Intellectual Property Organisation (WIPO), required CIPC to provide WIPO with patent data to integrate into the IPAS platform for evaluation in the CIPC environment. The implementation of the project has been hampered by lack of co-operation from the CIPC's service provider to provide data to WIPO for integration into the IPAS platform. This culminated in a legal dispute between CIPC and its IP service provider regarding the patent data and use of the software programme, Ptolemy. WIPO is exploring options to enable the data migration.

Notwithstanding the above, CIPC and WIPO have made progress on migration of the patent data onto the IPAS . It is expected testing will commence in the middle of the new financial year.

Patent examiners are highly qualified employees, and as they receive further training, they become more attractive to the market. The CIPC needs to ensure these key skills are retained for capacity building and knowledge transfer.

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

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

1.4.4 Discontinued activities/ activities to be discontinued

During the year under review, the CIPC discontinued preparations for the Indigenous Knowledge Systems, as this function was moved to the Department of Science and Technology (DST).

1.4.5 New or proposed activities

54 listed and unlisted companies successfully filed their XBRL annual financial statements' digitally documents as part of the XBRL Pilot Project held from 15th February 2018-15 March 2018. It confirmed that the software used by client companies, the CIPC software and relevant validation rules work as planned. The official launch of the XBRL mandatory filing is from July 2018.

1.4.6 Requests for roll over of funds

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

1.4.7 Supply chain management

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

1.4.8 All concluded unsolicited bid proposals for the year under review

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

1.4.9 SCM processes and systems

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

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

There are currently no audit report matters, as the CIPC achieved a clean audit in the 2016/2017 financial year.

1.4.11 Outlook/ Plans for the future to address financial challenge

There are currently no financial challenges facing the organisation in the short- to medium-term. The digitisation of the organisation will assist in improving efficiencies, while addressing equitable allocation of human resources. Improvement in compliance with prescriptions for Annual Returns will be an added advantage for the organisation

1.4.12 Events after the reporting date

No critical events after the reporting date.

1.4.13 Economic Viability

The organisation is entirely self-funded from levies and fees charged for the services it renders to its clients. In the 2015/2016 year, a five-year financial viability analysis was developed, and according to analysis the projected revenue will be sufficient to sustain the operations of the CIPC in the medium-term.

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

1.4.14 Acknowledgement/s or Appreciation

I appreciate the commitment and dedication of the CIPC executive, senior management, and all staff of the CIPC who perform their jobs admirably, thereby contributing to the delivery of services to CIPC clients and 100% achievement of targets set on the Annual Performance Plan (APP). I also thank organised labour for their contribution to the organisation's effectiveness. Appreciation also goes to the Audit and Risk Committees for their value-add and commitment to governance within the organisation. I thank other committees like the Client Liaison Committee (CLC), IP Lawyers fraternity, Standing Advisory Committee in Company Law (SACCL), Financial Reporting Standards Council; XBRL SA Board and all collaboration partners for their contribution to the CIPC. Finally, let me extend my appreciation to the Minister of Trade and Industry, Honourable Dr Rob Davies; the Deputy Minister of Trade and Industry, Honourable Bulelani Gratitude Magwanishe; and the Director General of **the dti**, Mr Lionel October, together with all of **the dti** for their support.

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

The annual financial statements for the year ending 31 March 2018, are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and incorporate disclosures in line with the accounting policies of the entity and the requirements of the PFMA.

Adv. Rory Voller
CIPC Commissioner

1.5 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

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

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

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

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

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

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

In my opinion, the annual report fairly reflects the operations, performance information, human resources information, and financial affairs of the public entity for the financial year ended 31 March 2018.

Yours faithfully

Adv. Rory Voller
CIPC Commissioner (Accounting Authority)
Date: 31 May 2018

1.6 STRATEGIC OVERVIEW

1.6.1 Vision

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

1.6.2 Mission

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

1.6.3 Values

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

1.7 LEGISLATIVE AND OTHER MANDATES

The CIPC is a schedule 3A entity in terms of the PFMA, which falls within the public service but outside public administration.

The CIPC is responsible for implementing the following legislation:

LEGISLATION	MANDATE
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.
Close Corporations Act, No 69 of 1984	Maintain data, regulate governance of and disclosure by close corporations.
Co-operatives Act, No 14 of 2005	Register co-operatives, maintain data, regulate governance of and disclosure by co-operatives.
Share Block Control Act, No 59 of 1980	Regulate conduct and disclosure by share block schemes.
Consumer Protection Act, No 68 of 2008	Register business names.
Trade Marks Act, No 194 of 1993	Register trade marks, maintain data, resolve disputes.
Merchandise Marks Act, No 17 of 1941	Prevent and enforce the unauthorised use of certain words in connection with any trade, business, profession or occupation.
Unauthorised Use of State Emblems Act, No 37 of 1961	Provides for the protection of state emblems and prohibition of use thereof by unauthorised persons
Patents Act, No 57 of 1978	Register patents, maintain data, publish patent journal, administer Court of Commissioner of Patents.
Designs Act, No 195 of 1993	Register designs, maintain data, resolve disputes.
Copyright Act, No 98 of 1978	Provide non-binding advice to the public.
Registration of Cinematography Films Act, No 62 of 1977	Register films, maintain data.
Performers Protection Act, No 11 of 1967	Accredit Collecting Societies; regulate their governance, conduct and disclosure.
Counterfeit Goods Act, No 37 of 1997	Conduct and co-ordinate search and seizure operations, oversee depots.

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

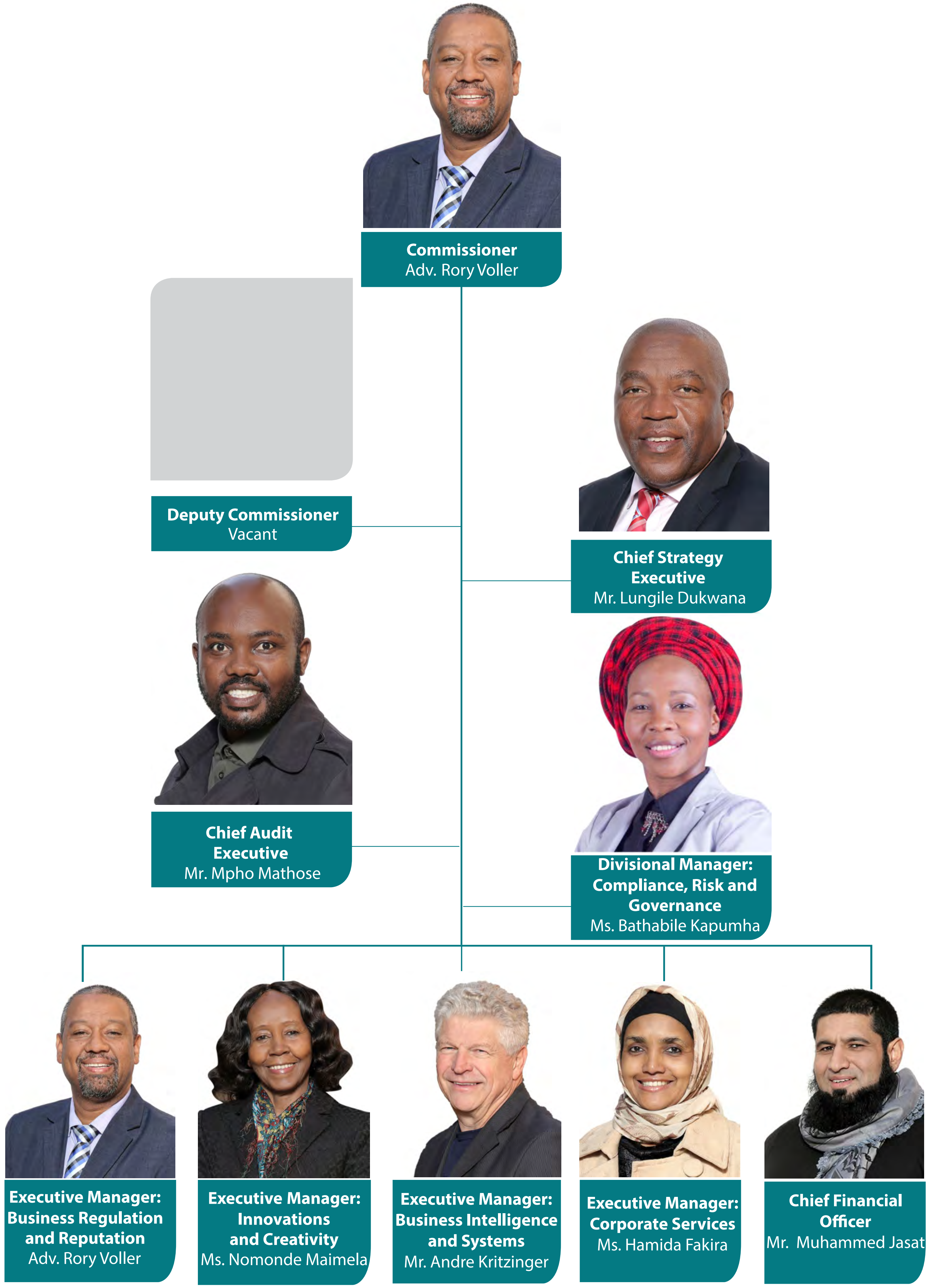
The dti POLICIES RELEVANT TO CIPC	SUMMARY OF POLICY
the dti Medium Term Strategic Plan 2015 - 2020	To promote structural transformation towards a dynamic industrial and globally competitive economy, and to broaden participation in the economy to strengthen economic development.
Industrial Policy Action Plan (IPAP) 2017/18 - 2019/20	To facilitate diversification by promoting increase value-addition per capita and intensification of South Africa's industrialisation process.
Strategy on the Promotion of Entrepreneurship and Small Enterprise	To increase supply for financial and non-financial support services and create demand for small enterprise products and services through the reduction of small enterprise regulatory constraints.
Corporate Law Reform Policy	To promote growth, employment, innovation, stability, good governance, and confidence in the South African business environment, as well as increase international competitiveness.
Co-operatives Development Policy for South Africa	Create an enabling environment for co-operative enterprises to reduce disparities between urban and rural businesses, being conducive to entrepreneurship, and promoting the development of economically sustainable co-operatives.
Integrated Strategy for the Development and Promotion of Co-operatives	To grow all forms and types of co-operatives and the co-operatives movement, as well as increase its contribution to the country's GDP growth rate, economic transformation and social impact.

International Treaties and Agreements

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

TREATIES AND AGREEMENTS	SUMMARY OF TREATY/AGREEMENT
Paris Convention for the Protection of Industrial Property	The Paris Convention, adopted in 1883, applies to industrial property in the widest sense and includes patents, trade marks, industrial designs, utility models, service marks, trade names, geographical indications, and the repression of unfair competition. This international agreement was the first major step taken to help creators ensure their intellectual works were protected in other countries. South Africa's accession to the Paris Convention was in October 1947.
Patent Co-operation Treaty (PCT)	The Patent Co-operation treaty makes it possible to seek patent protection for an invention simultaneously in each of a large number of countries, by filing an "international" patent application. Such an application may be filed by anyone who is a national or resident of a PCT Contracting State. It may generally be filed with the national patent office of the Contracting State of which the applicant is a national or resident, or at the applicant's option, with the International Bureau of WIPO in Geneva. South Africa's accession to the treaty was in December 1998.
Berne Convention for the Protection of Literary and Artistic Works	Adopted in 1886, this deals with the protection of works and the rights of authors. It provides creators such as authors, musicians, poets, painters etc. with the means to control how their works are used, by whom, and on what terms. It is based on three basic principles and contains a series of provisions determining the minimum protection to be granted, as well as special provisions available to developing countries that wish to make use of them. South Africa's accession to the treaty was in October 1928.
Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure	Adopted in 1977, the Budapest Treaty concerns a specific topic in the international patent process: microorganisms. All states party to the Treaty are obliged to recognise microorganisms deposited as a part of the patent procedure, irrespective of where the depository authority is located. In practice, this means the requirement to submit microorganisms to each and every national authority in which patent protection is sought, no longer exists.
Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement	The Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement is an international legal agreement between all member nations of the World Trade Organisation (WTO). It sets down minimum standards for regulation by national governments of many forms of intellectual property (IP), as applied to nationals of other WTO member nations. It stems from the desire to reduce distortions and impediments to international trade, taking into account the need to promote effective and adequate protection of intellectual property rights, and ensuring that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade. South Africa deposited its instrument of acceptance for the 2005 protocol, amending the WTO's Agreement on TRIPs, on 23 February 2016.

1.8 ORGANISATIONAL STRUCTURE



Adv. Rory Voller

Mr. Andre Kritzinger

Ms. Bathabile Kapumha

Mr. Mpho Mathose

Mr. Lungile Dukwana

The CIPC Executive

Mr. Mohammed Jasat

Ms. Nomonde Maimela

Ms. Hamida Fakira

Mr. M Sass

Adv. R Voller

Ms. A Badimo

Mr. S Maharaj

Audit Committee

Mr. M Shabalala

Ms. Z Monnakgotla

Ms. K Singh

PART B
PERFORMANCE INFORMATION

2.1 SITUATIONAL ANALYSIS

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

2.1.1 SERVICE DELIVERY ENVIRONMENT

Climate

Climate analysis involves evaluation of the macro-environmental factors affecting the business. The Political, Economic, Social/Cultural, Technological, Environmental, and Legal (PESTEL) factors are adopted to analyse the macro-environment in which the CIPC operates.

POLITICAL

Political factors describe the degree to which government may influence the economy or a particular industry. This includes, but is not limited to, government policy, political stability, foreign trade policy, tax policy, labour law, environmental law and trade restrictions. The CIPC is heavily influenced by government policy and strategy and must align itself to these. The rules and regulations imposed by National Government are essential to effective governance of the country. These rules and regulations need to be managed and navigated effectively to ensure effective delivery on the CIPC mandate, and continued performance. See General Information, Section 7 Legislative and other mandates for government policies and strategies with which the CIPC must align.

ECONOMIC

Economic factors refer to determinants of a country's economic performance which impact the CIPC. These factors include, but are not limited to, economic growth, interest rates, exchange rates, inflation, disposable income of consumers and businesses.

A dynamic relationship exists between economic growth and IP generation. IP rights can contribute significantly to economic development. The CIPC can therefore influence economic development by providing a conducive environment that increases IP protection.

South Africa's unemployment rate has reached an all-time high, and is expected to worsen. There may be a correlation between increased unemployment and increased entrepreneurship. The CIPC can support new entrepreneurs through education and awareness, and business registration promotion to improve current unemployment rates. The CIPC can further assist with education by partnering with relevant organisations.

Companies

During the year under review, the CIPC registered 386 373 companies, 12 748 co-operatives and processed 37 748 trade mark applications.

The volume of transactions for company registration has increased year-on-year, and 2017-2018 was no different. Automated services greatly assisted in absorbing impact of such growth. Although the CIPC has a high new company registration rate, newly registered companies continued to fail on post-registration compliance with basic provisions of the Companies Act, 2008, particularly on annual returns, provision of electronic contact details and updating of basic information.

A January 2018 analysis of the number of new registrations for 2015-2016 compared to those filing for annual returns the following year (first year of the company's life cycle) indicated that out of 345 605 new company registrations, only 67 625 actually filed. Thus, only 19.6% of new companies filed annual returns in the first year they became due.

Customers also indicated during surveys that they will file annual returns if they are reminded to do so. Unfortunately, the CIPC has not yet developed the capability to validate email and cell phone numbers. As a result, even if SMS and e-mail reminders are sent to companies and close corporations to remind them of their duty to file, subsequent filing rates are low. Reasons given are because communication does not reach targeted persons, or because contact details are incorrect.

Company and business name registration got off to a slow start during 2017-2018, due to resource constraints and labour unrest during the first and second quarters. This was overcome to achieve an average turnaround time of one day for Quarters 3 and 4. This area experienced a high growth rate in incoming volumes which, should it persist, will have capacity implications.

Corporate Registers Forum

The Commissioner on behalf of CIPC serves on the Executive Committee of the international Corporate Registers Forum (CRF). In August 2017, an inaugural technical workshop for African Corporate Registries was held. This event was attended not only by African delegates but was also attended by registries from South East Asia and the Middle East. The purpose was to empower and encourage fellow corporate registries to introduce reforms to improve the doing business environment, and collaborate on improving World Bank rankings through shared learnings.

Business Rescue

The status of commenced business rescue proceedings (from inception of business rescue on 1 May 2011 to March 2018), indicate that for the 2867 cases for which business rescue proceedings commenced:

- 235 proceedings became a nullity in law
- 602 proceedings were terminated by filing a Notice of Termination (CoR125.2)
- 480 proceedings were substantially implemented by filing a Notice of Substantial Implementation (CoR125.3)
- 352 proceedings ended directly in liquidation
- in 22 proceedings the court set aside the business rescue proceedings
- 1176 proceedings are still in business rescue

Note: invalid filings are not included since proceedings did not commence.

Co-operatives

The volume of co-operative transaction registration increased marginally by 2.58% year-on-year from 12 427 to 12 748. Stagnation of new registrations is in line with the general South African low-growth cycle economic climate. Co-operative filing of annual financial statements is even lower, at around 2% compliance.

Intellectual Property

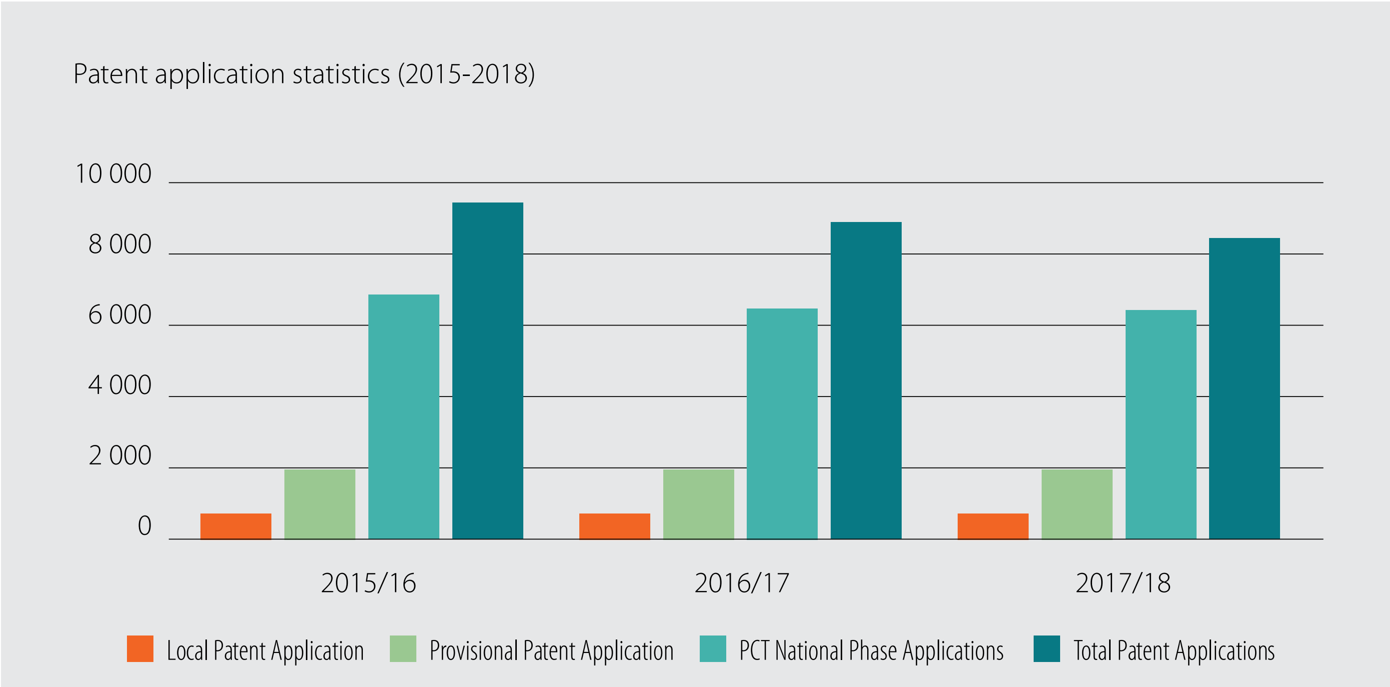
Trade marks

The table below show the trend of trade mark applications:

TREND IN NEW APPLICATIONS (Financial Year)		RESIDENTS	NON-RESIDENTS
2011/2012	33 918	19 389	14 529
2012/2013	35 074	20 288	14 786
2013/2014	36 422	21 441	14 981
2014/2015	35 753	20 921	14 832
2015/2016	37 286	20 165	17 121
2016/2017	38 578	22 350	16 228
2017/2018	37 748	22 154	15 594

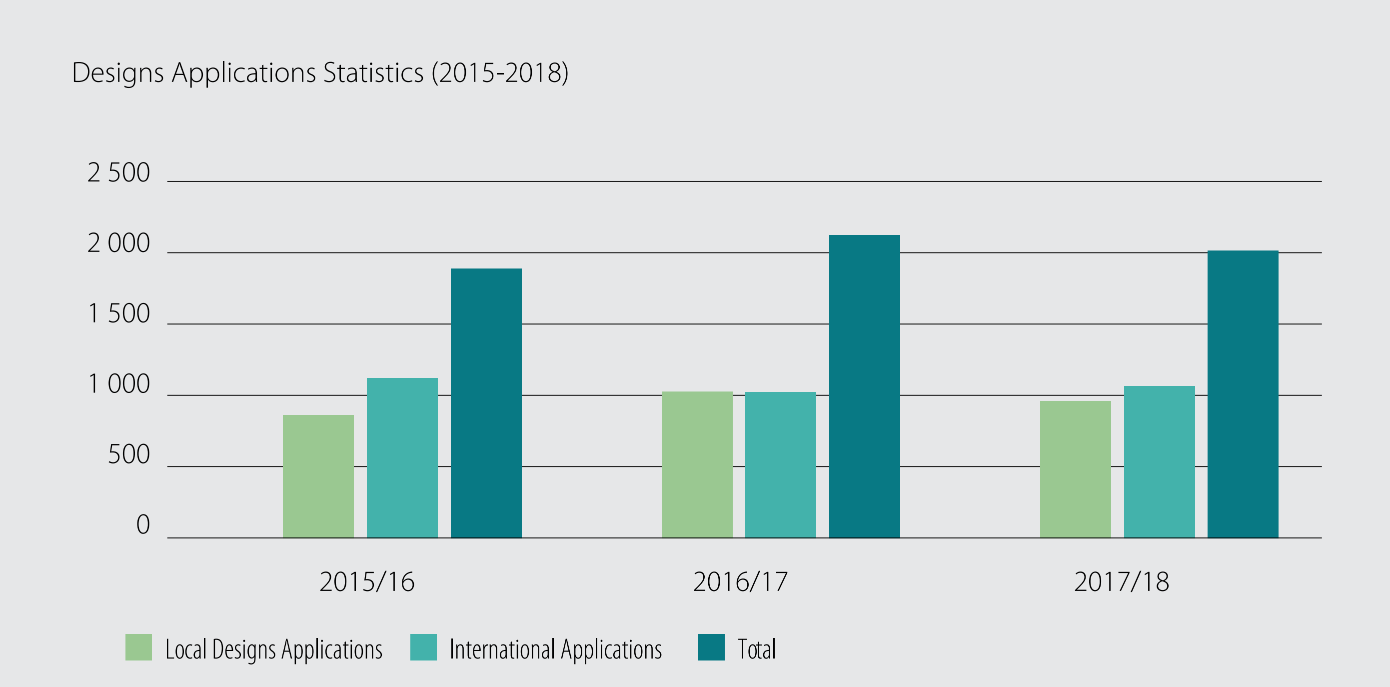
Patents

PATENT APPLICATIONS LODGED	2015/2016	2016/2017	2017/2018
Local applications	644	700	683
Provisional applications	1881	1917	1806
International applications	6800	6503	6231
TOTAL	**9325**	**9117**	**8720**



Designs

DESIGNS APPLICATIONS	2015/2016	2016/2017	2017/2018
Local applications	818	1040	974
International applications	1048	1045	1044
TOTAL	1866	2085	2023



Small, Medium and Micro Enterprises (SMMEs), Commercialisation and IP

Subsequent to the launch of the IP for SMME Project, the CIPC commissioned a study together with WIPO, to identify strategies to support South African SMEs in IP use and management, as an intangible business asset. The finding and recommendations of the report will be presented to stakeholders for deliberation and implementation.

Commercialisation of IP remains the crux of ensuring innovators derive some form of remuneration for their worthy inventions. More effort is placed on creating awareness and education on the implementation of the trade portal, a platform for innovators to create additional revenue through licensing, buying, and selling of IP rights. Industry and corporates also use this platform to source innovative solutions.

Investor Assistance Programme

The CIPC, once again in collaboration with WIPO, launched the Inventors Assistance Programme. This is a pro bono programme that makes the IP system more accessible to eligible inventors.

- ***TISCS***

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

The CIPC is also collaborating with our BRICS counterparts, and the WIPO, in the Intellectual Property arena. In November last year (2017) WIPO, the CIPC, and other stakeholders, launched a programme to grow innovation in the country.

- ***WIPO***

CIPC and the World Intellectual Property Organisation (WIPO) concluded a Memorandum of Understanding (MoU) to collaborate on evaluating the Industrial Property Automation System (IPAS). Since then, we have experienced several challenges that have delayed the envisaged testing. In terms of the MoU, CIPC was required to provide WIPO with its patent data to integrate into the IPAS platform for evaluation within the CIPC environment. Project implementation was hampered by the CIPC's service provider not providing data to WIPO for timely integration with the IPAS platform. This culminated in a legal dispute between CIPC and said IP service provider on patent data and the use of software programme, Ptolemy. Notwithstanding the above, CIPC and WIPO have made progress on the migration of the patent data onto the IPAS platform. We anticipate testing will commence in the second half of the new financial year.

- **SOCIAL**

Socio-cultural/ social factors are areas that involve shared beliefs and attitudes of the population. These factors are used to gauge determinants like cultural trends, demographics and population analytics.

South Africa has a strong culture of innovation, supported by a well-established research base. In the 2015 World Intellectual Property Organisation (WIPO) global innovation index, South Africa was ranked a global 60th, after Mauritius (49th), and 2nd in Africa. South African universities and research institutions have done exceptionally well in producing world-class research and publications in peer-reviewed journals. However, there is still a gap in the National Innovation System (NIS), as most of the research outputs have not translated to commercially-viable products and services, nor creation of new industries. This requires a coherent strategy to close the innovation chasm.

The protection of intellectual property rights should contribute to promotion of technological innovation, and transfer and dissemination of technology. However, patents granted to an undeserving invention weakens the innovation system. It is therefore important that exclusivity in patents be granted only to inventions that meet the patent criteria laid down in the Patent Act. There is a strong need to introduce the substantive examination procedure as the primary gatekeeper in granting valid, high-quality patents.

The legislative process for introducing substantive examination of patents in South Africa is underway. It is envisaged that patent examination will contribute to creating strong patent rights, and assist in attracting quality patents that contribute towards further innovation, stimulating increased economic activity in the knowledge economy.

Examiners recruited by the CIPC in 2016 have now completed their two-year training programme. A Proof of Concept (PoC) phase has been initiated, wherein patent searchers will conduct searches under supervision. They will write examination reports based on pre-set exercises.

European Patent Office (EPO) examiners will mentor and coach patent searchers, as part of the PoC. They will receive patent applications from where they will conduct prior art searches to analyse relevant inventions for patentability and write substantive examination reports under supervision of experienced EPO examiners.

To promote accessibility to the IP registration service for local inventors and Small Medium Enterprises (SMEs), the CIPC and WIPO launched the Inventor Assistance Program (IAP) in November 2017. South Africa is the fourth country to participate in such a global initiative. The IAP is a programme that makes the IP system more accessible to financially under-resourced inventors and SMEs. It assists them in securing patent rights through provision of IP-related legal services. Patent attorneys volunteer their time and expertise to these under-resourced individuals/SMEs.

Since the CIPC and WIPO concluded a MoU to collaborate on evaluating the Industrial Property Automation System (IPAS), we have experienced several challenges that have delayed the envisaged testing. In terms of the MoU, the CIPC had to provide WIPO with its patent data to integrate into the IPAS platform, for evaluation in the CIPC environment. Project implementation was hampered by the CIPC's service provider not providing data to WIPO for timely integration with the IPAS platform. This culminated in a legal dispute between CIPC and said IP service provider on patent data and the use of software programme, Ptolemy. programme

Notwithstanding the above, the CIPC and WIPO have made progress on migrating the patent data onto the IPAS platform. We anticipate testing will commence in the second half of the new financial year.

Entrepreneurial Culture

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

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

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

The Human Development Index and Entrepreneurial Culture

The Human Development Index (HDI) is a summary measure in assessing progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living.

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

South Africa's HDI value for 2015/16 was 0.666. This puts the country in the medium human development category, positioning us at 119 out of 188 countries and territories. There has been a year-on-year improvement in its rank from 123rd out of 187 in 2011/12.

Between 2011 and 2015, South Africa's life expectancy at birth decreased by 4.4 years. Mean-years of schooling increased by 3.8 years and expected years of schooling increased by 1.6 years. South Africa's GNI per capita increased by 21% between 1990 and 2015.

One of the reasons the HDI is important is the significant link between level of human development of a nation (high Human Development Index), and entrepreneurial activity. The steady rise in South Africa's HDI will have had an impact on the CIPC, as more individuals could participate in entrepreneurial ventures in the formal business environment, interacting with the CIPC and using IP registration. The CIPC must position itself accordingly.

TECHNOLOGICAL

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

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

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

Technological advances see the CIPC poised for the future. We have endeavoured to provide all services and products online and have seen a significant migration from manual to electronic registration in both company and IP registrations. Since inception in 2011, the CIPC has managed to upgrade its systems - out of the 180 CIPC core processes, 27% are hybrid (offered through a combination of manual and automation), or fully automated services. This displays the CIPC's efforts to align with global technological advances. The organisation is moving with modern times, while still providing strong service delivery to customers. As technological transformation continues to penetrate the South Africa market, it will become increasingly important that the CIPC continues to drive progress in modernising and upgrading its systems to be fully prepared for the changing technological landscape and associated customer requirements.

ENVIRONMENTAL

Environmental factors are defined as factors which influence and determine the surrounding environment.

The rise in importance of Corporate Sustainability Responsibility (CSR) contributes to the standing of this component. Factors include climate, recycling procedures, carbon footprint, waste disposal and sustainability.

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

LEGAL

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

The CIPC is responsible for administering all or parts of 13 legislative components relating to corporate and intellectual property regulation (listed under General Information, Section 7 Legislative and other mandates). Its key mandate encompasses companies, close corporations, co-operatives, trade marks, patents, designs, aspects of copyright legislation, and enforcement of rules and regulations in most of these areas of law. The CIPC's primary institutional mandate is derived from the Companies Act, 2008 (No. 71 of 2008), which establishes CIPC as a juristic person.

INVESTIGATIONS

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

Some cases dealt with are:

- **[Private] (Pty) Ltd**

A case of [Private] (Pty) Ltd which was taken on review to the Companies Tribunal (CT012Apr2017) by the company. The CIPC's findings were that the company applied fair-value hedge accounting relative to foreign exchange risk in their sales' firm commitment, and that the company is using forward exchange contracts as the hedging instrument to hedge foreign exchange risk in their sales orders. The company did not maintain detailed hedging documentation, including non-testing of hedge-effectiveness. This meant the criteria for the application of hedge accounting were not met. The company failed to comply with SME International Financial Reporting Standards (IFRS), but its non-compliance is not material. The Tribunal ruled against the CIPC and cancelled said compliance notice on 20 July 2017.

- **[Capital Company]**

A case of [Capital Company] who took the CIPC on review to the Companies Tribunal (CT019June2017) for a compliance notice issued against the company for contravening S99 (2) of the Companies Act by issuing shares to the public without a registration of a prospectus.

The Companies Tribunal agreed with the Compliance Notice issued by the CIPC stating the company must advertise that it contravened S99 (2) of the Companies Act, 2008, and that all shareholders who took up shares during contravention may reverse such transactions, if they so wish. The company took the matter to Court for further review. At the date of the report, the court had not yet ruled.

- **[Forestry Company]**

A case of [Forestry] vs the CIPC, where CIPC initiated an investigation into the affairs of [South African Forestry Company, Reg. No. 1992/005427/30], triggered by a newspaper article published by Business Day Live on 21 September 2017. The article indicated that the Auditor General's (AG) opinion was qualified as a result of internal control deficiencies and understatement of irregular expenditure. A meeting was held with the entity in question on 29 September 2017. Following the meeting, a formal letter was sent to the company on 12 October 2017, requesting they address the CIPC's concerns. In their response, they were required to outline future mitigation and prevention measures.

The CIPC received a response via letter dated 16 October 2017, which addressed concerns raised in the initial dispatch. The CIPC was comfortable with the entity's provided action plan, as corrective measures had been taken involving appointment of a new chief financial officer and a new board. The entity will continue to be monitored by the CIPC. A progress report will be required.

- **[Car Rental - 2014/268502/07]**

The CIPC received a complaint from a head of accounting of a Financial Services company, relating to annual financial statements being compiled by an accounting officer. As a private company, an accounting officer may not serve in that capacity; however, the same practitioner went on to sign off on the financials which were then relied upon by a finance house. The finance house (the complainant), suffered major financial loss due to the poor quality of the annual financial statements. These financial statements did not fairly represent the state of affairs and business of the company. They did not clearly and truthfully explain transactions and the financial position of the company's business. Reasonable doubt existed regarding the completeness, accuracy and classification of transactions and events during the mentioned financial years. There appeared to be improper financial and accounting practices by the entity and its management. A compliance notice for rectification was issued.

- **Case of State Owned Company**

As part of CIPC's investigations into reportable irregularities issued against a State Owned Company (Transnet) on 31 January 2018, a meeting was held with Group Chief Executive Officer of a State Owned Company and his top leadership regarding an investigation that included a reportable irregularity issued against the leadership. Interventions were confirmed by the leadership in attendance from the SOC to be already underway on procurement delegations due for ratification by the board and an internal disciplinary process initiated against one of the executives whose conduct was not satisfactory.

- **Reportable Irregularities**

Most reportable irregularities reported to the CIPC by the Independent Regulatory Board for Auditors (IRBA) involve private companies. This can be attributed to practices by accounting and auditing firms being examined, and the need to rid business and government of corruption and poor governance.

The Government's focus of ridding the country of corruption and poor corporate governance practices spurs activism by stakeholders. They are encouraged to both report on and shun corrupt business practices. A third and fourth quarter surge in reporting became a concern, leading the unit to convene meetings with South African Revenue Services (SARS) employees administering Section 12J applications. The meeting on 1 March 2018 engaged on the pros and cons of the business vehicle used to raise capital vis-a-vis Chapter 4 of the Companies Act, 2008. A separate meeting with a company advocating for use of Section 12J-type entities was held on 14 February 2018. The agenda revolved around the need to clarify:

- Definition of Business as per prospectus
- Minimum subscriptions
- Marketing of shares
- Tax Implications
- Small investor base
- Investment-related risks
- Past experience
- Availability of secondary markets to raise capital for various projects

Both meetings provided clarity on how the business vehicle is used and that there is a sunset clause on use of this type of capital raising vehicle. SARS' published guidance document which included close corporations as an eligible type of entity, was raised for correction.

- ***Customers***

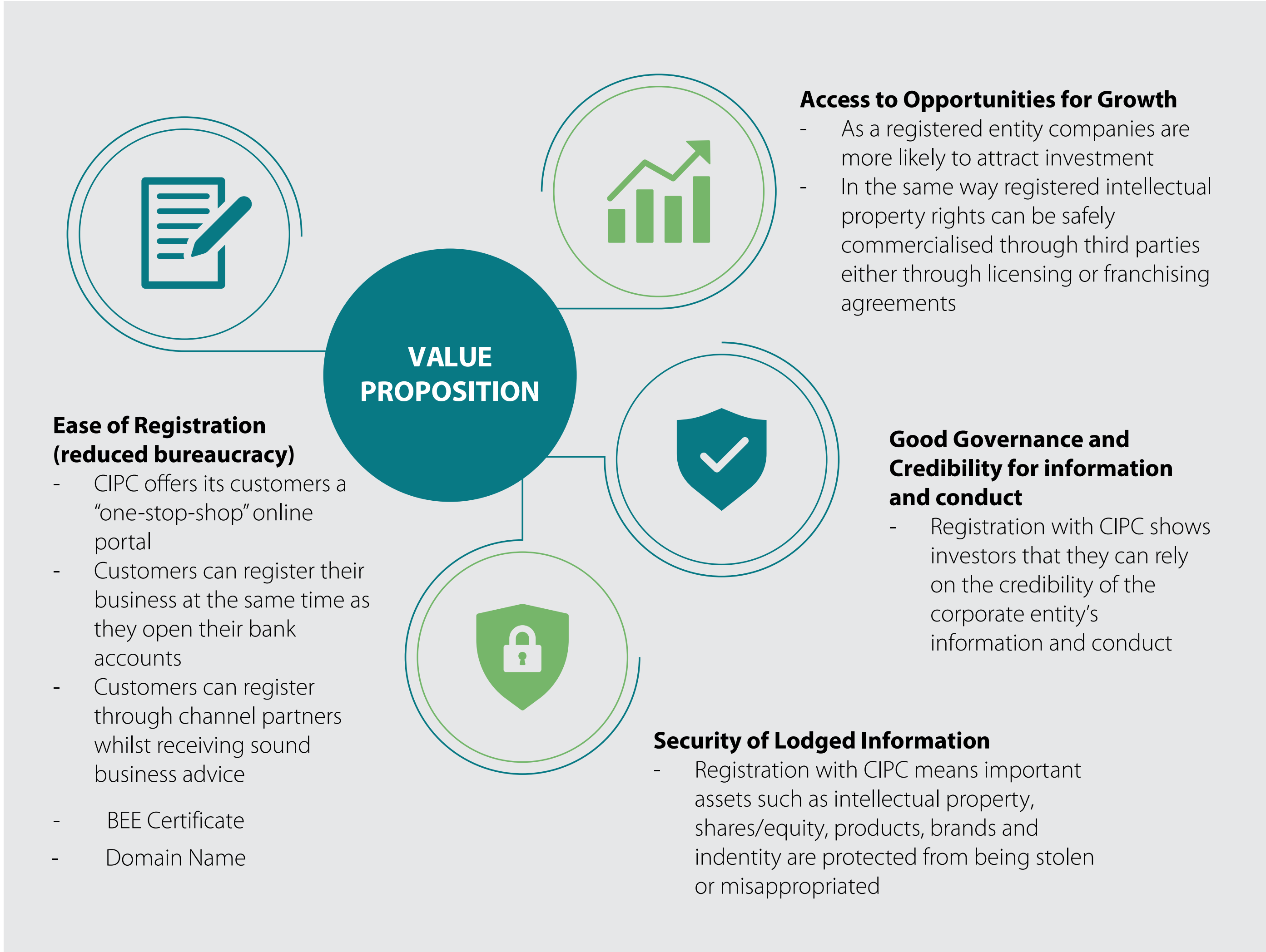
Understanding customers is a key part of situation analysis. It involves knowing the target audience, their behaviour, market size, market growth, buying patterns, average purchase size, frequency of purchase, and preferred channels.

VALUE PROPOSITION

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

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

Figure 5: Elements of the CIPC's value proposition



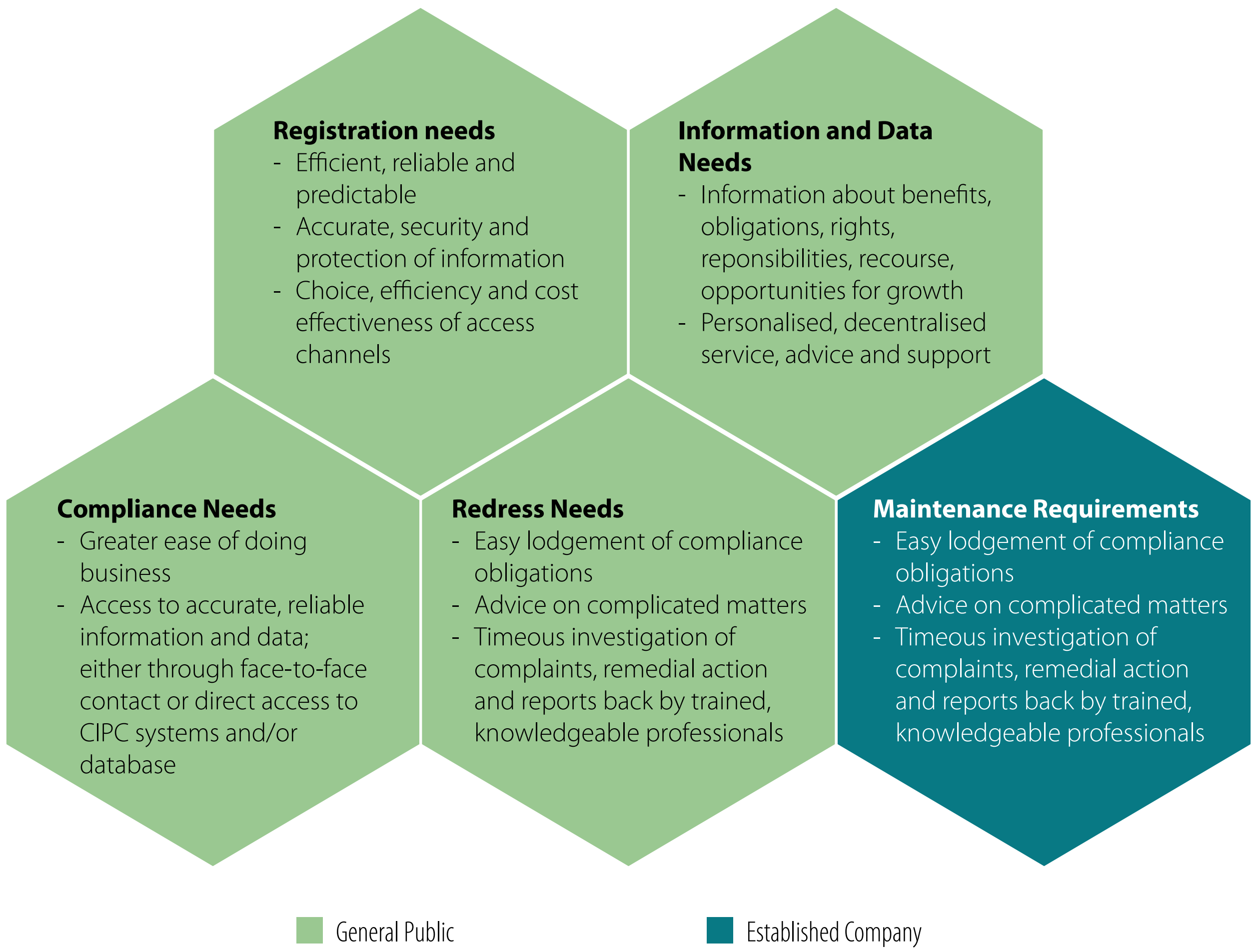
SEGMENTATION

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

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

The figure below describes how the CIPC addresses these needs. .

Figure 6: CIPC Customer Segmentation

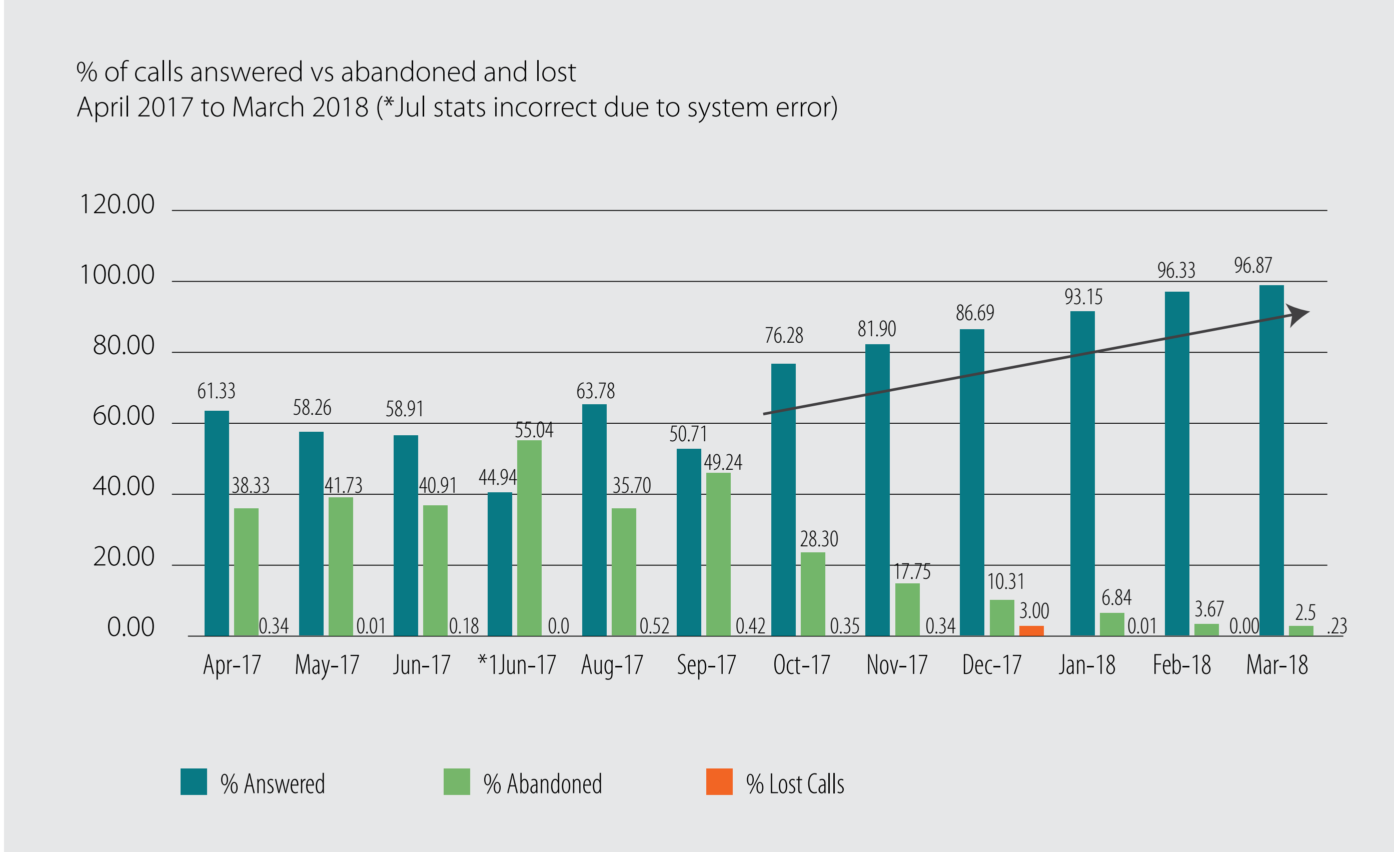


Customer responsiveness

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

1. Automate its services:
   Available online services increased to 27%.

2. Turn around call answer rate
   The call answer rate has been improving steadily from October 2017, maintaining an average rate above 90% in the fourth quarter. It is presently consistently maintained at a level above 90%. The average number of calls answered stood at about 15 000 per month and about 800 per day. The table below illustrates improvement in the call answer rate.



3. Implement a query resolution system
   The Query Resolution System (QRS) project was rolled out during the reporting period. Information sessions were conducted for all staff members, as well as the Johannesburg, Pretoria and Cape Town service centres. Top reasons for customers logging tickets with CIPC included allocation of funds, company registration, director amendments and annual returns.

4. Grow its social media strategy
   The CIPC website recorded an increase in use, with CIPC social media following growing during the year at just over 5%. The growth in Twitter followers has always been higher than that of Facebook, notwithstanding the fact that there is a higher number of Facebook followers, compared to Twitter. The majority of queries pertained to company registration and annual return processes, status of customers' application for company registration, and name reservations. A small fraction of queries were complaints relating to a delayed response to queries lodged through the query resolution system, and lack of clarity in reasons for rejection of customers' applications.

The CIPC introduced a number of enhancements, such as a simplified payment system for submission of annual returns. This led to elimination of queries relating to allocation of funds for annual returns. The intention is to continue implementation of this system, which accepts both debit and credit cards. Plans are underway to provide real-time electronic fund transfer options.

In its quest to continually improve ease of doing business, the CIPC aims to provide a one-stop service for as many business-related services as possible. In December 2017, partnership with the regulator of Domain Name registration resulted in a mutual customer of the two organisations enjoying the option to apply for a domain name whilst doing company registration services either at a CIPC service centre or via its website. Similarly, the partnership with the dti was expanded to offer B-BBEE certification on the CIPC's website, with a three-way verification mechanism.

Collaboration with banks has expanded to include Nedbank offering B-BBEE certification for Exempted Micro-Enterprises when applying for company registration. In the near future, this service will be offered by the other major banks.

It was an honour to receive multiple innovation awards in the third and fourth quarters. In the third quarter, we were awarded the CIPSI Innovation Award for the use of technology to improve service delivery. We were runner-up in the GovTech competition that rewarded innovation in the ICT space. In February 2018, the CIPC was awarded a silver award for Innovation in the Premier of Gauteng's Service Excellence awards.

Submission of AFSs

The organisation took a decision to introduce XBRL as a financial reporting tool for submission of financial statements by all eligible companies. By 1 July 2017, approximately 100 000 companies will be required to use this reporting tool to submit financials to the CIPC. In the last quarter of the financial year, piloting of the system in a test environment commenced with close to 50 companies enrolled for this pilot phase. The CIPC is fast approaching its defined objective to implement XBRL as mandatory mechanism for submission of Annual Financial Statements (AFSs) on 1 July 2018.

Since 15 February 2018, close to 60 successful sets of test AFSs have been received from reporting entities and software service providers assisting entities with submissions, as part of the pilot phase of the XBRL programme. These entities proved they are capable of producing AFSs according to the CIPCs technical requirements. It also indicates the CIPC has technical capability to receive and process AFSs via XBRL. By 1 July 2018, the CIPC's back-end regulatory processes will be automated via Workflow and Business Intelligence reporting implemented on XBRL data. This will vastly improve both efficiency and regulatory effectiveness. The CIPC will continue to receive test data until migration of the current test environment to the live, production environment. Migration is currently planned for early June 2018, when the pilot phase will officially be concluded.

Although the current published taxonomy of the CIPC will be rolled out on 1 July 2018, the CIPC is already planning implementation of a next release for the reporting cycle starting on 1 July 2019. During the last week of March 2018, over three days the CIPC hosted various workshops with selected professional bodies, software service providers, banks and State Owned Entities (SOEs) to plan incorporation of the latest IFRS taxonomy, as released by the IASB (International Accounting Standards Board), into the next release of the CIPCs taxonomy. This ensures the CIPC stays abreast with future international reporting standards, beyond the initial implementation of XBRL.

The CIPC officially launched the XBRL programme during an event on12 June 2018. From 1 July 2018 to 1 July 2019, the CIPC expects to receive around 100 000 sets of AFSs, via XBRL, from qualifying reporting entities. This CIPC initiative is the first major roll-out of XBRL in South Africa. It has the potential to change the landscape of financial reporting in the country, as it paves the way for other regulators to follow suit.

Competitiveness

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

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

EASE OF DOING BUSINESS

The Ease of Doing Business Report evaluates how simple, or difficult, it is for a local entrepreneur to open and run a small- to medium-sized business when complying with relevant regulations. Overall South Africa currently ranks 74 out of 190 countries in the 2016 report. It is ranked 50th in resolving solvency, 22nd in protecting minority investors, and 131st in starting a business.

GLOBAL COMPETITIVENESS REPORT

Defined as the set of institutions, policies, and factors that determine the level of productivity of an economy - South Africa currently scores 47 out of 138 countries.

WIPO IP INDICATORS REPORT

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

Table 7: Ranking of Total Filing Activity

COUNTRY	PATENTS	TRADE MARKS	DESIGNS
South Africa	36/+-100	36/+-100	46/+-100
Brazil	25	13	20
Russia	10	10	23
India	14	6	13
China	1	1	1
USA	2	2	4
UK	7	8	11

THE GLOBAL ENTREPRENEURSHIP MONITOR

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

South Africa's entrepreneurial status should be bolstered in the following indicators:
Self-perception about entrepreneurship: South Africa is positioned in the bottom 30% of benchmarked countries.
Entrepreneurial activity: South Africa is in the bottom 30% of benchmarked countries.
Motivational index: South Africa is positioned in the bottom 50% of benchmarked countries.
Gender equality: South Africa is positioned in the bottom 50% of benchmarked countries.

The following indicator demonstrates a comparative strength for South Africans:
Societal value: South Africa is positioned in the top 25% of surveyed countries.

2.1.2 ORGANISATIONAL ENVIRONMENT

Company

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

STRENGTHS

Structure of the Business Registries

The CIPC offers its services through partnerships and collaborative initiatives, using multiple channels such as a third-party model, self-service terminals, self-service centres and banks. This provides ease in transacting and accessing CIPC services countrywide.

Increased Call Centre Efficienci

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

Automation and Digitisation

The CIPC has made radical improvements in the levels of automation and modernisation within the organisation. Automation has led to the CIPC's registration systems being faster and more cost-effective, offering enhanced data integrity, information security, registration system transparency and verification of business compliance.

Integrated Registration System

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

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

The CIPC has automated processes over the past five years. It has made significant strides in achieving automation targets, with 27% of processes automated.

Distribution Channels

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

Figure 4: CIPC Service

Channels

Partnerships
Partnerships with public and private entities to enhanceservice access for all customer segments

Online
Online registration facility assists in improving the turnaround time for service units

Self-service Terminal
SST's increase accessibility for SMMEs and customers in general

Third Party Model
Permits identified CIPC transactions using the DHA biometric requirements

Standardised incorporation documents

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

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

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

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

Registration and administrative process

Company registration is an administrative, not judicial, matter. Involving courts in the registration process may take an entrepreneur on average, 70% longer than if it were an administrative process. The CIPC aligns with this international practice, as in South Africa, there is no requirement to register a company using the court system or a notary.

South Africa implements the company registration process as an administrative process, not a legal process. It is, and always has been, optional to involve a notary in the process; it is not a mandatory requirement by the Commission.

Intellectual property

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

Financial Sustainability

The CIPC is funded purely by fees collected from registration services and annual returns, and has been able to maintain financial self-sustainability. However, future financial sustainability must be assessed given the role of the CIPC within Government. Research has shown that a self-sustainable Government entity is one of the major keys in creating economic development and social value for citizens of the country.

Capital Requirement for Start-Ups

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

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

WEAKNESSES

ICT Services

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

Compliance

Although, there are several pieces of legislation with which the CIPC is 100% compliant, in some cases a gap exists between what the CIPC currently addresses, and its mandate.

The CIPC is found to be lacking in a number of core capabilities for example:

- Unavailability of structured Data, most AFS recieved were in PDF
- Data analytics capabilities
- Case management systems

The organisational re-design process will establish and ensure that appropriate skills are in place.

Registration

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

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

Document management

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

Finance/ supply chain management processes

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

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

The CIPC is currently exploring ways to address these challenges.

Legislation and policy

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

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

Stakeholder relations and management

Synergies between various Government departments and agencies handling IP issues require improvement.

Digitisation and technology

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

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

THREATS AND OPPORTUNITIES

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

THREATS	OPPORTUNITIES
General low south african education and infrastructure for company and IP registration	Automation of co-operatives and IP registration process
Limited policy influence	Cipc signing onto international agreements
Patent law issues	Legislate patent pools
Conversion of knowledge to IP, particularly in higher education	Develop support programmes for entrepreneurs
Low investor confidence	Cipc can improve value recovery rate of insolvency procedures
Negative societal value and perception of entrepreneurship in South Africa	

Collaborators

Collaborators are external stakeholders who partner with the organisation in a mutually beneficial partnership. Agencies, suppliers, distributors, and business partners are typical examples. It is important to understand their capabilities, performances, and issues to better identify business problems.

PARTNERSHIPS

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

Indicative CIPC Partnerships

FNB, Nedbank, Standard Bank and ABSA	JSE	SARS	National Treasury	Department of Home Affair
Partnership provides accessibility and a reliable means of identification verification	Partnership provides specific services for listed companies and its subsidiaries	Partnership provides businesses with a tax number once they are registered	Partnership provides a real-time link which enables the Treasury to check the status of enterprises and directors prior to them registering their business	Live finger print verification

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

Key achievements of the bank partnerships included the fact that 5% of all private company registrations were filed and processed through the bank channel. The channel also offered a wide range of CIPC products and services, including company registration, name reservation, payment integration and B BBEE certificate application. Banks were selected as a specific channel because they have an extensive branch network and online functionality that is internationally accessible. In addition, they provide reliable identification verification.

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

The partnership between CIPC and the NT is the most recent development in this field. The partnership provides a real-time link, enabling Treasury to check the status of enterprises and directors prior to registering the business on the central supplier database. This resulted in entrepreneurs' deriving cost and time benefits as they now register once on the database, and not with individual entities and departments.

Third-party Model

Over the 2016/2017 financial year, the CIPC introduced a new distribution model known as the Third-party Model. This delivery model permits identified CIPC transactions using the Department of Home Affairs biometric authentication. While this distribution channel is new, it has made positive progress in as a key access for the CIPC. In the year since implementation, the third-party model has registered 530 third-party partners, with approximately 108 partners currently active. It has achieved approximately 4 881 company registrations.

2.1.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The public entity should describe any major changes to relevant policies or legislation that may have affected operations during the period under review, or future financial periods. If there have been no changes this should be stated. (The Beneficial Ownership Regime, as adopted by the G20 has cabinet support, the CIPC is represented in a cabinet sub-committee established through the Department of Public Service and Administration (DPSA). The sub committee ensures South African compliance to G20 area principles. This may affect the Companies Act in that part of the amendment project must include legal input ensuring beneficial ownership collection-enabling provisions).

In August 2017, Cabinet approved the Draft Intellectual Property Policy of the Republic of South Africa - Phase I (Draft IP Policy) for public comment. There was a public comment period until November 2017. the dti is currently submitting the revised IP Policy - Phase I for approval by Cabinet. The CIPC has been integrally involved in proving inputs and recommendations through the Inter-Ministerial Committee on Intellectual Property (IMCIP), the as CIPC will be involved in implementing some policy changes.

The Draft IP Policy makes provision for a number of IP structural reforms in South Africa, particularly with regards to patents. It highlights certain priority areas that Government must address to ensure equity between preserving creator rights on the one hand by providing incentives for their creativity and ingenuity, and simultaneously providing access to knowledge, technology transfer and safe, affordable medicines for the benefit of all.

The introduction of Substantive Search and Examination (SSE) of patent applications is seen as one of the key interventions to be implemented in terms of the Draft IP Policy. Since applications for patents are not examined to determine patentability, invalid patents with a broad scope of claims are allowed to remain on the Patent Register. Challenging the validity of such patents requires an expensive and time-consuming judicial process. The current depository system is deemed to be inappropriate for advancing a knowledge economy's objectives and striking the appropriate balance between public health and granting patent rights.

When Cabinet approves the Draft IP Policy, a phase to review the legislation, in particular the South African Patents Act no.57 of 1978 and the Regulations promulgated thereunder, will commence to implement Policy directive.

2.2 STRATEGIC OUTCOME ORIENTED GOALS

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

STRATEGIC OUTCOME ORIENTED GOAL 1	REDUCED ADMINISTRATIVE COMPLIANCE BURDEN FOR COMPANIES AND IP OWNERS
Goal Statement	To create ease, simplicity and flexibility in forming and maintaining companies, as well as protecting intellectual property to reduce the administrative compliance burden for companies and IP owners.
Description	The CIPC will develop and implement solutions that reduce time customers spend engaging in CIPC related activities. This will reduce the administrative compliance burden so **"businesses and IP owners can focus on the business of doing business and creating IP".** This will encourage entrepreneurship, enterprise development, and enterprise efficiency, contributing to investment, competitiveness and employment creation.
Alignment to the dti strategic goals	Facilitate transformation of the economy, to promote industrial development, investment, competitiveness and employment creation. Create a fair regulatory environment that enables investment, and trade and enterprise development in an equitable and socially responsible manner.
Strategic Objectives	24/7 access to all CIPC products and services. Timely delivery of all CIPC products and services. An intelligent, innovative, high-performance organisational environment.

STRATEGIC OUTCOME ORIENTED GOAL 2	A REPUTABLE BUSINESS REGULATION AND IP PROTECTION ENVIRONMENT IN SOUTH AFRICA
Goal Statement	CIPC will ensure implementation and compliance with Company and IP Laws to create a reputable Business Regulation and IP Protection environment in South Africa.
Description	Create a reputable Business Regulation and IP Protection environment in South Africa will result in investment, and improved competitiveness, leading to industrial development and employment creation.
Alignment to the dti	Facilitate transformation of the economy that promotes industrial development, investment, competitiveness and employment creation. Create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner.
Strategic Objectives	Increased knowledge and awareness on Company and IP Laws. Improved compliance with Company and IP Laws.

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

STRATEGIC OBJECTIVES 1.1	24/7 ACCESS TO ALL CIPC PRODUCTS AND SERVICES
Objectives statement	24/7 access to all CIPC products and services to provide ease, simplicity and flexibility in dealing with CIPC.
What does this mean?	Products and services to be available anytime, anywhere (globally) to provide for people with special needs. CIPC will strive to pre-empt customer expectations, and optimise capacity and performance to meet customer expectations through multiple channels.
Risks/ challenges	The CIPC will address these challenges and risks to ensure they meet the strategic objective: - Legacy systems and processes - Cyber security - Customer difficulty in accessing non-automated products/ services, data integrity, managing customer expectations - ICT Alignment - Infrastructure - Resources
Summary progress (capability)	Website performance maintained at 93% average each month. 27% (48/180) process are either automated or offered as manual and online (including a new payment module). A total of 21/48 (40%) automated core business processes are in companies. SSTs are installed in all nine provinces with appropriate partners. Further roll-out of the CIPC Third-party Model permitting selected CIPC transactions, using DHA bio-metric authentication through qualifying entities. Currently, there are just over 3 000 registered third-party users (up from 300 in 2016/2017) with more than 300 active users of this service.
Summary progress (channels)	Channels and available products and services: - Self-service centres 08:00 – 15:30 (Company registration, annual returns, tax number application, B-BBEE certificate) - Partners (SSTs) 08:00 - 15:30 (Company registration) Third Parties 08:00 – 15:30 (Company registration) - Email 24/7 (Queries, lodgements) USSD 24/7 (Queries related to company registrations and amendments) - Website 24/7 (Customer registration, name Search, name Reservation, company registration, annual returns filing) - Social Media - Facebook, Twitter, and YouTube (information updates)

STRATEGIC OBJECTIVES 1.2	TIMELY DELIVERY OF ALL CIPC PRODUCTS AND SERVICES
Objectives statement	Timely delivery of all CIPC products and services, by continually reducing time spent engaged with the CIPC.
What does this mean?	Services are rendered per standards stipulated, ensuring quality is maintained, and services provided rapidly. Internal resources, processes and systems are geared to support this objective.
Risks/challenges	CIPC will address these risks and challenges to meet this strategic objective: - Stability of ICT systems (CIPC, partners, third-party providers) - Understanding customer expectations for quicker services - Staff readiness and alignment – changing behaviours (staff culture) - Limited knowledge of technological developments - Quality/ error rate of services - Infrastructure and presence
Summary progress (capabilities)	See Strategic Objective 1.1
Summary progress	**Average turnaround times for key services:** Companies Registration – 2 Co-operatives Registration – 2 Trade mark applications – 3 Patents applications – 3 Design applications – 3 Copyright in film applications – 3

STRATEGIC OBJECTIVES 1.3	INTELLIGENT, INNOVATIVE, HIGH PERFORMANCE ORGANISATIONAL ENVIRONMENT
Objectives statement	An intelligent, innovative, high-performance organisational environment that provides online, automated products and services, supporting a reputable business regulation and IP protection system.
What does this mean?	This is achieved via modernisation through: - Data analytics, organisational redesign (including reallocation of resources), training and upskilling staff to ensure continuous improvement - Maintaining a responsive environment (IT, people, finances) where employees to act as product/ service champions and mentors - Fostering an innovative culture within the organisation
Risks and challenges	The following risks and challenges will be addressed to ensure strategic objective is achieved: - Change management - Low staff morale - Employee engagement - Alignment of skills, functions, policies and procedures - Integrated planning, data and system integration
Summary progress	78% staff complement, remuneration framework and organisation re design procurement for service providers is under way.
Summary progress	6.95 customer and stakeholder value index 78% staff complement

STRATEGIC OBJECTIVES 2.1	INCREASED KNOWLEDGE AND AWARENESS ON COMPANY AND IP LAWS
Objectives statement	Increased knowledge and awareness of Company and IP Law.
What does this mean?	This is achieved through: - Segmentation of target audiences - Constant monitoring of educations effectiveness and awareness channels - Exploration of new channels for education and awareness - Continuous assessment of the impact of education and awareness initiatives - Increase in compliance, and continual updating of staff skills and competencies to ensure consistency and relevance of education and awareness
Risks and challenges	CIPC will address the following risks and challenges: - Internal awareness on Company and IP Laws - Multi-lingual education awareness on material and presentations - Use of current communication platforms - Centralised education and awareness function - Clear, coherent education and awareness strategy
Progress summary	Education and awareness conducted countrywide for targeted audiences, in partnership with key partners such as **the dti**.

STRATEGIC OBJECTIVES 2.2	IMPROVED COMPLIANCE WITH THE COMPANY AND IP LAWS
Objectives statement	Improve compliance with provisions of: - Companies Act and other relevant legislation - IP legislation through compliance monitoring and enforcement activities
What does this mean?	This will be achieved by: - Establishing a baseline to promote understanding of improved compliance - Identifying necessary compliance monitor - Develop a compliance monitoring strategy
Risks and challenges	CIPC will address the following risks and challenges: - Improve awareness of compliance requirement - Address deliberate non-compliance - Improve market corporate governance - Engage on possible trade-off between regulation and innovation
Progress summary	Countrywide compliance monitoring and enforcement activities, in partnership with professional associations and enforcement agencies.

2.3 PERFORMANCE INFORMATION BY PROGRAMME

2.3.1 PROGRAMME 1: SERVICE DELIVERY AND ACCESS

Description of the programme

Purpose of the programme

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

List the sub-programmes

1. **Broader Office of the Commissioner**
   a. Advisor to the Commissioner
   b. Innovation and collaboration
   c. Strategy
      i. Strategy, monitoring and planning
      ii. Operational excellence
      iii. Strategic communications
   d. Compliance, governance and risk
   e. Internal audit

2. **Corporate services**
   a. Human capital
      i. Human capital
      ii. Knowledge centre
      iii. Labour relations and employee engagement
   b. Facilities and security
      i. Facilities
      ii. Security
      iii. Disclosure
   c. Service centres
   d. Client engagement and communications

3. **Finance**
   a. Financial management
   b. Treasury
   c. Supply chain management

4. **Business Information and systems**
   a. Chief Technology Officer
   b. Enterprise information management
      i. Enterprise information management
      ii. Information assurance
   c. Enterprise Programme Management Office
   d. ICT service delivery
      i. Application management
      ii. Infrastructure management
      iii. Process Engineering

List the strategic objectives relating to the programme

Strategic objectives relative to the Service and Access programme are:

1.1 24/7 access to all CIPC products and services

1.2 Timely delivery of all CIPC products and services

1.3 An intelligent, innovative, high performance organisational environment

Progress towards achievement of strategic objectives

1.1 24/7 access to all CIPC products and services

CIPC has continued to modernise, upgrade and extend its application systems and technology infrastructure for the year under review (2017/2018), to build capabilities that ensure Strategic Objective 1.1, 1.2, and 1.3 are met.

This included providing a significant number of additional new customer e-Services and automation that supports and underpins the electronic transaction-based CIPC service delivery model. The model focuses on providing improved accessibility, reliability, response and reliability of systems, data and information to all CIPC stakeholders.

An overall achievement of 27% (48/180) core business processes was secured during the financial year. A total of 21/48 (40%) automated core business processes was attained in Companies, one over the annual target of 20 processes.

This included inter-alia:

- Development and implementation of a convenient new billing and payments system for CIPC customers. The system marked real-time card payments for transactions. The pilot application was released as part of enhancements to the Annual Returns filing process. The payment application improved financial controls and ultimately customer service delivery. After release of the payment module, the application was refined to make re-usable in other applications. Revenue of well over R26.5 million has been collected in this way

- Memoranda of Incorporation retrieval, simple automated disclosures without a login and a link to .za Domain Name Authority (ZADNA) to facilitate domain name registrations
- The Companies AR Deregistration process (part of the automated AR filing process) was fully automated, increasing percentage of automated processes
- Automation of Change of Company Shares, together with the Conversion of Company Par Value Shares
- Additional functionality in the Intellectual Property and Trade mark area, including improvements to e filing, automation of e-journals, single user sign-on, full automation of trade mark renewals and restoration

Additional noteworthy achievements for the year include:

- Further roll-out of new of SSTs at CIPC SSCs and identified business partner sites to ensure a presence in all provinces
- Further roll-out of the CIPC Third-party Model permitting selected CIPC transactions using Department of Home Affairs (DHA) bio-metric authentication through qualifying entities. Currently we have just over 3 000 registered .za Domain Name Authority Third-party users (up from 300 in 2016/2017) with more than 300 active users of this service
- Data accuracy, integrity, security and risk management and control were significantly by leveraging the new cyber-security solution. This addressed improved access control, data loss protection, denial of service attacks, network security, and intrusion prevention to minimise risk and exposure on Business Continuity
- Continued improvement in systems performance availability, capacity, reliability and delivery performance with the continuous improvement of systems performance management and reporting, and high availability server infrastructure
- A number of key management vacancies within ICT are filled, increasing capacity to focus and improve traction on key priorities and initiatives

The above provided a solid foundation of further systems' review, modernisation, and where appropriate, procurement of new core business application, infrastructure systems and components.

1.2 Timely delivery of all CIPC products and services

The CIPC was able to exceed its yearly new company registration target. The average period service turnaround was 1.39 days, with the main reason for this achievement the over-capacitation of human resources in that area.

The CIPC achieved 75% performance target of two days turnaround time for 2017/2018 financial year for co-operative registrations. The turnaround time would have been less than two days had it not been for challenges using unstable manual registrations systems, and labour unrest during Quarters one and two. There were improvements only in Quarters three and four.

See the progress report on Strategic Objective 1.1.

1.3 An intelligent, innovative, high performance organisational environment

See progress report on Strategic Objective 1.1.

Key performance indicators, planned targets and actual achievements

OUTPUT	PERFORMANCE MEASURE OR INDICATOR	ACTUAL ACHIEVEMENT 2016/2017	ANNUAL TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT	COMMENTS ON DEVIATION
GOAL 1: IMPROVE THE COMPETITIVENESS OF THE SOUTH AFRICAN BUSINESS ENVIRONMENT						
STRATEGIC OBJECTIVE: 1.1 24/7 ACCESS TO ALL CIPC PRODUCTS AND SERVICES						
Increased of % in the website performance for e-services 24/7	% website performance for e-services 24/7	96%	93%	94%	1%	Infrastructure upgrades have resulted in improvements in website availability
Increase in the number of provinces where SSTs were installed and are operational	The number of provinces where SSTs were installed and are operational	6	7 (1 Province added)	8	1	Actual no of provinces where SSTs are operational are 8. MoUs signed according to plan
Increase in the % of CIPC services with an option to file electronically compared to services which may only be filed manually	% of CIPC services with an option to file electronically compared to services which may only be filed manually	21%	0%	27%	5%	2017-2018 started with an updated list of 180 processes, with a marginal default 24% (43) achievement for Q1. This was already 2% above the planned target for 2017-2018 and developments were released in Q1. The payment module was release in Q2. The Companies AR Deregistration process was fully automated, increasing the total number of automated processes to 44 by Q3. In Q4 (4) processes in companies & trade marks, increased the total number of 44 automated processes to 48 in quarter four (Q4). A two percent (2%) increase ensured a percentage of 27% for the entire financial year.
Increase in the number of companies business processes that have been automated and/or optimised	Number of companies business processes that have been automated and/or optimised	0	20	21	1	Quarter one (Q1) started with 18 of 52 automated Companies and Close Corporations core business processes on the revised process list. The Companies AR Deregistration process was fully automated in quarter three (Q3), increasing the total number of automated Companies processes from 18 in Q1 and Q2 to 19 in Q3. Two Companies processes were automated in quarter four (Q4) namely: the Change of Company Shares; and the Conversion of Company Par Value Shares. This increased the total number of automated Companies processes to 21 for the 2017-2018 financial year.
STRATEGIC OBJECTIVE 1.3: INTELLIGENT, INNOVATIVE, HIGH PERFORMANCE ORGANISATION ENVIRONMENT.						
Increase the % of positions of the approved structure filled	% of positions of the approved structure filled	75%	77% (1% increase)	78%	1%	Critical posts filled. Target achieved and exceeded
Increase or maintain the score of the customer stakeholder value index	A score between 1-10 of the customer and stakeholder value index, a higher score indicating satisfaction with the CIPC	N/A	N/A (The survey will be conducted in 2018/19)	N/A	N/A	N/A

Strategy to overcome areas of under performance

There were no areas of underperformance.

Changes to planned targets

2.3.2 PROGRAMME 2: INNOVATION AND CREATIVITY

Description of each programme

Purpose of the programme

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

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

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

The programme is also responsible for monitoring unauthorised use of private and public IP rights, with a particular focus on the protection of IP rights' holders in creative industries. These rights' holders also include communities who have registered rights in respect of indigenous cultural expressions and knowledge.

Thus, the CIPC sees a close relationship between the registration of rights, technology transfer and their commercialisation, as envisaged in the Industrial Policy Action Plan (IPAP3). Most importantly, the CIPC is focusing on rolling out programmes aimed at increasing education and awareness to SMEs to boost local IP ownership.

As innovation is closely linked with universities and research institutions, the group will further expand its collaboration with the academic community and institutions of higher learning and research. The group supports targeted and focused education and awareness initiatives, in partnership with other departments and agencies, ensuring effective protection and efficient management of IP assets. In collaboration with other government enforcement agencies, the group also acts against counterfeiters and those who do not respect IP rights.

List of sub-programmes

1. Innovation support and creativity
   a. Patents and Designs Register
   b. Innovation Policy and Outreach

2. Creative Industries
   a. Copyright and IP Enforcement
   b. Indigenous Cultural Expressions and Knowledge

List the strategic objectives relating to Innovation and Creativity Programme:

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

2.2 Increased knowledge and awareness on Company and IP Laws

2.3 Improved compliance with the Company and IP Laws

Progress towards achievement of strategic objectives

2.1 Increased knowledge and awareness on Company and IP Laws

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

The CIPC and **the dti** hosted a successful IP Colloquium of IP Management and Technology Commercialisation, themed "Generating Wealth from New IP and Technologies" on 19 and 20 March 2018. The event was attended by over 150 participants, including government officials, industry leaders, venture capitalists, inventors, academia and members of the media. The objective of the colloquium was to initiate a policy dialogue and enhance awareness on IP management and present the technology commercialisation strategy.

2.2 Improved compliance with the Company and IP Laws

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

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

OUTPUT	PERFORMANCE MEASURE OR INDICATOR	ACTUAL ACHIEVEMENT 2016/2017	ANNUAL TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT	COMMENTS ON DEVIATION
GOAL 2: A REPUTABLE BUSINESS REGULATION AND IP PROTECTION ENVIRONMENT IN SOUTH AFRICA						
STRATEGIC OBJECTIVE 2.1 INCREASED KNOWLEDGE AND AWARENESS ON COMPANY AND IP LAWS						
Increased knowledge and awareness on IP	Number of education and awareness events on IP conducted by CIPC	25	30	42	12	Received more requests for IP education and awareness workshops/information sessions
STRATEGIC OBJECTIVE 2.2: IMPROVED COMPLIANCE WITH THE COMPANY AND IP LAWS						
Increased knowledge and awareness on creativeity and IP enforcement	Number of education and awareness events on IP enforcement initiatieves conducted by CIPC	6	6	8	2	High demand for training and excellent collaboration with partners

Strategy to overcome areas of under performance

Not applicable.

Changes to planned targets

The key performance indicator "Number of Education and Awareness Events on IKS" was removed with the approval of the Minister, due to the change in mandate of it being the responsibility of the CIPC.

2.3.3 PROGRAMME 3: BUSINESS REGULATION AND REPUTATION

Description of each programme

Purpose of the programme

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

The following functions fall within this programme:

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

The CIPC, under this programme, monitors compliance with certain legislative requirements such as submission of annual returns, rotation of auditors and disclosures in terms of the financial reporting standards, and the requirements for prospectuses. The CIPC investigates complaints and enforces provision of the Companies Act, the Close Corporations Act, the Share Block Companies Act and the Co-operatives Act relating to governance and disclosure.

The Business Regulation and Reputation Programme also incorporates a focus on corporate policy and legal matters, including support for offence prosecution, law interpretation, and proposals for amendments to legislation and regulations. The function also entails continual tracking of international developments in corporate governance, disclosure, corporate registration and enforcement, and trade marks.

List of sub-programmes

1. Corporate Compliance and Enforcement
   a. Corporate disclosure and compliance
   b. Corporate governance, surveillance and enforcement
2. Corporate Registers
   a. Companies and close corporations (CCs)
   b. Co-operatives
   c. Directors, members and practitioners
   d. Trade marks
3. Legal Policy and Outreach
   a. Corporate education and voluntary compliance
   b. Corporate legal and policy support

List strategic objectives relating to Innovation and Creativity Programme

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

2.1 Increased knowledge and awareness on Company and IP Laws

2.2 Improved compliance with the Company and IP Laws

Progress towards achievement of strategic objectives

List the programme's strategic objectives with the actual outputs achieved in the prior year, the planned targets as per the Annual Performance Plan, and the actual outputs for the financial year under review.

How the performance for programmes/activities/objectives has contributed to the achievement of the public entity's strategic outcomes orientated goals

2.1 Increased knowledge and awareness on Company and IP Laws.

The CIPC continues with its education and awareness activities.

2.2 Improved compliance with the Company and IP Laws

Compliance with Section 28 of the Companies Act

An analysis of a sample of the annual financial statements received from 2012 until 2016 showed that most entities do comply to a large extent to Section 28 of the Companies Act, 2008 (No 71 of 2008), which requires all entities to keep financial records.

A total of approximately 15 796 annual financial statements were received. Analysis on the annual financial statements focused mainly on the types of assurance performed on entities that submitted financial statements, and not any other compliance related issues. The following was observed:

Summary of the findings

	SUB-TOTALS	PERCENTAGE
Audits	8773	55
Compilation reports	4927	32
Independently Reviewed	1947	12
Other (Unidentified	149	1
Totals	15597	100

- **Audited financial statements:** The majority of the annual financial statements received were audited and comprised 55% of the entire population. It was observed that entities prefer their financial statements to be audited. For entities where it is obvious their public interest score is low and no audit was required, voluntarily elected to audit their financial statements.

- **Compilation Reports in financial statements:** 32% of the received financial statements had compilation reports. Compilation reports are included in the financial statements where there was neither an audit, nor independent review, performed. Included in compilations reports are the financial statements that have accounting officer reports, prepared for close corporations. With the introduction of submission of annual financial statements via XBRL, many entities preparing compilation reports can submit a CoR 30.2 –Financial Accountability Supplement, rather than a compiled annual financial statements when they lodge their annual returns.

- **Independently reviewed financial statements:** Only 12% of submitted annual financial statements were found to be independently reviewed. The CIPC's view is that this 12% is very low. Seven years after the Companies Act, 2008 was enacted, and with the abandonment of compulsory audit obligations on entities, the CIPC expected a strong uptake on independently reviewed financial statements in lieu of an audit (viewed as an expensive compliance burden on small- to medium entities). It was observed that various entities still opt to audit their financial statements. It raises questions that include the following:

  Is it because the business community insists on auditing their financial statements?

  Is it because there is not enough knowledge on independent review by the entities i.e. shareholders, directors and/ or members?

  Is it because entities view independent review as a limited level of assurance?

  Is it because the accounting industry advised entities to perform audits for higher audit fees when compared to independent review fees?

- **Other:** Included in the "Other" category were trial balances and management accounts received from small entities. This indicates to the CIPC that some entities are not preparing financial statements as required by the Companies Act, 2008. It further indicates that entities are not keeping accounting records and consequently will not be able to prepare the financial statements within the required six months period after the end of their financial year.

These findings are quite critical as they represent review of the reporting culture during the five years prescribed in the Companies Act, 2008 (Act No. 71 of 2008). This demonstrates that with the rollout of XBRL, and advocating for submission of structured data, there will be huge benefits to the economy in terms of performance analysis of legal entities and assisting investors with investment decisions.

- **Monitoring the compliance with the provisions relating to Social and Ethics Committees**

CIPC monitored compliance with the provisions relating to Social and Ethics Committees during the 2017/18 financial year, specifically in respect of their compliance with Regulation 43 (4) and (5) which inter-alia prescribes the functions that a Social and Ethics Committee has to exercise including the companies' compliance with relevant legislation and their contribution to development of the communities in which its activities are predominantly conducted. A review of the responses received confirmed substantial compliance by the companies that were approached for information.

However, CIPC decided to follow up on applications that were filed with Companies Tribunal where companies have requested exemption from establishing Social and Ethics Committees. During the December 2017, CIPC observed the decisions of the Companies Tribunal in this regard and approached four (4) applicants where the Companies Tribunal has refused their request to be exempted from the establishment of Social and Ethics Committees.

They were informed that the Commission has taken note specifically of the Companies Tribunal's evaluation of the applications, the Companies Tribunal's findings and subsequent refusal to exempt the companies from establishing Social and Ethics Committees and that the Commission wishes to determine whether Social and Ethics Committees have been established.

They further were requested that if a Social and Ethics Committee has been established, the company must provide proof of its establishment, in this regard, the companies were requested to provide the Commission with the date of the establishment of the Social and Ethics Committees, copies of the decisions taken by the Board of Directors to establish the Social and Ethics Committee, as well as the names of the directors or prescribed officers appointed to the Social and Ethics Committees. They were also requested to specify the identity of the director who has not been involved in the day-to-day management of the company's business as well as proof thereof.

If a Social and Ethics Committee has not been established, they were requested to provide the reasons thereof. In the event that the Board of Directors may have decided to review the Companies Tribunal in court, they were requested to provide the Commission with a copy of the documents filed with the Companies Tribunal as well as a copy of such resolution taken by the Board of Directors. The provisions of Section 84(6) and (7) and Regulation 44 of this Act were also brought to their attention.

CIPC received responses from two companies who had not yet complied with the establishment with the Social and Ethics Committees and they provided reasons thereof. However, further information is required from them as there appears to be legitimate reasons for their non-compliance with the establishment of the Social and Ethics Committees. Two other companies confirmed that they have established the Social and Ethics Committees but clarity must still be given regarding the identities of the directors who have not been involved in the day-to-day management of the companies' business as well as proof thereof. This work continues in the new financial year.

Key performance indicators, planned targets and actual achievements

OUTPUT	PERFORMANCE MEASURE OR INDICATOR	ACTUAL ACHIEVEMENT 2016/2017	ANNUAL TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT	COMMENTS ON DEVIATION
GOAL 1: IMPROVE THE COMPETITIVENESS OF THE SOUTH AFRICAN BUSINESS ENVIRONMENT						
STRATEGIC OBJECTIVE: 1.1 24/7 ACCESS TO ALL CIPC PRODUCTS AND SERVICES						
Reduction in the average number of days to register a company from the date of receipt of a complete application	The average number of days to register a company from the date of receipt of a complete application	3	3	2	1	Improved efficiency in processing and investment in ICT infrastructure, systems and network resulted in over achievement of the targets
Reduction in the average number of days to register a co-operative from the date of receipt of a complete application	The average number of days to register a co-operative from the date of receipt of a complete application	2	2	2	0	No deviation
GOAL 2: A REPUTABLE BUSINESS REGULATION AND IP PROTECTION ENVIRONMENT IN SOUTH AFRICA						
STRATEGIC OBJECTIVE 2.1: INCREASED KNOWLEDGE AND AWARENESS ON COMPANY AND IP LAWS						
Increased level of education and awareness around important changes in the Co-operative Act, 2013 and its regulations	Number of education and awareness events conducted by the CIPC on the Companies Act and related legislation	3	3	3	0	No deviation
STRATEGIC OBJECTIVE 2.2: IMPROVED COMPLIANCE WITH THE COMPANY AND IP LAWS						
Increased % of Companies (entities with an "active business" status) that have filed annual returns by the reporting period	% of companies (entities with and active business status) that have filed annual returns by the end reporting period (year to date)	48%	44%	47%	3%	The gross volume of annual return filings increased by 16567 filings compared with the previous reporting period. The new payment solution on annual returns makes the filing easier. The pending final deregistration notice on 2 February 2018 contributed to a spike in filing.

Strategy to overcome areas of under performance

Not applicable.

Changes to planned targets

Not applicable.

Linking performance with budgets

PROGRAMME/ ACTIVITY/ OBJECTIVE	2017/2018			2016/2017		
	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	**354 704**	**323 754**	**30 950**	**328517**	**253 103**	**75 414**
Goods and services	**200 370**	**153 624**	**46 746**	**185353**	**158 317**	**27 036**
Audit Fees	9 420	6 518	2 902	8050	6 220	1 830
Bank Charges	3 500	7 508	-4 008	2740	3 783	-1 043
Advertisements	5 795	4 157	1 638	7914	9 482	-1 568
Communications	15 103	4 799	10 304	20037	20 334	-297
External Service Providers: ICT Related Services (licenses & maintenance)	57 584	49 731	7 853	48008	33 398	14 610
Consultants and special services	22 601	8 585	14 016	16003	9 936	6 067
Depreciation and Amortisation	11 020	16 713	-5 693	10420	10 647	-227
Internet and Network Costs - ICT related services	5 829	5 124	705	5708	5 159	549
Stationery, Printing and Publications	3 868	1 238	2 630	4230	4 000	230
Maintenance, repair and running cost	1 450	855	595	1500	1 066	434
Operating Lease	30 149	26 210	3 939	36199	33 668	2 531
Travel and Subsistence	6 500	5 538	962	6632	4 516	2 116
Doubtful Debts and Impairment	0	50	-50	-	-2	-2
Other	27 551	16 496	11 055	17912	16 264	1 648
(Gains) loss on disposal of assets	0	102	-102	-	-154	-154
Impairment loss: Property, plant and equipment	0	0	0	0	0	0
Total Expenditure	**555 074**	**477 378**	**77 696**	**513 870**	**411 420**	**102 450**

Revenue collection

Revenue related to the key objective of the organisation

PROGRAMME/ ACTIVITY/ OBJECTIVE	2017/2018			2016/2017		
	BUDGET	ACTUAL AMOUNT COLLECTED	OVER/UNDER COLLECTION	BUDGET	ACTUAL AMOUNT COLLECTED	OVER/UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Annual Returns: Com	244 400	217 319	27 081	220 222	211 011	8 989
Annual Returns: CC	129 600	102 094	27 506	120 000	104 297	15 703
Companies	108 000	89 930	18 070	100 000	85 747	14 253
Co-operatives	3 300	2 812	488	3 056	2 731	325
Data Sales / Disclosure	26 093	18 638	7 455	23 010	15 281	7 729
Trade Marks	33 350	27 790	5 560	30 000	28 805	1 195
Patents and designs	27 000	25 853	1 147	25 000	23 858	1 142
Copyright in film	130	27	103	1 000	20	980
Total Revenue	**571 873**	**484 463**	**87 410**	**522 066**	**471 750**	**50 316**

Capital investment

PROGRAMME/ ACTIVITY/ OBJECTIVE	2017/2018			2016/2017		
	BUDGET	ACTUAL EXPENDITURE	OVER/UNDER EXPENDITURE	BUDGET	ACTUAL EXPENDITURE	OVER/UNDER EXPENDITURE
	R'000	R'000	R'000	R'000	R'000	R'000
Capital Investment	-	-	-	-	-	-
Computer hardware	15 500	8 478	7 022	21 050	10 491	10 559
Computer software	16 620	16 786	-166	9 200	15 676	6 476
Furniture and equipment	500	30	470	150	291	141
Leasehold improvements	1 700	142	1 558	800	674	126
Total Expenditure	**34 320**	**25 436**	**8 884**	**31 200**	**27 132**	**4 068**

PART C
GOVERNANCE

3.1 INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account.

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

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

3.2 PORTFOLIO COMMITTEES

DATE	AGENDA/AREAS OF RISK IDENTIFIED AND CIPC IMPLEMENTATION PLANS/ ACTIONS	ATTENDING OFFICIALS	REQUIRED ACTION
1 November 2017 (Portfolio Committee-Q2 performance)	Lack of education and awareness	Rory Voller Lungile Dukwana Muhammed Jasat	Intensifying education, awareness and Phase 2 of media campaign to be implemented

3.3 EXECUTIVE AUTHORITY

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

Quarter 1 Report:

The Minister noted achievement of 73% of the targets. He trusts the unachieved targets will be achieved in the following quarter. He noted with concern that the labour relations environment remains volatile and urged for speedy resolve of the labour relations issues so the moratorium on recruitment can be lifted and critical posts filled.

Quarter 2 Report:

The Minister noted performance improvement from 73% to 75%, mentioning key challenges. He commented that alternative power backups should be investigated to ensure power outages and renovations do not hamper SST operations. He commented that the call centre should be operational at all times and noted with concern attempts to revert to a shared call centre between the dti and the CIPC. He recommended a speedy resolution to call centre challenges. He emphasised that the issue with Iron Mountain should not be experienced again and a separate report should be submitted to his office within 30 days of his letter regarding the action plan to address trade mark backlogs. The Minister emphasised that all key challenges should be finalised by the following quarter, including unresolved audit findings.

Quarter 3 Report:

The Minister noted the achievement of 91% of set targets. He trusts annual targets, as outlined in the APP, will be achieved by the end of the year.

3.4 COMMITTEES

COMMITTEE	NO. OF MEETINGS HELD	WORKSHOPS	NO. OF MEMBERS	NAME OF MEMBERS
Audit Committee	6	1	7	Mr M Sass - Chairperson Ms A Badimo - Independent Member Mr M Shabalala - Independent Member Mr S Maharaj - Independent Member Ms Z Monnakgotla - Independent Member Adv R Voller - Commissioner Ms K Singh - **the dti** (shareholder) representative
Risk and IT Committee	5	0	3	Ms A Badimo - Chairperson Mr P Phili - Independent Member Adv R Voller - Commissioner

Remuneration of committee members

NAME	REMUNERATION (R)	OTHER ALLOWANCE (R)	OTHER RE-IMBURSEMENTS (R)	TOTAL (R)
Mr Michael Sass	140,924.00	-	532.50	141,456.50
Ms Anna Badimo	260,730.00	-	7,501.00	268,231.00
Ms Zanele Monnakgotla	108,670.50	-	3,230.50	111,901.00
Mr Mavuso Shabalala	129,703.50	-	3,443.50	133,147.00
Mr Suren Maharaj	128,533.00	-	2,485.00	131,018.00
Mr Protas Phili	90,675.60	-	2,116.51	92,792.11
Adv R Voller	N/A	N/A	N/A	N/A

3.5 RISK MANAGEMENT

The Risk Management Policy, Methodology and Plan were reviewed and approved in the year under review. The Risk Management Plan, inclusive of fraud prevention initiatives, is monitored on a quarterly basis to provide assurance that activities and initiatives aimed at improving risk management processes are implemented.

Strategic and operational risk assessments are conducted annually, as a minimum. The 2017/18 risk register served as a basis for developing the internal audit plan for the same period. Monitoring and review of these risks is conducted on a quarterly basis to ensure effective management, to consider their relevance and identify emerging risks.

To effect risk governance, the Internal Fraud and Risk Committee (IFR) considers and advises the Executive Committee (EXCO) on matters relating to risk management and fraud prevention within the organisation. An independently chaired Risk and ICT Management Committee (RiskIT) provides risk management, fraud prevention and information, communication and technology oversight, and reports through its chairperson to the Audit Committee on the effectiveness of the risk management and fraud prevention processes.

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

Identified risks are linked to corresponding controls. Controls aim to minimise the inherent risk rating to one of acceptable residual risk rating, in line with tolerance levels. Although in the 2017/18 financial year significant strides were made in developing and designing controls, the impact of most can only be realised afterwards.

3.6 INTERNAL CONTROL UNIT

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

Internal Audit added value by enriching CIPC's operations through advice derived from its evaluation and assessment of CIPC's work during the course of the year. It also helped CIPC accomplish its objective by bringing a system driven, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

3.7 INTERNAL AUDIT AND AUDIT COMMITTEES

During the 2017/2018 financial year, Internal Audit performed 18 audits, covering critical and high-risk areas across all major functions within the Commission. Recommendations have been by Internal Audit and implemented throughout the Commission. As a result, the control environment has improved.

The tabled below discloses relevant information on the audit committee members

NAME	QUALIFICATIONS	INTERNAL OR EXTERNAL	IF INTERNAL, POSITION IN THE PUBLIC ENTITY	DATE APPOINTED	DATE RESIGNED	NO. OF MEETINGS ATTENDED
Mr M Sass	CA (SA);CIA; M Com	External	N/A	01 Oct 2016	N/A	5/6
Ms Z Monnakgotla	Dip in Corporate Law; LLB; LLM; Masters in Finance	External	N/A	01 Jan 2017	N/A	5/6
Mr M Shabalala	BSoc. Sc; MBL	External	N/A	01 Jan 2017	N/A	6/6
Mr S Maharaj	BCom; CA (SA)	External	N/A	01 Jan 2017	N/A	6/6
Ms A Badimo	B.Sc Hons (Computer Science), MSc, MBA, CGEIT CISM, CRISC Certificate in IT Auditing, F. Inst. D (IODSA), COBUIT5.	External	N/A	01 Oct 2016	N/A	6/6
Ms K Singh	B Com; B Compt; B Compt Honours; Executive Development Programme PALAMA; CIA, Associate Member of IIA	**the dti** representative	**the dti** representative	**the dti** representative	**the dti** representative	3/6
Adv R Voller	LLM	Internal	Commissioner	01 Sep 2016	N/A	4/6

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

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

NAME	QUALIFICATIONS	INTERNAL OR EXTERNAL	IF INTERNAL, POSITION IN THE PUBLIC ENTITY	DATE APPOINTED	DATE RESIGNED	# MTGS ATTENDED
Ms A Badimo	B.Sc Hons (Computer Science), MSc, MBA, CGEIT; CISM, CRISC Certificate in IT Auditing, F. Inst. D (IODSA, COUIT5	External	N/A	01 Oct 2016	N/A	5/5
Mr P Phili	B Com (Accounting); CTA; M Com (Tax); CA(SA)	External	N/A	01 Jan 2017	N/A	5/5
Adv R Voller	LLM	Internal	Commissioner	01 Sep 2016	N/A	3/5

3.8 COMPLIANCE WITH LAWS AND REGULATIONS

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

3.9 FRAUD AND CORRUPTION

The CIPC has an approved Fraud Prevention Plan detailing activities aimed at curbing fraud and related corruption in the CIPC. Of these activities, only one could not be completed for the current financial year due to unforeseen circumstances. Significant strides were made in improving fraud prevention processes and to close identified gaps that reduce fraud and corruption risk.

Various reporting channels have been established to ensure easy access by employees and other stakeholders. Based on collected statistics during the reporting period, the independently managed ethics hotline which provides for an option of anonymous reporting is increasingly becoming the preferred reporting mechanism for complainants. In addition, an escalation mechanism dependant on implicated parties has been built into the system to avoid real or perceived conflict of interest.

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

3.10 MINIMISING CONFLICT OF INTEREST

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

3.11 CODE OF CONDUCT

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

3.12 HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

3.13 COMPANY /BOARD SECRETARY (IF APPLICABLE)

Not applicable.

3.14 SOCIAL RESPONSIBILITY

Social Responsibility related initiatives implemented in the past financial year:

- **Mandela Day initiative:**
  Clothes and grocery items were donated to Leamogetswe Home in Atteridgeville.
- **Casual Day Initiative towards supporting people living with disabilities:**
  CIPC officials participated in buying casual day stickers. Collected monies were submitted to the Casual Day NGO.
- **Blood Donations:**
  Certain CIPC officials participated in blood donation initiatives with the South African Blood Donation Services.

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

3.15 AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2018.

Audit Committee Responsibility

The Audit Committee reports it has complied with its responsibilities arising from Section of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter, and has discharged all its responsibilities as contained therein, with the exception that we have not reviewed changes in accounting policies and practices.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work ,which was based on the risk assessments conducted in the CIPC, revealed certain weaknesses, which were then raised with the CIPC.

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

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

- Application controls review on the Annual Returns system
- Compliance audit on Cooperatives
- Compliance annual returns
- Active Directory post implementation Local
- and international Patents and designs
- Performance management (HR)
- Eastern Cape Self Service Terminal Durban
- Self Service Terminal
- Free State Self Service Terminal
- Saldahna Self Service Terminal
- Performance information Q1
- Registry
- Disclosures
- Cyber security review (Limitation of scope)
- Revenue
- Contract Management

In addition to be above audits, two special requests were completed.

The following were areas of concern identified by Internal Audit:

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

In-Year Management and Monthly/Quarterly Report

The public entity has submitted monthly and quarterly reports to the Executive Authority.

Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the public entity. We are satisfied that

it accurately reflects the financial status of the organisation

Auditor's Report

We have reviewed the public entity's implementation plan for audit issues, raised in the previous year. We are satisfied matters have been adequately resolved except for the following:

- Reliance of external consultants in the ICT environment
- Development and approval of the business continuity and disaster recovery plan

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

MICHAEL SASS
Chairperson of the Audit Committee
CIPC
31 July 2018

PART D

HUMAN RESOURCE MANAGEMENT

4.1 INTRODUCTION

4.1.1 OVERVIEW OF HUMAN RESOURCES MATTERS AT THE PUBLIC ENTITY

Human Capital Management matters in any organisation will always be of an utmost important or interest to its entire work force. Management in the spirit of minimising unhappiness and disgruntled employee attitudes engaged organised labour in thrashing out the long-outstanding issue on the 2013 Matching and Placing, referred to as 2013 Salary Disparity. After lengthy negotiations a settlement agreement was signed between the Employer and Organised Labour on the 2013 Salary Disparity matter.

Implementation of the approved organisational structure and automation of certain functions also highlighted challenges within CIPC in that some employees are not fully utilised or gainfully employed. At the end of the financial year 2017/18 CIPC's vacancy rate is 21.7%.

Consultation with Organised Labour on all key human capital policies are in progress and we trust the process will be concluded urgently.

4.1.2 SET HUMAN RESOURCE PRIORITIES FOR THE YEAR UNDER REVIEW AND THE IMPACT OF THESE PRIORITIES

The CIPC Human Capital Strategy has been approved by EXCO.

The People strategy will focus increasingly on changing the culture of the organisation to what is desired by CIPC management and staff.

Recruitment and Selection unit has been tasked to efficiently recruit for identified critical vacant positions within time frames set by the organisation. Experienced call centre agents have been recruited to assist CIPC customers on challenges experienced when contacting the CIPC.

4.1.3 WORKFORCE PLANNING FRAMEWORK AND KEY STRATEGIES TO ATTRACT AND RECRUIT A SKILLED AND CAPABLE WORKFORCE

The plan will provide for the following:

Organisational culture, values and ethics still strives to establish a culture that encompasses CIPC values and encourages team work and collaboration. Management remains committed to change management and creating a new culture that enables efficient service and excellent customer experience.

Training and Development: the CIPC Work Skills plan addresses all development needs of CIPC staff. This is supplemented with the newly developed Employee Personal Development Plans.

4.1.4 EMPLOYEE PERFORMANCE MANAGEMENT FRAMEWORK

The approved CIPC Employee Performance Management Policy was successfully implemented for the first time in the 2016/17 financial year, with only one dispute registered.

4.1.5 EMPLOYEE WELLNESS

Employee wellness is intrinsic to the employee value proposition and optimising of wellness within the CIPC. In line with the global trends, CIPC is shifting towards a holistic preventative approach to wellness. This encompasses provision of support and guidance to healthy employees, as well as 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
- Occupational Health clinic and advisory services
- HIV programmes
- Anti-abuse programmes
- Debt management, etc.

4.1.6 POLICY DEVELOPMENT

Human Resource policies have gone through the CIPC governance processes. They are currently in consultation with organised labour in the CIPC Bargaining Forum.

4.1.7 HIGHLIGHT ACHIEVEMENTS

- Approval of Human Capital strategy by EXCO
- Finalisation of the Remuneration Framework policy
- Consultation with organised labour on Human Resource policies
- Submission of Employment Equity plan to the Department of Labour

4.1.8 CHALLENGES FACED BY THE PUBLIC ENTITY

- Lengthy consultation on Human Resource policies: Policies will not be approved by 2017/ 2018 due to organised labour taking long to consult with members
- National Health Education & Allied Workers Union (NEHAWU) obstructed recruitment processes. Critical posts cannot be filled and this negatively impacts on organisational performance, especially at the self-service centre in Johannesburg
- Automation impacts on effective utilisation of staff in affected business units. Under-utilisation of staff results in low morale.

4.1.9 FUTURE HUMAN RESOURCE PLANS /GOALS

The Human Resource Plan seeks to achieve the following goals for the 2017/18 financial year:

- Review organisational structure
- Approval of all key Human Resource policies
- Develop staff in accordance with their Performance Development Plans.

4.2 HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme/ activity/ objective

PROGRAMME/ ACTIVITY/ OBJECTIVE	TOTAL EXPENDITURE FOR THE ENTITY	PERSONNEL EXPENDITURE	PERSONNEL EXPENDITURE (% OF TOTAL EXP.)	NO. OF EMPLOYEES	AVG PERSONNEL COST PER EMPLOYEE
	R'000	R'000	R'000	R'000	R'000
Business Regulation and Reputation	69 550	47021	68%	237	198
Innovation and Creativity Promotion	40 626	27466	68%	70	392
Service Delivery and Access	361 204	24 4203	68%	194	1 259

Personnel Cost by salary band

OCCUPATIONAL BANDS	PERSONNEL EXPENDITURE	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVG PERSONNEL COST PER EMPLOYEE
	R'000	R'000		R'000
Top Management	7 113	2%	4	1 778
Senior Management	12 856	4%	10	1 266
Professional qualified	67 308	21%	71	948
Skilled	120 505	37%	174	693
Semi-Skilled	115 972	36%	242	479
Unskilled	0	0%	0	0
TOTAL	**323 754**	**100%**	**501**	**0**

Performance Rewards

OCCUPATIONAL BANDS	PERFORMANCE REWARDS (R)	PERSONNEL EXPENDITURE (R)	PERCENTAGE PERFORMANCE REWARDS TO TOTAL PERSONNEL COST (R)
Top Management	344	7 113	3
Senior Management	538	12 856	5
Professional qualified	2 529	67 308	21
Skilled	4 056	120 505	35
Semi-skilled	4 274	115 972	36
Unskilled	-	-	-
TOTAL	**11 741**	**323 754**	**100**

Training Costs

PROGRAMME/ ACTIVITY/ OBJECTIVE	PERSONNEL EXPENDITURE	TRAINING EXPENDITURE	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO. OF EMPLOYEES TRAINED	AVG TRAINING COST PER EMPLOYEE
	R'000	R'000	R'000	R'000	R'000
Business Regulation and Reputation	69 550	391	1%	237	2
Innovation and Creativity Promotion	40 626	229	1%	70	3
Service Delivery and Access	361 204	2032	1%	194	10

Employment and vacancies

PROGRAMME/ACTIVITY/ OBJECTIVE	1 APRIL 2017 NO. OF EMPLOYEES	1 APRIL 2017 APPROVED POSTS	31 MARCH 2018 NO. OF EMPLOYEES	31 MARCH 2018 VACANCIES	% OF VACANCIES
Commissioner's Office	51	71	52	19	26.8%
Corporate Service	96	131	105	26	19.8%
Business Intelligence and Systems	33	57	37	20	35.1%
Innovation and Creativity Promotion	73	99	70	29	29.3%
Business Reg & Reputation	229	282	237	45	16.0%
TOTAL	**482**	**640**	**501**	**139**	**21.7%**

OCCUPATIONAL BANDS	1 APRIL 2017 NO. OF EMPLOYEES	1 APRIL 2017 APPROVED POSTS	31 MARCH 2018 NO. OF EMPLOYEES	31 MARCH 2018 VACANCIES	PERCENTAGE OF VACANCIES
Top Management	4	6	4	2	40.0
Senior Management	8	14	10	4	28.6
Professional qualifie	67	96	71	25	67.6
Skilled	173	261	174	86	96.0
Semi-skilled	230	263	242	22	38.8
Unskilled					
TOTAL	**482**	**640**	**501**	**139**	**21.7%**

Employment changes

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

OCCUPATIONAL BANDS	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	4	0	0	4
Senior Management	8	2	0	10
Professional qualifie	67	4	0	71
Skilled	173	2	5	174
Semi-skilled	230	20	4	242
Unskilled				
TOTAL	**482**	**28**	**9**	**501**

Reasons for staff le ving

REASON	NUMBER	TOTAL NO. OF STAFF LEAVING
Death	1	11.1%
Resignation	8	88.9%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	0	0%
Other	0	0%
TOTAL	**9**	**100%**

Labour Relations: Misconduct and disciplinary action

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	0
Written Warning	0
Final Written warning	0
Dismissal	0

Equity Target and Employment Equity Status

LEVELS	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top management	0	1	1	1	0	0	1	1
Senior management	5	5	0	0	1	1	0	0
Professional qualifie	27	34	3	3	4	4	4	4
Skilled	71	79	3	17	1	1	9	14
Semi-skilled	65	75	1	1	1	1	2	2
Unskilled								
TOTAL	**168**	**194**	**8**	**22**	**7**	**7**	**16**	**21**

LEVELS	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top management	1	1	0	0	1	1	0	0
Senior management	4	4	0	0	0	0	0	0
Professional qualifie	17	15	3	6	2	2	11	8
Skilled	70	65	5	9	5	2	10	5
Semi-skilled	141	120	8	8	1	1	23	10
Unskilled								
TOTAL	**233**	**205**	**16**	**23**	**9**	**6**	**44**	**23**

LEVELS	DISABLED STAFF			
	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualifie	0	1	0	2
Skilled	5	5	0	7
Semi-skilled	2	2	2	3
Unskilled				
TOTAL	**7**	**8**	**2**	**12**

"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 Companies and Intellectual Property Commission

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Companies and Intellectual Property Commission set out on pages 90 to 131 which comprise the statement of financial position as at 31 March 2018, and the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Companies and Intellectual Property Commission as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA)

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the Companies and Intellectual Property Commission's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor- general's responsibilities of the accounting authority for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2018:

Programmes	Pages in the annual perfomance report
Programme 1- Service delivery and access	52
Programme 2- Innovation and creativity promotion	56
Programme 3- Business regulation and reputation	58

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programmes:
    - Service delivery and access
    - Innovation and creativity promotion
    - Business regulation and reputation

Other matter

15. I draw your attention to the matter below.

Achievement of planned Targets

16. Refer to the annual performance report on pages 53 to 63 for information on the achievement of planned targets for the year and explanations provided for the overachievement of a number of targets.

Report on the audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. I did not raise material findings on compliance with specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

22. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor - General

Pretoria
28 July 2018

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- dentify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Companies and Intellectual Property Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

ANNUAL FINANCIAL STATEMENTS

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	National Public Entity in terms of Schedule 3A of the PFMA
Nature of business and principal activities	Regulator of Companies and intellectual Property in South africa
Registered office address	**the dti** campus (Block F - Entfutfukweni) 77 Meintjies Street Sunnyside, Pretoria
Postal Address	**Postal Address** P.O. Box 429 Pretoria 0001
Bankers Information	**Bankers Information** ABSA PO Box 4210 Pretoria 0001
External Auditors Information	Auditor- General South Africa

Index

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

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5.2 ANNUAL FINANCIAL STATEMENTS

Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2018

Accounting Authority's Responsibilities and Approval

The annual financial statements for the year ended 31 March 2018, are prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) and incorporate disclosure in line with the accounting policies of the entity and the requirements of the Public Finance Management Act 1999 (Act No. 1 of 1999) (PFMA).

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

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

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

The annual financial statements which have been prepared on the going concern basis, were approved by the accounting authority on 30 July 2018 and were signed on its behalf by:

Adv Rory Voller
Commissioner (Accounting Authority)

Pretoria

30 July 2018

Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Position as at 31 March 2018

	Notes	2018 R '000	2017 R '000
Assets			
Current Assets			
Inventories		70	81
Receivables from exchange transactions	3	2 547	3 396
Prepayments	4	6 488	4 885
Cash and cash equivalents	5	666 531	1 551 849
		675 636	**1 560 211**
Non-Current Assets			
Property, plant and equipment	6	29 802	32 001
Intangible assets	7	34 032	23 342
Operating lease asset	9	374	-
Prepayments	4	3 886	48
		68 094	**55 391**
Total Assets		**743 730**	**1 615 602**
Liabilities			
Current Liabilities			
Operating lease liability	9	1 369	120
Payables from exchange transactions - Non remuneration related	10	22 473	18 908
Payables from customer deposits received	11	99 336	95 326
Provisions	12	32 532	29 251
Distributions payable	22	-	209 848
		155 710	**353 453**
Non-Current Liabilities			
Operating lease liability	9	2 994	6 644
Total Liabilities		**158 704**	**360 097**
Net Assets		**585 026**	**1 255 505**
Accumulated surplus		585 026	1 255 505

Statement of Financial Performance

	Notes	2018 R '000	2017 R '000
Revenue			
Revenue from exchange transactions			
Fees	13.1	165 050	152 717
Interest income	13.2	105 632	121 810
Other income	13.3	6 956	6 164
Total revenue from exchange transactions		**277 638**	**280 691**
Revenue from non-exchange transactions			
Annual return fees	13.4	319 413	315 308
Total revenue	13	**597 051**	**595 999**
Expenditure			
Advertising		(4 157)	(9 482)
Audit fees	14	(6 518)	(6 220)
Bad debts		(50)	2
Bank charges		(7 508)	(3 783)
Consulting and professional fees	15	(58 316)	(43 334)
Depreciation and amortisation	16	(16 713)	(10 647)
Employee related costs	17	(323 754)	(253 103)
Internet and network costs		(5 124)	(5 159)
Maintenance and repairs		(855)	(1 066)
Operating lease charges	18	(26 210)	(33 668)
Communication and postage		(4 799)	(20 334)
Other operating expenses	20	(16 496)	(16 264)
Publications, printing and stationery	19	(1 238)	(4 000)
Travelling and subsistence		(5 538)	(4 516)
Total expenditure		**(477 276)**	**(411 574)**
(Loss)/Gain on disposal of assets		(102)	154
Surplus for the year		**119 673**	**184 579**

Statement of Changes in Net Assets

	Accumulated surplus R '000	Total net assets R '000
Balance at 01 April 2016	**1 505 874**	**1 505 874**
Changes in net assets		
Surplus for the year	184 579	184 579
Transfer to National Revenue Fund	(434 948)	(434 948)
Total changes	(250 369)	(250 369)
Balance at 01 April 2017	**1 255 505**	**1 255 505**
Changes in net assets		
Surplus for the year	119 673	119 673
Transfer to National Revenue Fund	(790 152)	(790 152)
Total changes	(670 479)	(670 479)
Balance at 31 March 2018	**585 026**	**585 026**
Note	22	

Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2018

Cash Flow Statement

	Notes	2018 R '000	2017 R '000
Cash flows from operating activities			
Receipts			
Fees		165 050	152 717
Annual return fees		323 423	328 019
Other income		6 956	6 164
Interest income		105 632	121 810
		601 061	608 710
Payments			
Employee costs		(319 823)	(249 678)
Suppliers		(141 191)	(149 182)
		(461 014)	(398 860)
Net cash flows from operating activities	23	**140 047**	**209 850**
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	(8 649)	(11 457)
Proceeds on disposal of property, plant and equipment	6	70	354
Acquisition of intangible assets	7	(16 786)	(15 676)
Net cash flows from investing activities		**(25 365)**	**(26 779)**
Cash flows from financing activities			
Transfer to National revenue fund	22	(1 000 000)	(225 097)
Net increase in cash and cash equivalents		**(885 318)**	**(42 026)**
Cash and cash equivalents at the beginning of the year		1 551 849	1 593 875
Cash and cash equivalents at the end of the year	5	**666 531**	**1 551 849**

Companies and Intellectual Property Commission

Annual Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget R '000	Adjustments R '000	Final Budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions	197 873	-	**197 873**	165 050	**(32 823)**	N1
Revenue from non exchange transactions	374 000	-	**374 000**	319 413	**(54 587)**	N2
Other income	2 918	-	**2 918**	6 956	**4 038**	N3
Interest received from exchange transactions	130 496	-	**130 496**	105 632	**(24 864)**	N4
Total revenue	**705 287**	**-**	**705 287**	**597 051**	**(108 236)**	
Expenses						
Employee cost	(354 704)	-	**(354 704)**	(323 754)	**30 950**	
Operational expenditure	(139 084)	-	**(139 084)**	(98 770)	**40 314**	N5
Other administrative expenditure	(50 266)	-	**(50 266)**	(37 989)	**12 277**	N6
Depreciation and amortisation	(11 020)	-	**(11 020)**	(16 713)	**(5 693)**	N7
Bad debts	-	-	**-**	(50)	**(50)**	
Total expenditure	**(555 074)**	**-**	**(555 074)**	**(477 276)**	**77 798**	
Operating surplus	**150 213**	**-**	**150 213**	**119 775**	**(30 438)**	
Gain on disposal of assets	-	-	**-**	(102)	**(102)**	
Surplus for the year	**150 213**	**-**	**150 213**	**119 673**	**(30 540)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement - Refer note 36	**150 213**	**-**	**150 213**	**119 673**	**(30 540)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	
Statement of Financial Position						
Assets						
Non-Current Assets						
Property, plant and equipment	17 700	-	**17 700**	8 649	**(9 051)**	N8
Intangible assets	16 620	-	**16 620**	16 787	**167**	
Total Assets	**34 320**	**-**	**34 320**	**25 436**	**(8 884)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	34 320	-	**34 320**	25 436	**(8 884)**	

Companies and Intellectual Property Commission
Annual Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R '000	R '000	R '000	R '000	R '000	

Budget narrations are included for all income variances and other variances above 15%

N1 - Revenue from exchange transactions
The variance of R32,8 mil (2017: R29,3 mil), translated to 16.6% (2017: 16%) below budget is attributed mainly to actual Company registrations and Trade mark applications being 16.7% lower compared to the budget due to lower than expected filings.

N2 - Revenue from non exchange transactions
The variance of R54,5 mil (2017: R24,6 mil), translated to 14.6% below budget (2017: 7.2%) relates mainly to the increase in budgeted annual return revenue compared to the prior year which did not materialise. Annual return revenue remained consistent compared to the prior year.

N3 - Other income
The variance of R4 mil (2017: R5,1 mil), translated to 138% (2017: 436%) over the budgeted revenue relates mainly to the prescription of receipts older than three years. The CIPC does not budget for such due to the uncertainty of the amount which will be unutilised during each financial year.

N4 - Interest income
The variance of R24,9 mil (2017: R1 mil above budget), translated to 19% (2017: 0.8% above budget) below budget is due to the CIPC surrendering R1 billion of its invested accumulated surplus to the National Treasury in January 2018 which subsequently decreased the monthly interest earned.

N5 - Operational expenditure
The variance of R40,3 mil (2017: R24 mil), translated to 29% (2017: 18%) savings in the budgeted expenditure relates mainly to the following:

*Under spending of approximately R10 mil in the budgeted communication costs as expenditure relating to the postage of deregistration letters which did not materialise.

*Savings of approximately R4 mil in the budgeted office rental lease costs due to the fact that the CIPC has collaborated with strategic partners in the public sector to operate its Self-Service Terminals (SST's) rather than having stand alone CIPC offices.

*Under spending of approximately R19 mil in the budgeted consultancy fees for Information Communication and Technology (ICT) services as the CIPC is still in the implementation phase of the ICT infrastructure revamp project. The entity has also implemented cost containment measures regarding the utilisation of consultants, where possible.

N6 - Other administrative expenditure
The variance of R12,2 mil (2017: R3 mil), translated to 24% (2017: 7%) savings in the budgeted expenditure relates mainly to the following:

*Savings of approximately R5,9 mil in the budgeted conferences, venues facilities budget due to effective cost containment initiatives.

*Savings of approximately R4,2 mil in the budgeted internships and bursary costs.

N7 - Depreciation and amortisation
The variance of R5,6 mil (2017: R0,2 mil), translated to 51% (2017: 2%) above budgeted expenditure is due to the impact of significant additions to computer hardware and software in the prior and current year.

N8 - Property, plant and equipment
The variance of R9 mil (2017: R4 mil) translated to 51% (2017: 13%) below the budgeted capital expenditure is mainly attributed to the budget for new laptops and desktops not beng utilised as the tender was awarded late in the financial year.

Accounting Policies

1. Basis of preparation

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

Accounting Policies

1.3 Property, plant and equipment

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

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

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

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

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

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

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

The useful lives of items of property, plant and equipment have been assessed as follows:

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

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

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

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

Accounting Policies

1.4 Intangible assets

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

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Amortization method	Average useful life
Capitalised Computer software (Intangible assets)	Straight line	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.

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

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

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

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

Financial assets

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

Financial liabilities

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

Accounting Policies

1.5 Financial instruments (continued)

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

Classification

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

Financial assets

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

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They comprise prepayments and receivables from exchange transactions. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method, less any impairment loss. The entity classifies it's financial assets as reflected on the face of the statement of financial position as follows:

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

Financial liabilities

Payables from deposits received in advance: Deferred income

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

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

The entity classifies its financial liabilities as reflected on the face of the statement of financial position as follows:

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

Initial measurement of financial assets and financial liabilities

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

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

1.5 Financial instruments (continued)

Fair value measurement considerations

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

Financial liabilities

The entity removes a financial liability from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Gains and losses

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

Offsetting

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

1.6 Leases

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

Operating leases

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

1.7 Inventories

Inventories are recognised as an asset if,
(a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
(b) the cost of the 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 first in, first out method.

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

1.8 Impairment of cash-generating assets

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

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

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

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

1.9 Impairment of non-cash-generating assets

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

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

1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

1.11 Revenue from exchange transactions

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

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

Revenue from fees
When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
(a) the amount of revenue can be measured reliably;
(b) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
(c) the stage of completion of the transaction at the reporting date can be measured reliably; and
(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Trade receivables from exchange transactions

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

1.12 Revenue from non-exchange transactions

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

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

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

1.13 Employee benefits

Short-term employee benefits

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

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

Post-employment benefit: Defined contribution plan

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

1.14 Fruitless and wasteful expenditure

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

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

1.15 Irregular expenditure

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

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

1.16 Budget information

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

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

Accounting Policies

1.17 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact

Notes to the Annual Financial Statements

	2018 R '000	2017 R '000
3. Receivables from exchange transactions		
Trade receivables	745	1 308
Staff receivables	754	763
Patent Corporation Treaty (PCT) receivables	18	9
Other receivables	1 127	1 374
Provision for doubtful debts	(97)	(58)
	2 547	**3 396**
4. Prepayments		
Prepaid expenses:		
Computer warranty	-	7
Insurance assets	36	107
Renewal of software licence	6 839	1 276
Subscriptions	45	-
Exhibition space	51	-
Rental expense	172	223
Software maintenance agreement	3 231	3 237
Training	-	83
	10 374	**4 933**

Reconciliation of prepayments

March 2018	Less than one year	Longer than one year	Total
Prepayments	6 488	3 886	10 374

March 2017	Less than one year	Longer than one year	Total
Prepayments	4 885	48	4 933

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018 R '000	2017 R '000
Bank balances	3 353	3 493
Collection accounts	9 460	799
Call account-Corporation for Public Deposits (CPD)	653 718	1 547 557
	666 531	**1 551 849**

Call account: Interest was earned at an average rate of 7.2% (2017: 7.3%) during the financial year.

Notes to the Annual Financial Statements

6. Property, plant and equipment

	2018			2017		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Computer equipment	57 554	(34 528)	23 026	53 060	(29 324)	23 736
Office furniture and equipment	10 052	(4 519)	5 533	10 477	(3 946)	6 531
Lease hold improvements	3 223	(1 980)	1 243	3 081	(1 347)	1 734
Total	**70 829**	**(41 027)**	**29 802**	**66 618**	**(34 617)**	**32 001**

Reconciliation of property, plant and equipment - 2018

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

Reconciliation of property, plant and equipment - 2017

	Opening balance	**Additions**	**Disposals**	**Derecognition**	**Depreciation**	**Total**
Computer equipment	20 632	10 491	(182)	(51)	(7 154)	23 736
Office furniture and equipment	7 223	291	(18)	(1)	(964)	6 531
Lease hold improvements	1 599	675	-	-	(540)	1 734
	29 454	**11 457**	**(200)**	**(52)**	**(8 658)**	**32 001**

Notes to the Annual Financial Statements

7. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Capitalised computer software	47 857	(13 825)	34 032	31 070	(7 728)	23 342

Reconciliation of intangible assets - 2018

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

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Derecognition	Amortisation	Total
Capitalised Computer software	9 743	15 676	(88)	(1 989)	23 342

8. Changes in accounting estimates

Property, plant and equipment

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

Reassessment of property plant and equipment useful lives	347	444

Intangible assets

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

Reassessment of intangible assets useful lives	5	56

9. Operating lease asset (accrual)

Non-current assets	374	-
Current liability	(1 369)	(120)
Non-current liability	(2 994)	(6 644)
	(3 989)	**(6 764)**

Notes to the Annual Financial Statements

10. Payables from exchange transactions - Non remuneration related

	2018 R '000	2017 R '000
Trade payables	11 322	6 289
Accruals: Remuneration related	5 567	4 917
Accruals: Trade payables	5 584	7 702
	22 473	**18 908**

11. Payables from customer deposits received

Deposits of advance receipts*	99 336	95 326

*Deposits are received from customers for future transactions. These are non-interest bearing and are recognised as revenue when the customer transacts with the CIPC.
Deposits received that have not been utilised for a period of 3 years from receipt date, are recognised as other income.

12. Provisions

Reconciliation of provisions - 2018

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

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Leave pay benefits	15 518	2 392	-	-	17 910
Performance bonuses	11 086	11 341	(8 944)	(2 142)	11 341
	26 604	**13 733**	**(8 944)**	**(2 142)**	**29 251**

Leave pay benefits:

In terms of the CIPC leave pay policy, employees are entitled to accumulated leave pay benefits not taken within a leave cycle, provided that any leave benefits, excluding capped leave (R8,3 million) accrued before 1 July 2000, not taken within a period of six months after the end of the leave cycle are forfeited.

Performance bonuses:

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

The actual expense paid during the 2017/2018 financial year relating to the 2017 provision amounted to R11,7 million. The under-provision was accepted as immaterial and therefore the comparatives were not restated.

Notes to the Annual Financial Statements

	2018 R '000	2017 R '000
13. Revenue		
Fees	165 050	152 717
Other income	6 956	6 164
Interest income	105 632	121 810
Annual return fees	319 413	315 308
	597 051	**595 999**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Fees	165 050	152 717
Other income	6 956	6 164
Interest income	105 632	121 810
	277 638	**280 691**
13.1 Fees		
Corporate information	16 553	13 196
Company registration and maintenance	89 930	85 793
Data sales	2 085	2 084
Intellectual property registration and maintenance	53 670	48 908
Cooperatives registration and maintenance	2 812	2 736
	165 050	**152 717**
13.2 Interest income		
Interest received	105 632	121 810
13.3 Other income		
Other exchange transactions	337	250
Patent Corporation Treaty (PCT) income	57	63
Recognition of unallocated deposits as revenue	6 057	5 851
DOCEX settlement	505	-
	6 956	**6 164**

The amount included in revenue arising from non-exchange transactions is as follows:

	2018 R '000	2017 R '000
13.4 Annual return fees		
Annual return fees*	319 413	315 308

*Included in annual return fees are penalties levied for returns submitted more than 30 days after the due date.

Nature and type of services in-kind are as follows:

Staff in patent division	The South African Institute of Intellectual Property Law (SAIIPL) employed 5 temporary staff members who are deployed as interns in the Patents Division of CIPC for a period of 12 months commencing on 01 September 2017 and expiring on 31 August 2018. The total value of services in kind received by the CIPC for the financial period is R175 000. **

** Services in kind have been disclosed above but not recognised in other income due to the value received being immaterial.

Notes to the Annual Financial Statements

	2018 R '000	2017 R '000
14. Audit fees		
External audit fees - Regulatory audit	5 504	4 319
Internal audit fees (Co-sourced portion)	1 014	1 901
	6 518	**6 220**
15. Consulting and professional fees		
Specialist information technology consultants, licences and services	49 731	33 398
Management consultants	8 585	9 936
	58 316	**43 334**
16. Depreciation and amortisation		
Computer equipment	9 002	7 154
Office furniture and equipment	982	964
Leasehold Improvements	633	540
Amortisation of intangible assets	6 096	1 989
	16 713	**10 647**
17. Employee costs		
Salary	218 803	192 554
Bargaining council settlement	36 000	-
Pension contributions	21 295	19 170
Medical contributions	12 430	12 192
Service bonus	10 622	9 810
Performance bonus	12 994	9 199
Other benefits	5 803	5 951
SDL	2 821	2 166
Overtime and production allowances	1 861	496
Long-service bonus	1 125	1 220
Lumpsum settlement	-	345
	323 754	**253 103**
18. Operating lease charges		
Motor vehicles	272	280
Offsite storage facility	6 227	11 635
Premises	18 760	20 684
Equipment	951	1 069
	26 210	**33 668**
19. Publications, printing and stationery		
Publications and printing	523	885
Stationery	715	3 115
	1 238	**4 000**

	2018 R '000	2017 R '000

20. Other operating expenses

	2018	2017
Audit and risk committee fees	894	1 187
Bursaries	765	554
Conferences and venues	2 109	3 600
Derecognition of assets - Refer note 21	59	141
Entertainment and refreshments	251	390
Flowers	10	-
Insurance and courier services	277	178
Legal fees	5 552	4 138
Membership fees	2 339	111
Resettlement costs	9	46
Security and cleaning	2 169	2 083
Training	2 062	3 836
	16 496	**16 264**

21. Derecognition of assets

	2018	2017
Computer equipment	-	21
Office equipment	-	1
Computer equipment: Laptops	59	31
Computer software	-	88
	59	**141**

Computer equipment: Laptops

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

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	2018 R '000	2017 R '000

22. Transfer to National Revenue Fund

	2018	2017
Balance at beginning of the year	(209 848)	-
Transfers to the National Revenue Fund declared	(790 152)	(434 948)
Balance at end of the year	-	209 848
	(1 000 000)	**(225 100)**

March 2018

Surplus for 2017/18

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

Instruction by National Treasury to surrender funds

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

March 2017:

Surplus for 2016/17

The CIPC did not request approval to retain its cash surplus for the 2016/2017 financial year as management intended to surrender the cash surplus to the National Revenue Fund. A payable equal to the cash flows from operating activities for the 2016/2017 year was therefore recognised in line with paragraph 3.2 of the National Treasury Instruction No. 3 of 2015/2016. This amounted to R209,848 million. The cash surplus will be paid into the National Revenue Fund in line with paragraph 7.2 of the National Treasury Instruction No. 3 of 2015/2016.

Surplus for 2015/16

The CIPC submitted an application to the National Treasury to retain the surplus for the 2015/2016 financial year in terms of section 53(3) of the PFMA. The National Treasury did not grant the approval. The cash surplus was paid into the National Revenue Fund in line with paragraph 7.2 of the National Treasury Instruction No 3 of 2015/2016. This amounted to R225,100 million.

23. Cash generated from operations

	2018	2017
Surplus	119 673	184 579
Adjustments for:		
Depreciation and amortisation	16 713	10 647
Loss (gain) on sale of assets	102	(154)
Bad debt written off	50	(2)
Movements in operating lease assets and accruals	(2 775)	3 510
Movements in provisions - Employee costs	3 281	2 647
Derecognition of assets	59	141
Changes in working capital:		
Inventories	11	(81)
Receivables from exchange transactions	799	(2 851)
Prepayments	(5 441)	(884)
Payables from exchange transactions - Non remuneration related	2 915	(413)
Payables from exchange transactions - Employee costs related	650	-
Payables from customer deposits - Annual returns	4 010	12 711
	140 047	**209 850**

	2018 R '000	2017 R '000

24. Key Management emoluments

Executive

2018

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

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	2018 R '000	2017 R '000

24. Key Management emoluments (continued)

2017

Name	Designation	Emoluments	Acting allowance	Travel and subsistence allowance	Performance bonus	Total
Adv Rory Voller	Commissioner - appointed 01 October 2016	996	-	24	-	1 020
	Deputy Commissioner - promoted to commissioner 01 October 2016	736	125	49	62	972
Ms Hamida Fakira-du Toit	Executive Manager: Corporate Services	1 523	-	-	-	1 523
Mr Lungile Dukwana	Chief Strategy Executive	1 424	-	23	60	1 507
Mr Renier du Toit	Chief Financial Officer -on special leave from 31 May 2015 and resigned on 31 January 2017	1 717	-	-	66	1 783
Ms Fundisiwe Malaza	Acting Chief Financial Officer - contract ended 31 January 2017	906	-	1	34	941
Mr Themba Lusenga	Acting Chief Financial Officer - From 01 February 2017 to 31 March 2017	153	28	-	-	181
Mr Andre Kritzinger	Executive Manager - Business Intelligence	1 708	-	-	72	1 780
Mr Mpho Mathose	Chief Audit Executive - appointed 01 June 2016	890	-	1	-	891
Ms Nomonde Maimela	Executive Manager: Innovation and creativity	1 684	-	84	71	1 839
Ms Bathabile Kapumha	Divisional Manager: Risk, Governance and Compliance	1 266	-	1	-	1 267
		13 003	**153**	**183**	**365**	**13 704**

	2018 R '000	2017 R '000

25. Pension

The CIPC provides a defined benefit scheme for its employees which is the Government Employees Pension Fund (GEPF). Contributions to the pension plan in respect of service in a particular year are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate, as part of the cost of employment.

The CIPC has no legal or constructive obligation in respect of normal retirements to pay further contributions if the GEPF does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not the financial statements of CIPC.

	2018 R '000	2017 R '000
The total entity contribution to the scheme	21 295	19 170

	2018 R '000	2017 R '000

26. Operating lease commitments

March 2018	0-1 Years	2-5 Years	Total
The dti Campus	16 749	18 424	35 173
Johannesburg Stock Exchange	99	173	272
Sunny Park Mall	1 768	550	2 318
Katanga parking	74	-	74
Carlton Centre: Transnet	201	-	201
Norton Rose House: Cape Town	213	-	213
Iron mountain - Backup storage facility	92	90	182
Iron Mountain - Off-site file storage	9 471	19 412	28 883
Coffee Machines	20	-	20
Bytes - Printers	958	950	1 908
	29 645	**39 599**	**69 244**

March 2017	0-1 Years	2-5 Years	Total
The dti Campus	15 222	35 163	50 385
Johannesburg Stock Exchange	77	227	304
Sunny Park Mall	1 765	2 227	3 992
Katanga parking	73	-	73
Carlton Centre: Transnet	730	2 285	3 015
Picbel Parkade: Cape Town	272	934	1 206
Iron Mountain - Backup storage facility	85	182	267
Iron Mountain - Off-site file storage	9 038	28 632	37 670
Coffee machines	26	20	46
Bytes - Printers	950	950	1 900
	28 238	**70 620**	**98 858**

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

Johannesburg Stock Exchange (JSE) - Office
The offices are based in Sandton at the Johannesburg Stock Exchange. The lease term is 3 years from 01 November 2017 to 31 October 2020. The lease rental escalates at 8.25% per annum.

Sunny Park Mall - Offices and parking
The offices are based at Sunny Park Mall, Pretoria. The lease term is 3 years, from 01 December 2015 to 30 November 2018 and 01 September 2016 to 31 August 2019. The lease rental escalates at 8% annually. The lease includes leases for parking which expire on 31 August 2019 and escalates at 8% per annum.

Katanga Parking
The lease is for the renting of parking bays at the dti campus. There is no annual escalation applicable. The lease was subsequently extended for 12 months from 01 August 2017 to 31 July 2018.

Carlton Centre: Transnet - Office
The offices are based in Johannesburg at the Carlton Centre. The lease term is 13 months from 01 August 2017 to 31 August 2018. The lease expires on 31 August 2018.

Norton Rose House: Cape Town - Offices
The office is based at Norton Rose House, Cape Town. The lease term is 1 year, from 01 February 2018 to 31 January 2019. The lease expires on 31 January 2019.

Iron Mountain - Backup storage facility
The lease is for the backup storage facilities. The lease period is 3 years, from 01 March 2017 to 28 February 2020. The lease escalates at 4.7% per annum.

	2018 R '000	2017 R '000

26. Operating lease commitments (continued)

Iron Mountain - Off-site file storage
The lease is for an off-site file storage facility. The lease term 4,5 years, from 01 September 2016 to 28 February 2021. The commitment is based on the maximum estimated storage space which may be utilised by the CIPC. However, the expense is based on the actual storage space utilised and results in the differing monthly costs.

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

Bytes - Printers
Relates to a lease for printers at the CIPC offices in Pretoria. The period of the lease is 5 years from 01 April 2016 to 31 March 2021. There is no escalation clause applicable. The lease expense will decrease by 50% per annum in the final 2 years of the lease.

27. Taxation

Income tax

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

Value-added tax

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

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28. Contingencies

Contingent liabilities

Accumulated surplus		
	547 269	1 342 001

In terms of section 53(3) of the PFMA the entity at the end of the financial year needs to declare any surplus to the National Treasury. The National Treasury may apply such surplus to reduce any proposed allocation to the entity; or require that all or part of it be deposited in the Exchequer bank account.

Surplus for 2017/18

A declaration of the cash surplus as at 31 March 2018 was submitted to the National Treasury on 31 May 2018. An application to retain such surplus was submitted to the National Treasury in terms of section 53(3) of the PFMA.

Surplus for 2016/17

A declaration of the cash surplus as at 31 March 2017 was submitted to the National Treasury on 31 May 2017. An application to retain such surplus was submitted to the National Treasury in terms of section 53(3) of the PFMA.

Enterprise Content Management System (ECM)		
	10 090	10 090

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

Contingent asset

Docex		
	-	505

Docex settled the amount of R505 thousand in the 2017/18 financial year. Refer note 13.3 - Other income.

29. Planned capital programmes

The following capital programmes were approved and contracted:

The dti Campus		
Software investment in ICT systems: XBRL	6 576	-

The following capital programmes were approved but not yet contracted:

The dti Campus and Self service centres		
Furniture	500	500
Leasehold improvements - dti Campus and Self service centres Hardware	8 000	1 700
investment in ICT systems for improved service delivery Software	18 424	32 120
investment in ICT systems for improved service delivery	45 800	-
	72 724	**34 320**

	2018 R '000	2017 R '000

30. 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	500	333

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

Balance in the PCT bank account	500	333

31. Risk management

Financial risk management

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

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

Liquidity risk

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

March 2018	Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
Payables from exchange transactions	22 473	22 473	22 473	-
Payables from deposits received in advance	99 336	99 336	99 336	-
	121 809	**121 809**	**121 809**	**-**

March 2017	Carrying amount	Total cash flow	Contracted cash flow within 1 year	Contractual cash flow 2-5 years
Payables from exchange transactions	18 908	18 908	18 908	-
Payables from deposits received in advance	95 326	95 326	95 326	-
	114 234	**114 234**	**114 234**	**-**

	2018 R '000	2017 R '000

31. Risk management (continued)

Credit risk

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

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

Exposure to credit risk		
Cash and cash equivalents*	666 531	1 551 849
Receivable from exchange transactions	12 921	8 329
	679 452	**1 560 178**

* Included is an amount of R654 million (2017: R1 548 million) invested in a call account at the South African Reserve Bank

Concentration of credit risk

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

March 2018	*Baa3 and Government	Unrated
Cash and cash equivalents	666 531	-
Prepayments	-	10 374
Receivables from exchange transactions	-	2 547
	666 531	**12 921**

March 2017	*Baa3 and Government	Unrated
Cash and cash equivalents	1 551 849	-
Prepayments	-	4 933
Receivables from exchange transactions	-	3 396
	1 551 849	**8 329**

Ageing of financial assets

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

March 2018	Neither past due nor impaired	Past due but not impaired less than 12 months	Past due but not impaired more than 12 months	Carrying value
Cash and cash equivalents	666 531	-	-	666 531
Receivables from exchange transactions	-	2 547	-	2 547
	666 531	**2 547**	**-**	**669 078**

March 2017	Neither past due nor impaired	Past due but not impaired less than 12 months	Past due but not impaired more than 12 months	Carrying value
Cash and cash equivalents	1 551 849	-	-	1 551 849
Receivables from exchange transactions	-	3 396	-	3 396
	1 551 849	**3 396**	**-**	**1 555 245**

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31. Risk management (continued)

Market risk

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

Interest rate risk

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

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

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

March 2018	Change in interest rate	Increase in the surplus for the year upward change	Decrease in the surplus for the year downward change
Cash and cash equivalents	1 %	14 982	(14 831)

March 2017	Change in interest rate	Increase in the surplus for the year upward change	Decrease in the surplus for the year downward change
Cash and cash equivalents	1 %	17 708	(16 458)

32. Related party transactions

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

Department of Trade and Industry (the dti)	Transactions 31 March 2018	Balance due as at 31 March 2018	Transactions 31 March 2017	Balance due as at 31 March 2017
Expenses				
Lease of building	15 226	-	14 043	(205)
Telephone costs	978	219	981	85
Internet costs	229	19	229	-
Subtotal	16 433	238	15 253	(120)
National Consumer Tribunal (NCT)				
Expenses				
Contribution to conference	-	-	100	-
	16 433	**238**	**15 353**	**(120)**

The dti group

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

Income (Dislosure of information)

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

Name	**Relationship**
Department of Trade and Industry	Member of the dti group
Companies Tribunal	Member of the dti group
National Consumer Commission (NCC)	Member of the dti group
National Consumer Tribunal (NCT)	Member of the dti group
National Credit Regulator (NCR)	Member of the dti group
National Gambling Board (NGB)	Member of the dti group
National Lotteries Commission (NLC)	Member of the dti group
National Regulator for Compulsory Specifications (NRCS)	Member of the dti group
South African Bureau of Standards (SABS)	Member of the dti group
Export Credit Insurance Corporation of South Africa	Member of the dti group
National Empowerment Fund (NEF)	Member of the dti group
National Metrology Institute of South Africa	Member of the dti group
South African National Accreditation System (SANAS)	Member of the dti group

32. Related party transactions (continued)

Department of Labour	National sphere of government
Department of Basic Education	National sphere of government
Department of Community Safety	National sphere of government
Department of Co-operative Governance	National sphere of government
Department of Correctional Services	National sphere of government
Department of Environmental Affairs	National sphere of government
Department of Justice	National sphere of government
Department of Public Enterprises	National sphere of government
Department of Public Service and Administration	National sphere of government
Department of Public Works	National sphere of government
Department of Rural Development and Land Reform	National sphere of government
Parliament	National sphere of government
BBBEE Commission	National sphere of government
Cross Border Road Transport Agency	National sphere of government
Department of Mineral Resources	National sphere of government
Department of Education and Sport Development	National sphere of government
Department of Health	National sphere of government
Department of International Relations and Co-Operation (DIRCO)	National sphere of government
Gauteng Provincial Legislature	National sphere of government
North-West Provincial Legislature	National sphere of government
Department of Small Business Development	National sphere of government
Office of the Premier: Free State Province	National sphere of government
Department of Roads and Transport	National sphere of government
E-Government	National sphere of government
Film and Publication Board	National sphere of government
Pension Fund Adjudicator	National sphere of government
National Department of Social Development	National sphere of government
National Prosecuting Authority	National sphere of government
National Treasury	National sphere of government
Office of the President	National sphere of government
SA Diamond and Precious Metals Regulator	National sphere of government
South African Police Services	National sphere of government
Competition Commission	Government institution
National Energy Regulator	Government institution
Office of the Public Service Commission	Government institution
South African Revenue Services	Government institution
Special Investigating Unit	Government institution
State Security Agency	Government institution

Transactions with key management

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

Expenditure

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

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33. Fruitless and wasteful expenditure

	2018	2017
Fruitless and wasteful expenditure - Cancelled meetings	24	-
Opening balance	27	27
Add: Fruitless and wasteful expenditure - current year	24	-
Less: Amounts recovered	-	-
Less: Amounts written off	-	-
	51	**27**

No losses have occurred during the current and previous financial year due to criminal conduct, irregular expenditure and fruitless or wasteful expenditure, except as indicated above.

34. Irregular expenditure

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

	2018	2017
ICT maintenance contract - Contract period expired	-	21
Catering - Quotes received after closing date	-	22
Placement fees - Procurement process not followed	-	152
ICT data connection services - Contract value exceeded	-	115
Recruitment adverts - Contract value exceeded	-	245
ICT licence renewal - Late payment of annual licence	-	33
Exhibition costs - Procurement process not completed adequately	-	15
	-	**603**
Opening balance	98 531	104 470
Add: Irregular Expenditure - current year	-	603
Less: Amounts condoned	(15)	(338)
Less: Amounts recoverable (not condoned)	-	(6 204)
	98 516	**98 531**

Analysis of expenditure awaiting condonation per age classification

	2018	2017
Current year	-	250
Prior years	98 516	98 266
	98 516	**98 516**

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34. Irregular expenditure (continued)

Details of irregular expenditure not yet condoned

Incurred in prior years	
Catering costs	5
Recruitment adverts	245
Enterprise Content Management System (ECM)	98 236
Catering	30
	98 516

Enterprise Content Management System (ECM)

The Enterprise Content Management System (ECM) cannot be condoned as litigation is still in process. Refer to note 27 for details on the contingent liability disclosure.

35. Gifts and donations

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

	2018	2017
Smaller gifts to various staff members	11	2

Granting of sponsorships and gifts by the CIPC:

	2018	2017
Smaller gifts	4	4

36. Reconciliation between budget and cash flow statement

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

	2018	2017
Operating activities		
Actual amount as presented in the budget statement	119 673	184 575
Basis differences	20 374	25 274
Net cash flows from operating activities	**140 047**	**209 849**
Investing activities		
Actual amount as presented in the budget statement	(25 436)	(27 132)
Basis differences	71	354
Net cash flows from investing activities	**(25 365)**	**(26 778)**
Financing activities		
Basis differences	(1 000 000)	(225 097)
Net cash generated from operating, investing and financing activities	**(885 318)**	**(42 026)**

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37. Prior period error

During the current financial year, it was discovered that certain travel accruals amounting to R1,809 million relating to the prior year were under accrued, and expenditure relating to printing costs amounting to R1,006 million and internet costs amounting to R140 thousand were over accrued.

The financial impact of the error amounts to R663 thousand which was expensed in the 2017/18 year instead of the 2016/17 year. Management decided not to restate the prior year financial figures as the amount of the error is below the organisational materiality of R3,526 million.

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