INTERFRONT'S COMMITMENT

MANDATE

- In line with World Customs Organization standards and modernisation initiatives, Interfront provides customs and border solutions to facilitate trade, secure borders and generate value for its shareholder and clients.

MISSION

- We deliver smart solutions, creating better borders

VISION

- The best partner in border solutions

3-YEAR STRATEGIC PRIORITIES

- Develop and support a customs and border management solution for SARS
- Expanding our African and global footprint – develop and support a customs and border management solution for other customers
- Establish a broader customer base
- Build a sustainable, financially self-sufficient organisation

VALUES

» TECHI – how we work

T	TRUST	Trustworthy – being honest and reliable Respect – treat others as you would like to be treated
E	EXCELLENCE	Striving for the best in our organisation and our product through constant innovation and pride in our product and service delivery
C	CAMARADERIE	Passionate team-work; walking the extra mile; commitment to the team and organisation; fun
H	HUMILITY	Servant leadership –letting other people have your way; transparency; communication; supportive – acting in the best interest of those you are leading in a humble way, supporting each other's efforts; empowerment; fairness – treating other people in a fair and consistent way; collaboration
I	INTEGRITY	Consistently acting in an honest, respectful and trustworthy manner. Say what you do and do what you say

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PART A – INTERFRONT PRODUCT - iCBS

PART B – PERFORMANCE AND ORGANISATIONAL HIGHLIGHTS

PART C - PERFORMANCE INFORMATION

PART D - GOVERNANCE

PART E – FINANCIAL STATEMENTS

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MESSAGE FROM THE CHAIRMAN OF THE BOARD

Interfront has achieved its strategic goals for the year under review, most notably, to further develop the customs solution for SARS, to develop a strategic marketing approach and to conduct its business in an environment of sound governance.

Interfront has established the iCBS product brand and stands ready to grow its market share.

The Board has actively exercised a leading role as the accounting authority, not only through Board meetings, but through its various organs, interim resolutions and regular interaction through a designated Board member, who acts also as the shareholder's representative.

It is my pleasure to note that this report has been approved by the Board.

M A Enus-Brey

Chairman of the Board

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

It is gratifying to report on a successful year for Interfront. I refer not only to our core function as a customs software developer in the first instance for the South African Revenue Service, but also to the purposeful steps taken to approach the global market.

The year under review has seen Interfront develop a marketing strategy and start active engagement in the market.

We are able to offer a modular customs solution which meets leading standards and offers cutting edge technology. It is compatible with major platforms, can be readily integrated with accounting and other related systems and customised to individual client needs.

Interfront seeks to further develop its offering of customs modules, together with their refinement into accelerated product. This allows modules to be efficiently customised to client specific needs, thereby reducing delivery timeframes. Focused product development and active marketing, will require a concomitant investment.

The year has seen sound financial performance with a move to a healthy surplus. This is accompanied by another clean audit report both on Interfront's financial statements and governance, as well as its performance against predetermined objectives.

IT expertise is highly sought after in the market and potential staff losses in this regard, are seen as the company's most significant risk. Various initiatives have been taken during the year to provide for staff recognition and development not only to retain staff, but to maintain our agility with the expectation of new clients and challenges.

Interfront has been an astute investment. It has established a local core of intellectual capital and has the capability to build solutions in a wide spectrum of applications, in addition to those of customs.

G O Randall

Chief Executive Officer

PART A

INTERFRONT PRODUCT - iCBS

- TARIFF MANAGEMENT SYSTEM AND DUTY CALCULATOR
- CARGO AND GOODS DECLARATION PROCESSING
- LICENSE AND CERTIFICATE MANAGEMENT
- INSPECTION AND AUDIT MANAGEMENT
- RISK MANAGEMENT
- OPERATIONS MANAGEMENT

INTERFRONT PRODUCT – iCBS

» A modular product suite, rather than a single package

» The iCBS is platform independent and SOA based, allowing integration with major accounting packages to provide a seamless link to the customer's revenue, debtors and all its financial accounting systems as well as risk engines and other tools

» Value-added services afford *inter alia* regular updates encapsulating new product features and functions, support to comply with changing international customs requirements

The iCBS is a modular product suite, rather than a single package. A number of individual modules support customs procedures such as arrival and departure processing (cargo), declaration processing (goods) and customs warehousing, as well as various other functions such as risk assessment, inspection, tariff management, license and certificate management. Selected modules can be supplied individually and customised to the client's respective needs.

The iCBS is platform independent and SOA based, thus allowing integration with major accounting packages to provide a seamless link to the customer's revenue, debtors and all its financial accounting systems.

In addition, the solution can be readily interfaced with external legacy systems, providing for single screen operations with the respective trade, migration and enforcement structures. The implementation of the iCBS modules are scalable to the size and complexities of a customs operation.

Modernisation programmes are complex, typically implemented in a staged approach and taking place over a number of years. Once agreement has been reached to go ahead, Interfront will partner with the respective client and provide value-added services to customise modules and facilitate the integration of iCBS with externally supplied systems, such as the accounting modules, to deliver the full scope of the intended solution. To this end, we work closely with various service providers.

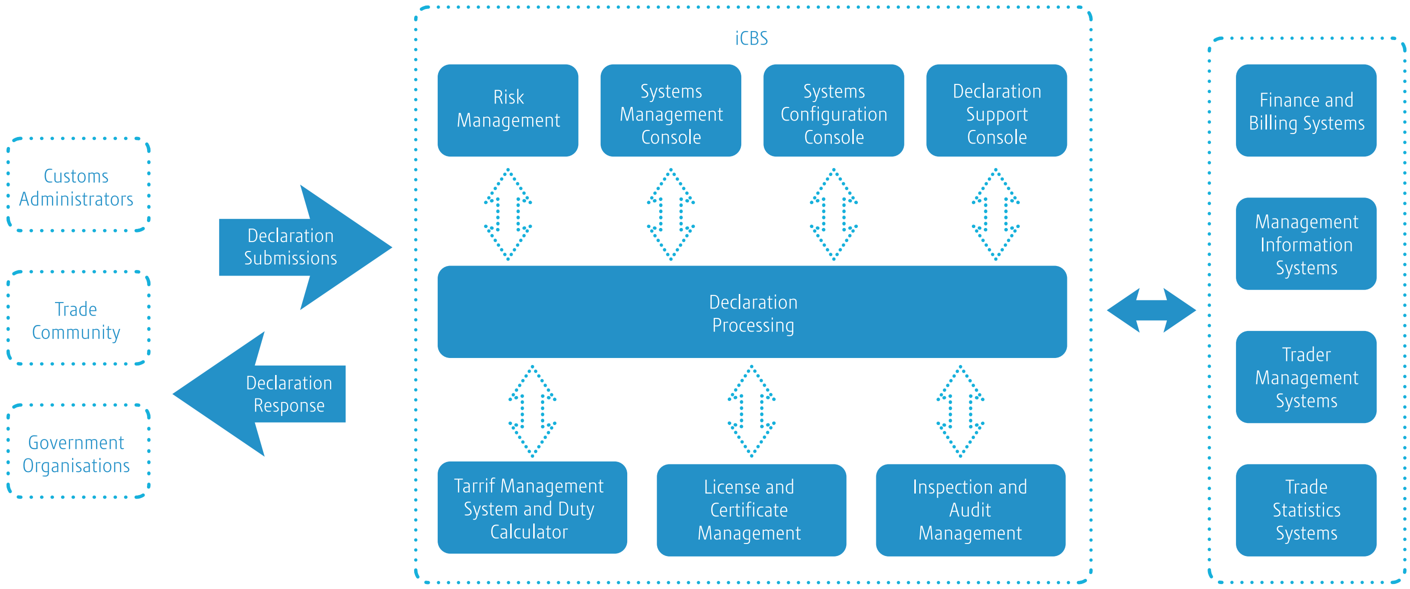
Interfront's value-added services afford *inter alia* regular updates encapsulating new product features and functions, support to comply with changing international customs norms and adaptations to the client-specific implementation to support changed/new operational needs.

Interfront has an advanced and mature software development capability which extends to second generation IP, going beyond the national domain to now also address multi-lateral solutions.

In a world where tariff, customs and security requirements are constantly developing against a backdrop of exploding technological capability, Interfront provides future-proof solutions and is set up to be a stable long-term partner. This commitment is underwritten by its shareholder and its status as a state owned company.

The strength of the IT solution lies to a significant extent in the unseen technologies that underpin the solution functionality, as well as its user efficiencies. These allow for continuous improvement and require a certain level of investment which is amply reimbursed, through long-term licence and support income.

Ultimately, our product must deliver on the fundamental demands of frontier operations. These are for uninterrupted 24/7/365 operation and long-term flexibility, as well as ease of integration across agencies. In so doing, iCBS can serve as a key building block for upholding the national security of sovereign nations.



1. Tariff Management System and Duty Calculator

Implements and manages the WCO Harmonized Tariff system from inception to decommissioning. The tariff management console supports business agility through rapid business process promotion. The time duration for promulgation to publication of amendments to tariffs and duties can be completed in minutes.

Supports the customs administration by managing risks associated with prohibited and restricted goods (e.g. illicit trade). Offers the capability of maintaining trade agreement provisions. The Tariff Management System facilitates the management of the required documentation and thus the movement towards single window.

The duty calculator ensures accurate and consistent duty calculations across the business and offers the customs organisation the flexibility to configure duty calculation formula.

2. Cargo and Goods Declaration Processing

Supports the core business processes of the customs administration for national or inter-regional goods movements. This includes the validation of documents or reported events associated with import, export, and arrival and departure cargo processes. Traders and customs administrators are able to submit declarations online via the web and EDI (EDIFACT or XML), and receive instant feedback.

The Interfront Declaration Processing module replaces paper and manual controls with tactical system-based controls. This facilitates increased trade through harnessing the existing human intellectual capital to the customs operation.

The unique legislative obligations of a customs administration are supported by a powerful business rules engine employed in the Declaration Processing module. This ensures consistent implementation of the obligations of the customs administration.

3. License and Certificate Management

Offers a centralised, multi-agency capability for the management and issuing of electronic permits and certificates. The Interfront License and Certificate Management module facilitates uninterrupted trade through real-time introduction of new permits and certificates.

Permit quotas and certificate lifecycles are managed from inception to decommissioning with a high degree of automation. The integrated nature of this module supports a movement toward a single window customs administration and allows multiple submission channels for other government agencies and customs administrations, through web and EDI (EDIFACT and XML).

4. Inspection and Audit Management

Manages the flow and execution of control tasks related to the movement of goods through integrated workflow and case management. The Interfront Inspection and Audit Management module supports both intrusive and non-intrusive inspection types, ranging from documentary to physical inspections.

Risks in the customs operations are managed through workflow implementations that prevent selective assignment (cherry picking) of inspection cases by customs officers. The implementation of the module is scalable to the size and complexities of a customs operation.

This module supports integration with mobile devices for inspection workflow and data capturing.

5. Risk Management

Assesses the risk of non-compliance with customs laws and regulations on goods and cargo declaration transactions. The Interfront Risk Management module offers centralised rules based risk analysis. This culminates in a module that houses self-learning and configurable risk rules based on the probability and impact of fiscal, safety and security threats. The capability of this module is extended through the measurement of the compliance of traders with Authorised Economic Operators programmes.

Third party and statistical risk analysis are implemented through the integration capability to third party risk engines (WCO and Interpol) and the identification of trade patterns through a series of algorithms.

6. Operations Management

The iCBS includes a product suite consisting of three modules known as the Systems Management Console, Systems Configuration Console and the Declaration Support Console. Each module is engineered to empower and meet the requirements of a complex and modern customs administration.

The Systems Management Console module reports on and allows for the remedy of unforeseen technology related environmental issues. The module allows the real-time configuration of specific system health performance settings, without the need for development or interruption of systems processing.

The Systems Configuration Console module allows for the convergence of customs systems reference data into a single platform which ensures the referential integrity of the data. The Declaration Support Console empowers the change management capability of a customs administration. Authorised customs users are allowed, in a controlled environment, to effect changes to declarations during phases of business process transitions. This means no missing customs declarations and no interruptions to trade.

PART B

PERFORMANCE AND ORGANISATIONAL HIGHLIGHTS

- » STRATEGY AND STRUCTURE
- » MARKETING AND SALES
- » OPERATIONS
- » INFORMATION AND COMMUNICATION TECHNOLOGY
- » HUMAN CAPITAL
- » FINANCE

PERFORMANCE AND ORGANISATIONAL HIGHLIGHTS

- Go live of first iCBS module in SARS - the Tariff Management System
- Significant trading surplus
- Consistent daily delivery of iCBS components to SARS to support parallel testing
- Significant contribution to system diagnostic tools for SARS parallel testing
- Launch of iCBS product brand
- Establishment of highly efficient people/process/technology framework for large software developments
- Conclusion of commercial agreements
- Introduction of individual performance management

1. Strategy and Structure

Interfront's main strategic goal for the year was to complete the development of the iCBS product for SARS and to assist in the transition of this product to live operation. In pursuing this goal, the structures and processes of the operations group were continuously tuned to enable iCBS deliveries to be in step with the overall SARS modernisation programme requirements. This has resulted in the establishment and growth of a very effective and efficient software development engine, capable of successfully delivering large software projects to exacting standards of quality and reliability. This capability is available to tackle programmes of similar size and complexity with confidence in future, whether within government or other institutions.

Following on the company branding in the previous year, the iCBS product brand was launched at an international customs event, the World Customs Organization IT Conference, in 2012.

This year saw renewed focus on a marketing and sales strategy. Closer relationships were established with product resellers like Accenture and sales opportunities were pursued both in Southern Africa and globally.

2. Marketing and Sales

During the course of the 2012/2013 year Interfront embarked on establishing its marketing and sales capability, in support of the overarching goals of the company, brand identity and product strategy.

The marketing strategy was directed in favour of positioning the Interfront brand as a key solutions provider in the customs and border management sphere and solidifying the relationships with our value-added resellers, Accenture and TATIS International, who enjoy exclusive rights to market the iCBS globally.

The global launch of the Interfront product brand took place at the World Customs Organization IT conference in Tallinn, Estonia in June 2012. Through a collaborative effort with Accenture, the event culminated in valuable exposure to potential clients and insight into the global competitor landscape. This provided a basis for the development of the marketing and sales strategy, which took place as the year progressed.

The market for iCBS is made up of the customs authorities of the world. We have experienced significant interest and have engaged with several national customs agencies, some of which have despatched high level delegations to visit Interfront to gain first-hand experience.

Interfront is also in the process of engaging intensively with its partners and has developed its strategic marketing approach. In order to prepare for promising market opportunities that are emerging, initial steps were taken to define the concept of an accelerated product. This would allow Interfront's product offering to be consolidated and packaged in cooperation with resellers. This form of generic product framework would enhance marketing initiatives through a reduction of the ramp-up time for new implementations, whilst still allowing for customisation to each client's individual requirements.

3. Operations

The operations focus remained on the development of the iCBS product for SARS customs modernisation. Success was achieved in the completion of the product and the transition to full operation at all border posts was imminent at the end of the financial year. Service delivery to ADA in Luxembourg is ongoing and provided by a dedicated team established for the purpose.

Significant progress was made in structuring the operations organisation to be closely aligned with the demands of the dynamic business and industry environment. Interfront is continuing to generate high value intellectual property not only in the customs domain, but also in the rigorous processes and disciplines of large software development. The focus for the company is to retain and utilise this asset effectively and productively for all its stakeholders.

3.1 Service Delivery

3.1.1 South African Revenue Service

The past year was characterised by intense activity on the completion of the iCBS modules for the SARS customs modernisation programme and the integration and transition of these modules to operational mode. Functional development was completed early in the year and parallel testing with existing legacy systems commenced in July/August 2012. The objective of aligning these systems is to enable a smooth cut-over for traders and customs officials to the new system. As the year ended, alignment of these systems consistently achieved levels above 95%. Interfront played a key role in the success of the parallel testing process by developing several tools that have been extensively utilised to compare results and diagnose system problems.

In September/October 2012, Interfront deployed the first module of the iCBS suite to full operation in SARS – the Tariff Management System. The system has been operating successfully supported by Interfront and several upgrades have since been deployed.

Non-functional components of the iCBS solution were an area of much focus in the year. These components are aimed at optimising the solution performance, error reporting, system diagnostic and repair capabilities as well as the system configuration functions. Notable achievements were:

» comparison tools for parallel testing – key to daily analysis of differences between legacy and modernised systems;

» system performance enhancements – improvement of more than 100% in average throughput of declarations;

» System Management Console – prime analysis and diagnostic tool for system fault finding, fixing and support;

» System Configuration Console – management of system configuration files; and

» Declaration Support Console – live viewing of declarations and management of off-line payment.

These components played a key role in the parallel testing process and in many cases enabled diagnosis and problem solving that would not have been possible otherwise. They will continue to play a major role in the maintainability of the national customs system in the years to come.

In preparation for the system going live, the support capacity was increased in the last quarter of the financial year. Four new support analysts were added to the team. Training and preparations are in progress for providing a 24/7 support service to SARS, at service levels as defined in the master services agreement.

The SARS programme demand for daily updates to the iCBS system resulted in refinement of the internal development, integration, test and release processes, to a level of quality and reliability seldom achieved in the South African industry for large system development. This capability provides an excellent platform for Interfront to tackle large scale software developments in the public or private sectors in future.

3.1.2 Administration des Douanes et Accises, Luxembourg

Effective support of the Interfront import/export system was maintained during the year by a dedicated support team. In addition, a major upgrade to the import control system was delivered and installed.

The commercial agreements were revised and now provide for a direct relationship between ADA and Interfront.

3.2 Organisational Development

The focus of the Operations division during the first six months of the year was almost exclusively to establish firm technical control over its product delivery and support services. Having largely achieved this mid-year, serious attention was given to organisational development. The operations organisation and associated delivery processes may be viewed as a system in its own right (a "Creating System") and as is the case with any system, requires proper design and managed implementation. Moreover this needs to happen in the business context that Interfront operates in, namely:

- business is currently project and not product driven;
- a dynamic environment and industry characterised by a fast pace of change;
- the company employs knowledge workers (People = IP) and has a highly skilled work force; and
- project success depends on the delivery of multi-skilled teams.

Flexibility to adapt to the desirable characteristics of an organisational structuring model that will support this kind of business, encompasses:

- short reaction times to changed project needs;
- a self-organising teams approach with more emphasis on dynamic roles than on static positions;
- aggressive built-in retention strategies to retain scarce skills and company IP;
- a combination of individual and team-based performance monitoring and reward;
- remuneration linked to individual contribution; and
- recruiting talent with potential to add the widest value across different roles.

Based on these guiding principles, the following organisational design changes were initiated:

- an effective organisational structure was shaped and implemented;
- teams and roles were right-sized;
- succession planning was incorporated to attain organisational robustness to cover key positions and single point dependencies; and
- a skills framework to regulate people movement and career advancement was identified and work has started on implementation. This will have the added benefit of improving our recruitment practices.

In addition to this and often in the face of relentless product delivery pressures, the management team also paved the way to advance its operating model towards a dynamic self-organising team model. The core principles that differentiate the team based model from the classic, fixed structure model embrace:

- combined team- and individual-based performance evaluation and reward;
- acknowledges the dynamic nature of work and encourages the impact and value-add of work in all contexts, blocking a 'this is not in my performance contract' attitude;
- places more responsibility on the employee to contribute and add value;

- provides for contribution profile evaluation and grading as input to fair salary grading and personal development; and
- allows for talent based recruitment against a recruitment profile, instead of a fully predefined job description recruitment.

4. Information and Communication Technology

The ongoing alignment of the ICT infrastructure and services to meet the dynamic demands of large projects is the key challenge facing the ICT department.

High levels of availability are demanded by our users and by Interfront clients. In pursuit of these challenges, ICT achieved the following highlights during the year:

- leveraging the power of virtualisation – expansion and optimisation of the virtual machine infrastructure to support the rapid provisioning of development and production environments;
- trend analysis and capacity planning guided the strategic expansion of core ICT resources and prevented serious shortages of processing capacity, memory or disc space;
- uptime of more than 99% - fine tuning of monitoring and alerting systems and quick response by ICT resources ensured pro-active diagnoses and resolution of problems, whilst most of the downtime was planned;
- service continuity – redundancy was built into key infrastructure components and a solution was implemented for rapid recovery of the virtualisation infrastructure;
- regular close interaction with the development operations team ensured good alignment with development needs on an ongoing basis;
- improved governance – the first detailed ICT internal audit raised only one significant finding which was resolved immediately; and
- enhanced security features - Interfront has had no security breaches and continuous monitoring takes place to ensure that the highest level of security is maintained.

In addition to maintaining excellent service levels, ICT aims to remain in touch with the fast developing technology environment and to maintain strategic initiatives to introduce new technology that adds value to its service offering.

5. Human Capital

- Introduction and implementation of performance management and personal development plans
- Increase of employment equity staff from 27% to 36%
- Establishment of company values (TECHI)
- Implementation of the succession plan
- Introduction of the bursary scheme
- Improved training and development

5.1 Introduction

Intellectual capital is the core asset in Interfront. During the year under review, development in this area has been a critical focus point company-wide. This has encompassed the full spectrum of people management from organisational development, to performance management, training, salary positioning, values and policies to mention a few. Capacity was created within the Operations Division to lead and provide impetus for these developments on the production side. The initiatives have been intense at times and we believe that Interfront will emerge with strength and agility, to take on the challenges of a growing software development house.

5.2 Staff Profile

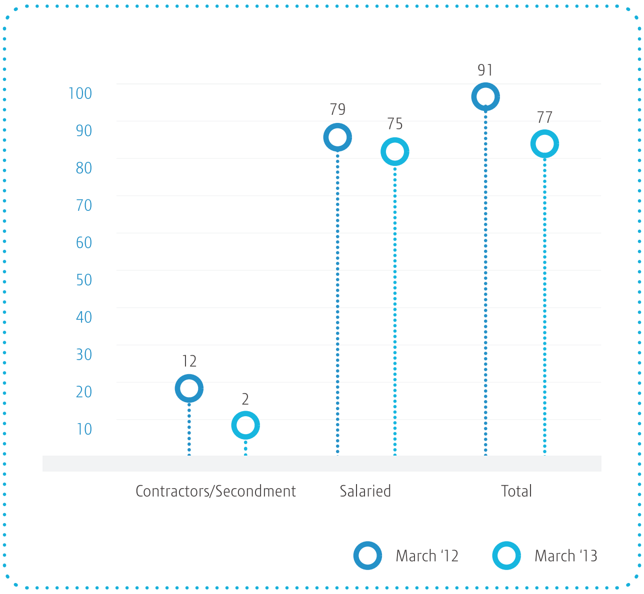
Interfront holds the skills profile of a software development house. The disciplines of business and systems analysis, software architecture and design as well as software programming and testing are well entrenched within the company. The Operations Division also extended this profile to include development support skills, key to managing the complex technical environments needed to bring about continuous integration, deployment and testing required for large scale software development. The company's overall software development skills profile is further enhanced by a strong system engineering and programme delivery management capability. These highly valued competencies in the industry enable Interfront to frame and execute large, complex software projects within predictable quality and cost parameters.

5.3 Capacity

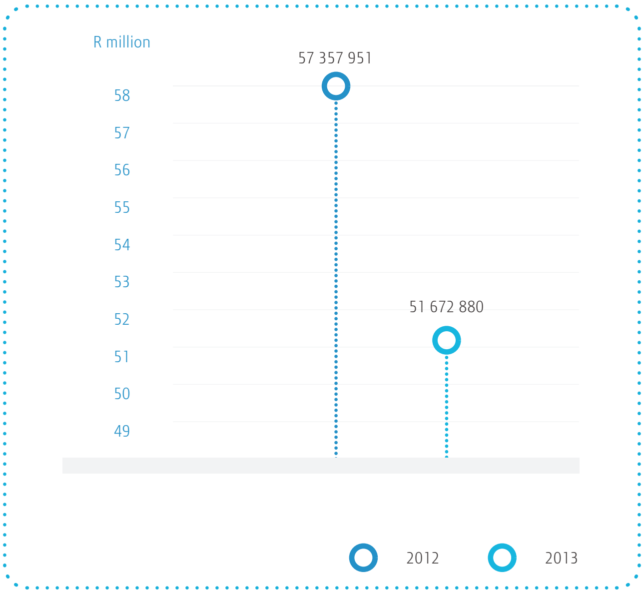
Interfront is intent on building and maintaining a professional capacity to deliver on its current commitments and also, to serve as a core which can be up-scaled at short notice to respond to new market opportunities.

The overall resourcing has been aligned with the current revenue stream, increasing profitability. This is reflected in the total staff numbers and total spend set out below:

TOTAL STAFF



TOTAL SPEND



5.3.1 Staff Turnover

The rate of attrition has remained high at 24.7% (25% for 2012), although the turnover of key staff was limited to 5.3 %. This has been cyclical in nature with the majority of movement taking place over December and January in the category of developers. Interfront faces a particularly competitive market in this regard. Various steps have been put in place to retain and recruit quality staff which should bear fruit in the New Year.

5.4 Maintain and Develop a Skilled and Engaged Workforce

In support of the strategic objective, the focus has been directed at decreasing overheads, refocusing business on the primary objectives and on current business commercial requirements. As a company, we have reduced our dependence on independent contractors and the risks thereof and optimised company structure in order to operate more effectively and efficiently.

This has been achieved through various initiatives directed at human capital core processes and organisational development.

IMPROVED PROCESSES

Core HR Processes

» Recruitment and Succession Planning

» Performance Management & Evaluation

» Training and Development

» Rewards

Organisational Development

» Organogram

» Diversity Management

» Bursary Scheme

» Values

5.4.1 Recruitment and Succession Planning

Recruitment takes place both internally and externally. For senior positions preference was given to internal candidates in terms of promotions and development, and generally junior and entry level positions were recruited externally. The skills required are in high demand in the marketplace and various avenues are being pursued to engage competitively.

Key positions have been identified and short- and long-term succession plans have been implemented to mitigate the associated business risk. The identification of 'successors' translates into specific development plans for the employees involved.

5.4.2 Performance Management and Evaluation

Company success depends on the valued contribution of employees, as teams and individuals and seeks to instill a culture of high performance. This is based on the measurement of group and individual performance.

A formal performance management system was designed and implemented. This provided for individual performance contracts, agreement on the review process and the introduction of personal development plans. The system is showing positive results and will serve as a basis for financial rewards and recognition.

5.4.3 Training and Development

Training and development are a priority area and Interfront is dedicated to providing equal and optimum development opportunities for all employees.

The implementation of PDPs for each individual employee assisted in identifying training needs. To enhance and focus the definition of PDPs, the company has embraced the strengths-based approach based on the Gallup Organisation's extensive research and the talent themes model they have developed and refined.

Management development was introduced through the roll-out of the Strengths Finder Programme. To assist with the definition of clear career development paths and industry related job grading for Interfront employees, the company has also started to define a levelled skills framework across the operational disciplines/functions. This framework will be based on international industry standards and will provide a further foundation for recruitment, performance management, career development, succession planning and job grading.

5.4.4 Rewards

The rewards strategy was linked to the performance management system. A salary positioning exercise was implemented to ensure that staff are remunerated in line with the market.

5.5 Organisational Development

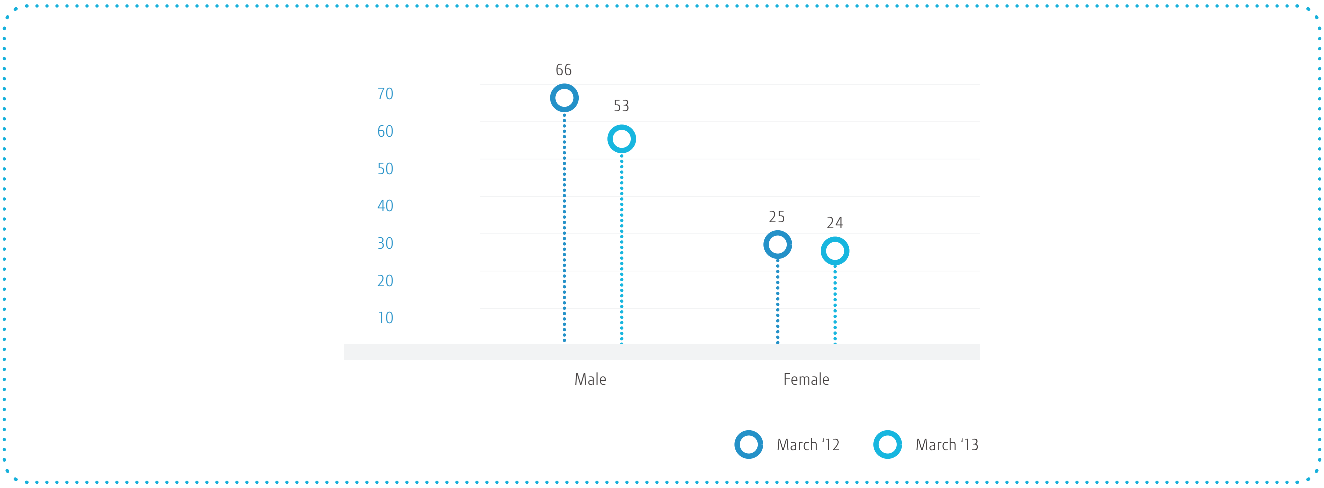
5.5.1 Organogram

A comprehensive exercise was carried out to review the organisational structure of the Operations Division and is reported on in paragraph 3.2 on page 15.

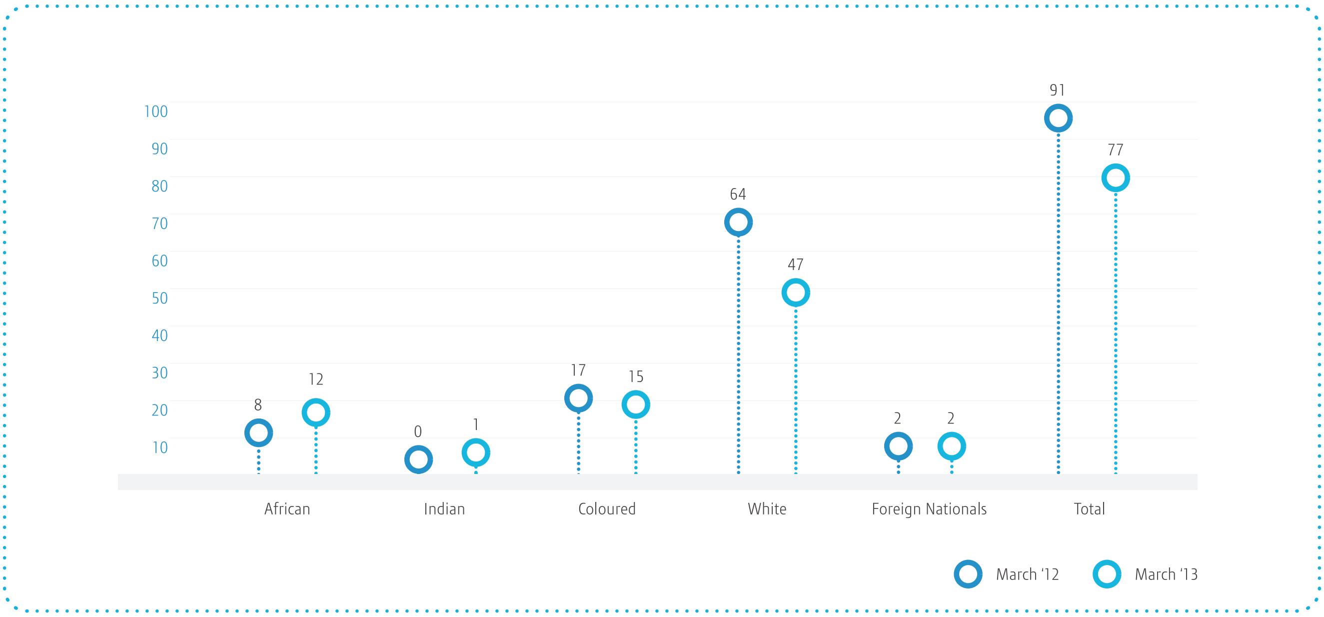
5.6 Diversity Management

Good progress has been made with regard to diversity and Interfront is continuing to invest in developmental initiatives. An overall increase in the designated groups was achieved from 27% to 36% of total staff. The female to total staff ratio has also increased from 27% to 31%.

GENDER FIGURES



RACIAL DEMOGRAPHICS



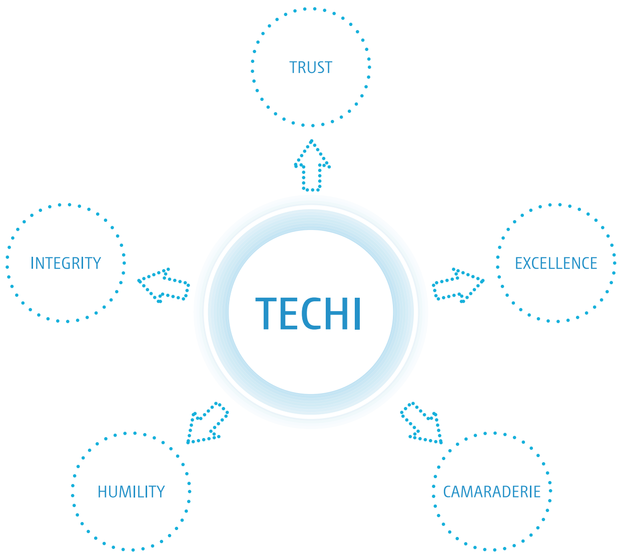
5.7 Bursary Scheme

As part of the employment equity strategy, investment is taking place in the development of suitable candidates. A bursary scheme for information technology candidates has been established and close contact is being established with tertiary institutions. On completion of their studies, the candidates are expected to enter into the Interfront graduate programme.

5.8 Values

Our values form the basis of the organisational culture and reflect what is important to us. They guide us in everything we do and say. In October 2012, the company reviewed its values and a new set of values were identified.

INTERFRONT VALUES



Moving forward into the new-year, it is expected that the current initiatives will be refined and further augmented through the introduction of a human capital resource management system.

6. Finance

» Bottom line results increased to a R 22.8 million surplus from a R 4.5 million deficit

» Cash expenditure increased by only 4.6%

» Cash generated by operating activities up to R12.8 million from previous cash shortfall of R10.4 million

6.1 Performance in 2013

The financial performance for the year under review shows a turnaround from a loss of R4.5 million to a surplus of R22.8 million. The accumulated deficit of R18.9 million has been redeemed and the year-end accumulated surplus stands at R3.9 million.

Interfront is in the initial cycle of a software development house, characterised by a small customer base with a major proportion of resources being devoted to core software development, on a time and material basis. Assuming further investment as the business matures, the composition of revenue is expected to change in the medium term in favour of product customisation and licensing income, which may allow an increase in return on equity.

The improved financial performance over the prior year is mainly attributable to the:

» alignment of operational staffing levels to potential income;

» improved operational efficiency from 86.2 % to 89.8% of recoverable time;

» strict regime of cost control; and

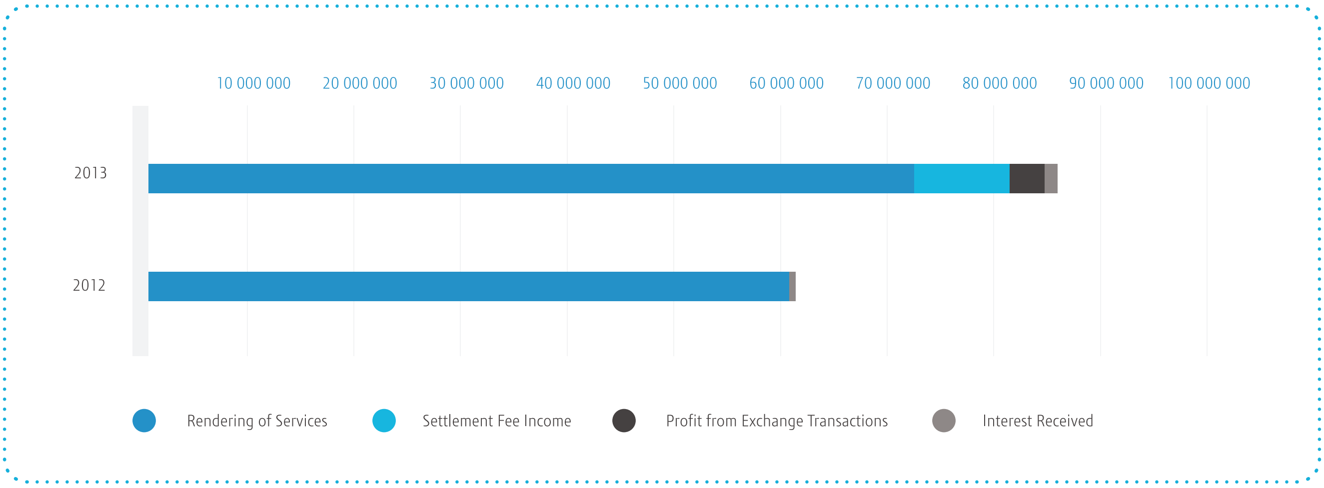
» debtors control and the recovery of doubtful debt from the prior year.

This was accompanied by an increase in core service revenue from R64 million to some R80 million.

6.2 Revenue

The majority of revenue is currently attributable to SARS (80.8% of total revenue). The remainder is comprised of settlement revenue and revenue attributable to other customers (17.3%) and interest and foreign exchange gains (1.9%).

REVENUE SPLIT



6.3 Trade and Other Receivables

Trade and other receivables which are reported at R15.218 million include an amount of R5.543 million surplus cash which has been invested via the shareholder to achieve the most favourable return. Trade receivables in the amount of R9.674 million have increased in line with revenue and have been settled in full, whilst the provision for doubtful debt from the prior year has also been recovered.

6.4 Audit

SARS has an internal audit department that is annually seconded to Interfront to perform an internal audit. The results of the audit are reviewed by management, as well as the Audit Committee (at the SARS level), the Finance Committee (made up of Interfront Directors) and the Board. We are pleased to report that neither internal nor external audit have reported any high risk findings and we have once again obtained a clean report during our annual external audit.

PART C

PERFORMANCE INFORMATION

» DEVELOP AND SUPPORT A CUSTOMS AND BORDER MANAGEMENT SOLUTION FOR SARS

» EXPANDING OUR AFRICAN AND GLOBAL FOOTPRINT

» ESTABLISH A BROADER CUSTOMER BASE

» BUILD A SUSTAINABLE, FINANCIALLY SELF-SUFFICIENT ORGANISATION

PERFORMANCE INFORMATION

In this part of the report, Interfront provides performance measurements against key outcome targets for the past year. Where targets were not achieved, explanations are provided. Part B of the report provides contextual narrative.

Strategic Objective: Develop and Support a Customs and Border Management Solution for the SARS		
Activity	Measure	Target 2012/2013
Build functional components for phase 1 of SARS modernisation programme	Requirement verification and traceability matrix and test report	Comply 80% with business requirement specification
	Requirement verification and traceability matrix and test report	Comply 80% with business requirement specification
	Requirement verification and traceability matrix and test report	Comply 80% with business requirement specification
Build non-functional components	Reports on performance, technical and operational supportability	Comply 80% with internal requirement specification
	Reports on performance, technical and operational supportability	Comply 80% with internal requirement specification
	Reports on performance, technical and operational supportability	Comply 80% with internal requirement specification

Output/Deliverable	Achieved 2012/2013	Comments
TMS, this includes a front end GUI and related database with all the SA tariffs. This system must be able to publish information to the Government Gazette, to traders in flat file format and XML, to the current legacy system/s TBK, this is used to calculate the tariff per commodity code and supply it to the DPR engine	>80%	TMS and TBK were completed and qualified to client requirements, including exporting information to the Government Gazette, traders and legacy . It was put into operational use as a TMS and is being supported by Interfront. The duty calculation function of TBK will be in operation when the legacy operational systems are replaced with the iCBS system.
LCM includes front end GUI and related database, with the registered traders and certificates	>80%	LCM was completed and qualified to client requirements. The LCM system has been in parallel testing with the legacy systems since August 2012 and will be put in operation when the legacy operational systems are replaced with the iCBS system.
DPR, with associated database containing 2-5 years of historical declarations	>80%	DPR was completed and qualified to client requirements. The DPR system has been in parallel testing with the legacy systems for the last 6 months and will be put in operation when the legacy operational systems are replaced with the iCBS system.
ERT, this consists of GUI front end, error queue management of, system error logs, business error logs and reporting.	>80%	The ERT system was completed and put into operation to detect and diagnose errors during parallel testing. Further tools were developed to enable effective diagnosis and support.
Error handling – this function handles the errors generated by the business process, system process and rules engine	>80%	Aligned with SARS requirements and in full operation during parallel testing.
System GUI – these are a collection of information sets that enable the support staff to setup, configure, deploy switch queues on and off	>80%	A SMC and a SCC was developed and put in operation during parallel testing.

Strategic Objective: Develop and Support a Customs and Border Management Solution for the SARS		
Activity	**Measure**	**Target 2012/2013**
	Reports on performance, technical and operational supportability	Comply 80% with internal requirement specification
	Reports on performance, technical and operational supportability	Comply 80% with internal requirement specification
	Reports on performance, technical and operational supportability	Comply 80% with internal requirement specification
Participate in systems integration management for SARS projects	Attendance register for system integration meeting with client and other vendors	80% attendance
Provide long-term support capabilities	Support capability plan	Achieve 100% of capability as defined in plan
Expand footprint in the SARS modernisation process	New works orders or change orders	At least one new works order

Output/Deliverable	Achieved 2012/2013	Comments
DMT – allows Interfront to establish quality, configuration control of the SCDM, data dictionaries, business rules, code lists	>80%	The DMT was completed and is in full operation.
Performance management – this function is used to identify constraints within the iCMS application to improve and maintain performance	>80%	Performance analysis and reporting played a key part in tuning the system for optimum performance during parallel run with the legacy systems.
New business rules engine	Not achieved	Change in strategic approach. POC completed in the 2011/2012 financial year. Priorities did not allow the development of a new business rules engine based on this POC during this year.
Alignment of Interfront deliverables with the larger SARS customs modernisation programme	>80%	The weekly steering committee meetings that SARS has with all vendors played a key role to align all role players to programme milestones. Interfront's attendance was in excess of 90%.
Support helpdesk facility Monthly reports on maintenance and support service Maintenance and support services according to SLA Support capability plan	Partly achieved	Change in strategic approach. TMS went into operation this year and is being supported as provided for in the SLA. People, processes and tools were established to prepare for the imminent support of the full iCBS. It was decided not to implement a support helpdesk system, but to utilise the SARS remedy system instead.
Potential deliverables: » DPR, to include IBAS,WIMS,CER » TMS, new search functionality, improved business rules on entry » Transit » Excise	3	Three new work orders were obtained during the year: » Excise modernisation analysis and design; » TMS phase 2; » Analysis of new customs bill.

Strategic Objective: Expanding our African and Global Footprint - Develop and Support a Customs and Border Management Solution for other Customers

Activity	Measure	Target 2012/2013
Build functional components	Requirement verification and traceability matrix and test report	Comply 80% with business requirement specification
	Requirement verification and traceability matrix and test report	Comply 80% with business requirement specification
Build non-functional components	Reports on performance, technical and operational supportability	Comply 80% with internal requirement specification
Participate in systems integration management	Attendance register for system integration meeting with value-added reseller	80% attendance
Provide long-term support capabilities	Support capability plan	Achieve 100% of capability as defined in plan
Expand footprint in the existing client environment	Customer engagement report	One per customer
Maintain quality client relationships	% satisfaction index rating	Develop satisfaction index questionnaire and baseline
Stay abreast with global standardisation and best practices	Attendance at global border and customs event	At least 1 global and 1 SADC/COMESA event

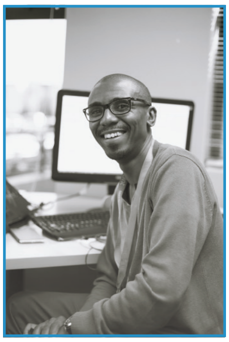
Output/Deliverable	Achieved 2012/2013	Comments
EMCS phase 3.3 - EMCS administration messages as defined by EU client specifications	>80%	The EMCS phase 3 development was completed and qualified to specification.
EU client specific approved change requests	>80%	The change requests received during the year were related to EMCS and implemented as part of the EMCS phase 3 development.
Report on non-functional requirements for EU client product Requirements specifications as applicable	Not applicable	There were no requirements for development of non-functional components during the year.
Alignment of Interfront deliverables with the larger EU client's customs modernisation programme	Not applicable	There were no requirements for development of non-functional components during the year.
Support helpdesk facility Monthly reports on maintenance and support service Maintenance and support services according to SLA Support capability plan	Achieved	Support services were provided in accordance with the SLA. The existing fault reporting mechanism will continue to be used until volumes justify a new helpdesk system.
Report on the potential for expansion of footprint within existing EU client	Achieved	
New client liaison interface Baseline for client satisfaction - EU client	Achieved	A direct relationship was established and assessed by a non-executive director. The envisaged survey was therefore not required.
Feeback sessions to the company on learning from: 1. WCO IT Conference in Estonia - June 2012 2. SADC/COMESA event	Achieved	Attended WCO conference. Attended SADC/COMESA event (re transit system). Reports exist /feedback sessions held.

Strategic Objective: Establish a Broader Customer Base		
Activity	**Measure**	**Target 2012/2013**
Establish a marketing and sales strategy	Meet targets set in strategy	Develop and complete strategy
Define the value proposition	Document product strategy, product roadmap, offering description	Establish the value proposition
Leverage on existing and new developments to develop generic solution components	Number of generic components	Roadmap, plan and design
Implement product roadmap	% completion of items defined in roadmap	As per roadmap

Output/Deliverable	Achieved 2012/2013	Comments
Product brand identity	Achieved	iCBS product is established and has been rolled out.
Marketing and sales strategy	Achieved	Board approved marketing and sales approach.
Exhibition at WCO IT Conference June 2012	Achieved	iCBS product was launched at June 2012 WCO conference.
RFI responses (as appropriate)	Achieved	RFP responses to Malaysia and Swaziland.
Marketing and sales plans (with resellers)	Partly achieved	Workshop and interaction held with value-added resellers - this is an ongoing process.
Marketing and sales material	Achieved	Brochure and other marketing material was generated. Value proposition developed.
Product strategy, roadmap and plan Solutions architecture document and plan, aligned with product strategy and roadmap, for each of our customers	Not applicable	There has been a move in dynamics from the concept of a generic product to that of accelerated product in modular form.
Components as developed for SARS programme Components as developed for the EU client.	Not applicable	See above.

Strategic Objective: Build a Sustainable, Financially Self-Sufficient Organisation		
Activity	**Measure**	**Target 2012/2013**
Maintain and develop a skilled and engaged workforce	% staff turnover of key technical staff (one to many mapping)	<20% staff turnover of key staff
	Budget and plan for training and development	Company staff development plan and budget in place
	Performance evaluation and reward system (one to many mapping)	Phase 1 of performance evaluation and reward plan implemented.
Establish, improve and maintain product development lifecycle processes	Documented processes Project process milestone audit reports	Product development process documented, 50% sample project QA reviews





Output/Deliverable	Achieved 2012/2013	Comments
Up to date list of key technical staff Regular communication with key technical staff Staff/management forum implemented Company value system implemented	Achieved, 9.1%	Calculated for key technical staff. Key list of technical staff exists and regular communication with technical staff is maintained. Staff management forum introduced and value system developed and rolled out.
Company training objectives, plan and budget Individual development needs identified and budgeted	Achieved	Company training plan and budget exist. Individual development needs identified and budgeted for in 2013/2014.
Remuneration philosophy and policy Performance management policy Standard operating procedures that support these policies	Achieved	Remuneration philosophy and policy approved. Performance management policy approved. Standard operating procedures exist.
Approved technical delivery management plan Ways of working processes for main discipline areas Technical process audit reports and corrective actions	Achieved	Technical delivery management plan reviewed and approved. Ways of working processes recorded and presented for certain technical processes. 80% of SDLC functions and flows documented. 25% of audits completed.

Strategic Objective: Build a Sustainable, Financially Self-Sufficient Organisation		
Activity	Measure	Target 2012/2013
Manage income and expenses to achieve financial goals	Budgeted surplus	Achieve budgeted surplus
Manage company projects to meet project budgets and timescales	Actual vs. budgeted hours per project On time deliveries - actual vs. forecast	88% of capacity of billable hours sold 90% of deliveries on time
Establish and support effective governance	Unqualified audit report	Unqualified audit

Output/Deliverable	Achieved 2012/2013	Comments
Monthly accounts Variances identified Appropriate action plans	Achieved	Monthly accounts submitted, variances identified and actioned as required.
Signed contracts and work orders for all work done by billable staff Weekly tracking reports Tracked and managed corrective actions	Partly achieved	All work up to December 2012 was covered by signed work orders/ contracts. 89.8% of capacity of billable hours were sold to clients. Weekly tracking reports were distributed. Deliveries were made in accordance with the SARS schedule.
Effective steps to address all audit findings	Achieved	

PART D

GOVERNANCE

- COMMITMENT
- STATUTORY REQUIREMENTS AND COMMITTEES
- ETHICS
- POLICIES, PROCEDURES AND SYSTEMS
- COMPLIANCE WITH THE PROVISIONS OF KING III
- BOARD
- BOARD COMMITTEES
- BOARD AND COMMITTEE MEETINGS: ATTENDANCE
- RISK MANAGEMENT
- DECLARATION OF THE COMPANY SECRETARY

GOVERNANCE

» Revision of Board Committees
» Improved policies and procedures
» Refined accountability arrangements with the shareholder

1. Commitment

Interfront is a wholly owned subsidiary of SARS through which its parliamentary accountability is exercised. However, its business operation functions independently through its own Board of Directors and it strives to be a fully sustainable, eco-friendly body. Interfront aligns its policies, governance and approach to risk closely to that of its shareholder and enjoys comprehensive support in this regard.

The Board of Directors supports strong corporate governance and actively engages with executive management to ensure Interfront achieves its objectives, conducts its business in an ethical manner and acts in compliance with laws and regulations. The Board of Directors as the accounting authority, is responsible to the shareholder for the oversight and implementation of sound corporate governance, in the conduct of the business.

Interfront as a state owned company, is regulated by the Companies Act, the Public Finance Management Act and the Treasury Regulations.

2. Statutory Requirements and Committees

Annual General Meeting	The first annual general meeting was held on 4 September 2012. The following matters were addressed: » Approval of the annual financial statements; » Appointment of the Audit Committee; » Ratification of the appointment of the following directors: Mustaq Enus-Brey (Chairperson), Bob Head, Graham Randall, John Robertson and Leilanie Janse van Rensburg. » The following directors were re-elected for an additional period of three years: Barry Hore, Kosie Louw and Gene Ravele.
Alignment of the company's founding documents with the Companies Act	The Memorandum of Incorporation which replaces the Memorandum and Articles of Association in terms of the Companies Act, has been registered.
Remuneration, Social and Ethics Committee	The Remuneration Committee also fulfils the role of the Social and Ethics Committee. It has been renamed and its terms of reference have been amended accordingly.

Audit Committee Finance Committee	The Audit Committee has been combined with the SARS Audit Committee. This allows for independent oversight. Interfront is represented by a non-executive director on the Audit Committee and a Finance Committee under his chairmanship has been established to provide for the necessary support at Interfront.
Transformation Committee	A Transformation Committee has been created to establish and maintain a common understanding of the transformation issues, which need to be addressed in order to meet corporate objectives.

3. Ethics

Interfront is committed to conducting its business in accordance with the highest standards of professional and business ethics, through the development of a community of directors and employees with the highest ethical values.

Interfront has committed itself, amongst others, to the following principles:

» compliance with legislative and regulatory provisions;

» the protection of human life by following leading safety, health and environmental practices;

» treating all employees and stakeholders with respect;

» not discriminating against any person;

» providing employees with equality of opportunity, based on merit;

» ensuring that the quality of life of all stakeholders is maintained by seeking to improve, rather than adversely affect, the environment;

» avoiding all potential conflicts of interest by being transparent in the declaration of all interests;

» only using company resources for the benefit of the company and its shareholder; and

» providing all employees with the opportunity to grow and advance.

4. Policies, Procedures and Systems

This year has seen further progress in establishing and improving policies and procedures by Interfront in order to align itself more closely with the policies and procedures of its shareholder, as well as to ensure regulatory compliance and good governance.

Particular attention was given to people-related policies and procedures. Specific policies introduced or revised and adopted by the Board include:

» Human Resources: performance management, rewards, employment equity plan, graduate recruitment and development plan, bursary scheme, acting allowance and overtime;

» Finance: external procurement policy and insurance; and

» Ethics: gift policy.

The review of policies, procedures and systems is an ongoing one and will continue in order to take account of business changes and alignment with the shareholder.

5. Compliance with the Provisions of King III

Interfront has a board of eight directors. The Chairperson is an independent, non-executive director and must be remunerated in terms of a directive issued by the Minister of Finance. The managing, operations and financial directors are executive and full-time employees of Interfront. The remaining four directors are non-executive and employed by the shareholder in top management positions.

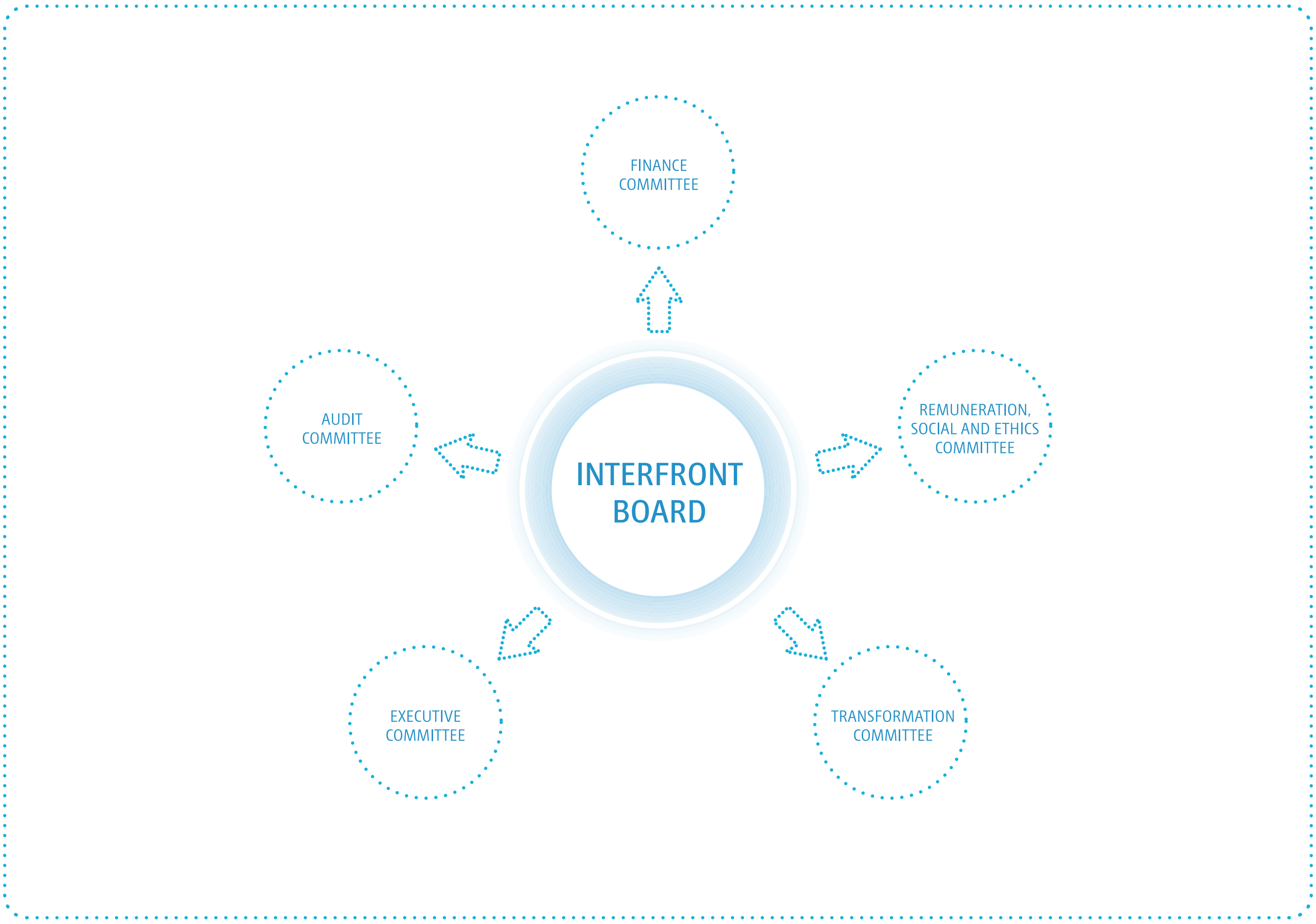
Interfront is a wholly owned subsidiary and is required to align closely with the parameters applied by the shareholder. Some degree of autonomy is needed, however, to provide for its commercial position in the market. This balance is achieved through the composition of the Board and the mechanism through which the shareholder approves the company's remuneration policy. All Board appointments are sanctioned by the executive authority of the shareholder, which replaces the need for a nomination committee and other formalities.

Interfront's strategic goals are reported on in the consolidated annual report of the shareholder. Performance is therefore closely related and forms part of the evaluation of the effectiveness of the Board, and its sub-committees by the shareholder. While this is not a formal evaluation, the director's performance is closely monitored and regular feedback is provided to the Commissioner and the Minister of Finance.

A dedicated non-executive director has been identified to engage with executive management and to represent the shareholder with internal and external stakeholders. This has strengthened Interfront's position and contributed to maturing its long-term strategy.

These governance arrangements are regarded by the shareholder as being the most appropriate in the circumstances. With due consideration to these matters, it is submitted that Interfront is fully compliant with the recommendations contained in King III, except as set out in this report, bearing in mind the nature of the company.

GOVERNANCE STRUCTURE



6. Board

The Board's terms of reference set out the responsibilities of the Board, which include but are not restricted to:

- ensure that there are effective, efficient and transparent systems of financial and risk management as well as internal control;
- identify and monitor key risks to ensure that an effective system of internal control is in place to manage risk within acceptable parameters;
- ensure that Interfront has a system of internal audit under the control and direction of an Audit Committee complying with and operating in accordance with Treasury Regulations and the PFMA;
- ensure that there is an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective;
- ensure a system for properly evaluating all major capital projects prior to final decision on the project;
- take effective and appropriate steps to prevent irregular, fruitless and wasteful expenditure;
- ensure that available working capital is managed efficiently and economically;
- ensure the integrity of Interfront's integrated reporting; and
- manage and safeguard Interfront's assets and the management of the revenue, expenditure and liabilities of Interfront.

6.1 Board Members

Mustaq Enus-Brey (59)

Non-Executive, Independent Chairperson, Member of the Remuneration, Social and Ethics Committee

Mustaq was appointed as Chairperson of Interfront's Board on 18 October 2011. Mustaq became a member of Interfront's Remuneration Committee now the Remuneration, Social and Ethics Committee on 28 November 2011. He is a founder member and currently the CEO of Brimstone Investment Corporation Ltd. A qualified Chartered Accountant by profession, Mustaq currently serves as the Chairperson of the Oceana Group Ltd and Life Healthcare Group Ltd. He also serves on the boards of Nedbank Ltd, AON Re SA (Pty) Ltd, the Scientific Group, Lion of Africa Insurance Company Ltd and House of Monatic (Pty) Ltd.

Barry Hore (52)

Non-Executive Director

Barry joined Interfront as a non-executive director on 22 December 2011. He joined Nedbank in 1983 after graduating with a BCom from the University of Natal. He began his career in Corporate Banking where he pioneered the Bank's electronic banking business and in Treasury, where he re-engineered the back office operations. In 1991, Barry was tasked with leading the Bank's IT function. The initial critical requirement was the migration of the underlying technology platforms to ensure the Bank's long-term viability. This platform formed the foundation for two subsequent bank mergers.

In 1995 Barry completed the Advanced Management programme at Harvard. Upon his return, he was asked to lead the newly formed Technology and Operations Group which combined IT with the service and back office operations of the Bank. This group, made up of approximately 10 000 staff, achieved significant productivity gains through the application of IT enabled process re-engineering. In 1999, Barry was appointed as an executive director of the Bank and as a Global Leader for Tomorrow by the World Economic Forum.

Barry joined the South African Revenue Service (SARS) in the second quarter of 2006 as the General Manager for Strategy, Modernisation and Technology where he was responsible for the delivery of the Modernisation Programme. In 2010, Barry was appointed Chief Operations Officer his portfolio brings together modernisation, technology and a significant part of the operations of SARS.

Bob Head (54)

Non-Executive Director, Chairperson of the Finance Committee and Member of the Transformation Committee

Bob joined Interfront as a non-executive director on 4 April 2012. He served as the Chairperson of Interfront's Audit Committee from 3 April 2012 and has now assumed the responsibility as Chairperson of Interfront's Finance Committee and is a member of the Transformation Committee. Bob is a Chartered Accountant who completed his articles with Coopers & Lybrand (now PwC). He joined Prudential on the International Division in 1988 before moving within Prudential to create the first internet bank in the UK. He then moved to the Co-operative Movement and was the first Chief Executive of their internet bank. In 2003 Bob joined Old Mutual and held a variety of positions including looking after all of Old Mutual's interests in Africa and then Skandia. In 2012 Bob decided to return to South Africa for three years when he was offered the opportunity to be the Special Adviser to the Commissioner of SARS.

Kosie Louw (60)

Non-Executive Director, Chairperson of the Remuneration, Social and Ethics Committee

Kosie joined Interfront as a non-executive director on 22 December 2009 and was appointed as Chairperson of the Remuneration Committee now the Remuneration, Social and Ethics Committee on 28 November 2011. Kosie joined the then Inland Revenue Department in 1970 and since has been involved in areas including Income Tax assessment at the Branch Office, Administration of Estate Duty, Stamp Duty, Transfer Duty and the Income Tax Acts. Currently he is the Chief Officer: Legal and Policy overseeing research and policy development, interpretation and rulings, dispute resolution, product oversight, regional legal delivery services and the Corporate Legal Division in SARS. He is the holder of a Bachelor degree of Commerce and B.Proc.

Gene Ravele (42)

Non-Executive Director, Member of the Remuneration, Social and Ethics Committee and Chairperson of the Transformation Committee

Gene joined Interfront as a non-executive director on 22 December 2011. He is also a member of the Remuneration, Social and Ethics Committee and Chairperson of the Transformation Committee. Gene is a former student leader and lawyer by training. Before moving to SARS he worked for the Gauteng Provincial Service Commission in the Office of the Premier between 1995 and 1997. Gene joined SARS in September 1997 as Assistant Director for Labour Relations in the Human Resources division. Since then he has worked in a number of business areas, e.g. Operations, Transformation Unit, Anti-Corruption Unit, National Special Investigations, Enforcement, Government Relations and Customs and is currently the Chief Officer: Border Management.

Graham Randall (61)

Chief Executive Officer - Member of the Finance – and Transformation Committee

Graham was appointed as the Financial Director on 1 June 2011 and took up the position as Chief Executive Officer on 1 September 2011. Graham is also a member of the Finance and Transformation Committees. Graham is a Chartered Accountant and spent most of his career at the Auditor-General, South Africa. He holds an M Com in public finance and auditing and has at various times been responsible for the audit of inter alia the finance portfolio in government and the international audit portfolio. His clients have included more than 50 major public entities such as the Public Investment Corporation (South Africa's largest investor), SARS and a variety of international scientific agencies, as well as the United Nations International Computing Centre. He has also at various times headed the AGSA research capability, represented South Africa on international technical groups and been instrumental in the introduction of performance auditing in South Africa.

John Robertson (53)

Executive Director – Operations, Member of the Transformation Committee

John joined Interfront as a contractor in October 2010 and was appointed as Operations Director on 1 September 2011. He is a member of the Transformation Committee. John started his career in the computer industry in 1983. In 1985 he joined Armscor and established the central computing facilities for the Overberg Missile Test Range. John played a key role in integrating all the real-time, computer based instruments into a collaborative instrumentation system capable of tracking and recording flight parameters of high dynamic missile systems with high precision. John joined Plessey Tellumat in 1996 starting off a six-year period in the South African ICT corporate space. His initial focus was in the Telecommunication sector where he was responsible for the design, implementation and support of systems related to voice and voice over data. A natural progression from this was the integration of state-of-the-art call centre systems in large commercial environments in the insurance and banking industry. In 2000 he was appointed Programme Manager at Dimension Data for major new transaction systems for a multinational component supplier, Premier Farnell – a R450 million three year modernisation programme.

In 2002, John founded SincroWave with former colleagues, a technology independent company with its focus on systems integration services. SincroWave merged with a black owned company through a BEE initiative, to form Tshole Business Solutions. John led major engagements during this time an 18 month bandwidth-on-demand initiative for Telstra an Australian Telecommunication company and the implementation of Act 701 for the National Intelligence Agency.

Leilanie Janse van Rensburg (31)

Executive Director – Finance / Company Secretary, Member of the Finance Committee

Leilanie was appointed as Financial Director on 1 October 2011 and is also a member of the Finance Committee. She obtained her B.Com Accounting degree from the University of Pretoria in 2004 and her Honours from the University of South Africa in 2005. In 2008, she registered as a Chartered Accountant. Employed by Auditor-General of South Africa as an Audit Manager for a period of three years gave her valuable experience in the public sector.

6.2 Remuneration

The Board, which includes a majority of shareholder representatives, determines the remuneration of the executive directors. In doing so the Board takes the following factors into consideration:

- the remuneration being market orientated;
- performance bonuses being linked to company performance; and
- public attitudes.

No fees or retainers are payable to the non-executive directors who are also shareholder representatives.

The Remuneration, Social and Ethics Committee assists the Board in its responsibility for setting and administering remuneration policies.

6.3 Powers of the Board

Memorandum of Incorporation

The general powers of the directors are set out in the MOI. The directors further have unspecified powers and authorities in respect of matters that may be exercised or dealt with by the company that are not expressly reserved for the shareholder.

Matters Reserved for the Board

There are certain matters that are dealt with exclusively by the Board, which include but are not limited to the authorisation of the annual financial statements, on the recommendation of the Audit Committee; the governance of risk; approval of certain contracts and approval of the annual budget

Delegation of Authority

The ultimate responsibility for Interfront's operations rests with the Board. The Board retains effective control through a well-developed governance structure of Board committees that specialise in particular areas of the business. The necessary authorities have been delegated to the executive directors to manage the day-to-day business affairs. The delegation of authority is reviewed periodically to ensure it remains aligned and relevant in relation to the growth of Interfront.

7. Board Committees

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7.1 Remuneration, Social and Ethics Committee

During the year under review, the Remuneration Committee revised its mandate to include the management of Interfront's ethics and social responsibilities and is now known as the Remuneration, Social and Ethics Committee.

Mr Kosie Louw is the Chairperson of the Committee and the members are Mustaq Enus-Brey and Gene Ravele. The permanent invitees are the directors Bob Head, Graham Randall and Leilanie Janse van Rensburg, Interfront's Human Resources Manager, SARS: Company Secretary and Mike Olivier a Specialist Advisor with over 13 years' experience in remuneration, human resources and strategy consulting.

The terms of reference sets out the responsibilities of the Remuneration, Social and Ethics Committee, which includes but are not restricted to:

» ensuring that the company remunerates its personnel, executives and directors fairly and responsibly;

» the disclosure of director's remuneration is accurate, complete and transparent; and

» monitoring Interfront's activities with regards to matters relating to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relations as well as matters relating to labour and employment.

Our report discloses the remuneration payable to our executive directors, prescribed officers as well as the three most highly-paid employees.

7.2 Transformation Committee

The Transformation Committee was established during the year under review to *inter alia* define the strategy and targets to achieve meaningful transformation within Interfront and to establish and monitor the implementation of various policies relating to the transformation strategy of Interfront.

Mr Gene Ravele is the Chairperson of the Committee and the members are Bob Head, Graham Randall and John Robertson. The permanent invitees are Leilanie Janse van Rensburg and Interfront's Human Resources Manager.

7.3 Finance Committee

After Interfront's Audit Committee was combined with the SARS Audit Committee, the Finance Committee was established during the year under review to support the joint SARS Audit Committee and the Interfront Board in the oversight of *inter alia*:

» financial reporting;

» the effectiveness of system of internal control;

» the performance of Interfront's internal audit and the external auditors; and

» risk management.

8. Board and Committee Meetings: Attendance

NAME	BOARD		REMUNERATION, SOCIAL & ETHICS COMMITTEE		FINANCE COMMITTEE		TRANSFORMATION COMMITTEE		AUDIT COMMITTEE
	No. attended	No. of meetings	No. attended	No. of meetings	No. attended	No. of meetings	No. attended	No. of meetings	SEE AUDIT COMMITTEE REPORT
Mustaq Enus-Brey	3	3	3	3	n/a	n/a	n/a	n/a	
Barry Hore	3	3	n/a	n/a	n/a	n/a	n/a	n/a	
Bob Head	3	3	2•	3	1	1	1	1	
Kosie Louw	3	3	3	3	n/a	n/a	n/a	n/a	
Gene Ravele	2	3	1	3	n/a	n/a	1	1	
Graham Randall	3	3	3•	3	1	1	1	1	
John Robertson	3	3	n/a	n/a	n/a	n/a	1	1	
Leilanie Janse van Rensburg	3	3	3•	3	1	1	1•	1	

n/a not a member or permanent invitee of the Committee

• attended the meetings as a permanent invitee

○ Joined committee as permanent invitee after the first meeting for the year under review

9. Risk Management

A risk management policy was established early in the year and a risk register was created to identify and manage the most important business risks in the company. The register was reviewed and updated twice in the year and reviewed by the Board.

The risk management process seeks to identify the risks and to classify them as high, medium or low, based on the likelihood of their occurrence and the impact, should they materialise.

The following risks were identified as the top risks through the year and mitigating actions were directed at reducing the likelihood of occurrence and impact:

Risk	Mitigating Actions Performed
Loss of skills/key staff, loss of customs domain knowledge	» Extended line management structure » Introduced individual performance management » Introduced personal development plans » Established consistent remuneration policy and market related comparison based on job descriptions » Succession planning
No agreed support capability plan for SARS Support	» Support plans created, both internal and with SARS support » Support team expanded and trained in preparation for support after Go Live
Client approval and acceptance cycles too long - requirements and deliveries	» Change request process implemented at SARS PMO » Process streamlined to manage daily requests during parallel testing
Not competitive with other vendors in the client space	» Marketing and sales strategy established » Active engagement with value-added reseller on market opportunities, sales strategy » Responded actively to potential sales opportunities
Interfront business model and product strategy is not clear	» Marketing and sales strategy clarified business approach to the market and product strategy alignment
Not meeting project budget or delivery deadlines	» Weekly tracking and reporting on all work orders
Transition of new Interfront customs system to live operation not successful	» Absolute focus on daily parallel testing and fixing of issues to align with legacy systems before going live

10. Declaration of the Company Secretary

I, the undersigned, L.L Janse van Rensburg, in my capacity as Company Secretary, certify that the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the companies act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

L.L Janse van Rensburg
Company Secretary

26 July 2013

PART E

FINANCIAL STATEMENTS

THE REPORTS AND STATEMENTS SET OUT BELOW COMPRISE THE ANNUAL FINANCIAL STATEMENTS PRESENTED TO THE PROVINCIAL LEGISLATURE:

» REPORT BY THE BOARD OF DIRECTORS

» AUDIT COMMITTEE REPORT

» REPORT OF THE AUDITOR-GENERAL

» ANNUAL FINANCIAL STATEMENTS

» STATEMENT OF FINANCIAL POSITION

» STATEMENT OF FINANCIAL PERFORMANCE

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» CASH FLOW STATEMENT

» ACCOUNTING POLICIES

» NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

1. Report by the Board of Directors

Introduction

The Board as the accounting authority of Interfront presents its Annual Report that forms part of the annual financial statements for the year ended 31 March 2013.

Review of Activities

Interfront is primarily engaged in the following:

» to hold, invest in and develop customs and border management software solutions for SARS and for use by other border control and revenue agencies around the globe; and

» to commercialise the software solution to enable the marketing thereof globally and operates principally in South Africa.

The operating results and the state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

The net surplus after tax amounted to R22,8 million (2012: deficit of R4,5 million).

Corporate governance

Interfront adheres to the statutory duties and responsibilities set out in the Companies Act and amplified by the PFMA. In addition, Interfront is guided on best practices by King III. Interfront has substantially applied the King III principles and practices. Detailed disclosure on all governance matters can be found in Part D: Governance.

Shareholder

The ultimate controlling entity is SARS, established in 1997 in terms of the South African Revenue Service Act, 1997 (Act No. 34 of 1997). It is listed as a national public entity in schedule 3A of the PFMA. In terms of the PFMA, Interfront is also recognised as a schedule 3A public entity, it being a wholly owned subsidiary of SARS.

Going Concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

Share Capital

The company did not issue any new shares during the year. The total number of shares in issue was one at a capital value of R1. The total authorised number of ordinary shares is 1 000 shares of no par value. The issued share is fully paid.

Interfront is capitalised by way of an interest free shareholder's loan that has no fixed term of repayment. This loan has been subordinated to other creditors.

Board Chairperson and Composition

The Board is confident that the Chairperson, as the only independent non-executive director remains independent. Detail of Board composition and meeting attendance can be found under Part D: Governance.

Risk Management

Interfront is exposed to several financial and other risks. The material risks include capital risk, financial risk, liquidity risk, interest rate risk, cash flow risk and credit risk. The potential impact and management of these risks are discussed in detail in note 30 to the financial statements. Further information on the business risks can be found on page 45.

Events after the Reporting Period

The Board is not aware of any matter or circumstance arising since the end of the financial year that impacted the state of affairs as at year-end.

Company Secretary

The Company Secretary ensures that all directors understand their responsibilities and liabilities, and have a suitable understanding of the company and its operations. In order for directors to make proper decisions the Company Secretary ensures that all directors are provided with timely information to assist them in carrying out their functions.

Leilanie Janse van Rensburg continued in office as Company Secretary. She is also a member of the Interfront Board, although not in line with the King III recommendations, the Board is confident that her independence is not diluted.

Accounting Policies

Refer to the annual financial statements for detailed disclosure on all accounting policies.

Auditors

In line with the requirements of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) the Auditor-General of South Africa will continue in office.

2. Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2013.

Audit Committee and Attendance

The Interfront Audit Committee was dissolved after its first meeting for the 2012/2013 financial year and has been combined with the SARS Audit Committee. This allows for independent oversight. Interfront is represented by a non-executive director on the combined Audit Committee and a Finance Committee under his chairmanship has been established to provide for the necessary support.

NAME	INTERFRONT AUDIT COMMITTEE	
	Nr. Attended	Nr. of meetings
Bob Head (Chairperson)	1	1
Barry Hore	1	1
Kosie Louw	1	1
NAME	JOINT SARS AUDIT COMMITTEE	
	Nr. Attended	Nr.of meetings
Berenice Lue-Marais (Acting-Chairperson)	1	1
Vuyo Kahla	1	1
Sathie Gounden	1	1
Bob Head - Interfront's authorised representative on SARS Audit Committee	1	1

Audit Committee Responsibilities

The Audit Committee reports that it has complied with its responsibilities arising from section 77 of the PFMA and Treasury Regulation 3.1. The Audit Committee also reports that 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.

The Effectiveness of Internal Control

The system of internal control applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and King III requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the audit report on the annual financial statements and the management report of the AGSA, it was noted that no matters were reported that indicated any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

Evaluation of Annual Financial Statements

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report with the AGSA and the Board;
- reviewed the AGSA's management report and management's response thereto;
- reviewed changes in accounting policies;
- reviewed the entities compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee concur with and accept the Auditor-General of South Africa's report on the annual financial statements and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal Audit

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits

Auditor-General South Africa

The Audit Committee has met with the external auditor to ensure that there are no unresolved issues.

Chairperson of the Interfront Audit Committee

Date: 26 July 2013

Chairperson of the SARS / Interfront Audit Committee

Date: 26 July 2013

BOARD'S RESPONSIBILITIES AND APPROVAL

The Board is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board acknowledges that it is ultimately responsible for the system of internal financial control established by the entity, and place considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board is of the opinion, based on the information and explanations given by management and discussions with both internal and external audit, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Although the Board is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.
The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 53.

The annual financial statements set out on pages 48 to 96, which have been prepared on the going concern basis, were approved by the Board on 26 July 2013 and were signed on its behalf by:

Graham Randall

Managing Director

Somerset West

26 July 2013

Mustaq Enus-Brey

Chairperson

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON INTERNATIONAL FRONTIER TECHNOLOGIES (INTERFRONT) SOC LTD

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of Interfront SOC Ltd set out on pages 56 to 96, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

2. The Board of directors which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act no. 1 of 1999) (PFMA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON INTERNATIONAL FRONTIER TECHNOLOGIES (INTERFRONT) SOC LTD

Opinion

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

Additional matter

Other reports required by the Companies Act

7. As part of my audit of the financial statements for the year ended 31 March 2013, I have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report I have not identified material inconsistencies between the report and the audited financial statements

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS PAA REQUIREMENTS

PAA REQUIREMENTS

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

Predetermined objectives

9. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 24 to 35 of the annual report.

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

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

12. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON INTERNATIONAL FRONTIER TECHNOLOGIES (INTERFRONT) SOC LTD

Compliance with laws and regulations

13. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA

Internal control

14. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.

Auditor-General

Pretoria

30 July 2013

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF FINANCIAL POSITION
as at 31 March 2013

Figures in Rand	Note(s)	2013	2012
ASSETS			
Current tax receivable		2 300 245	-
Trade and other receivables	4	15 218 191	7 531 724
VAT receivable	13	121 343	-
Cash and cash equivalents	5	15 329 851	3 470 554
Current Assets		**32 969 630**	**11 002 278**
Property, plant and equipment	6	3 687 397	5 794 158
Intangible assets	7	74 167 915	74 052 792
Deferred tax	8	1 020 643	1 525 576
Non-Current Assets		**78 875 955**	**81 372 526**
Total Assets		**111 845 585**	**92 374 804**
LIABILITIES			
Finance lease obligation	9	32 464	89 319
Operating lease liability	11	145 427	19 059
Trade and other payables	12	3 513 975	5 692 027
VAT payable	13	-	843 117
Provisions	14	1 320 000	1 504 442
Current Liabilities		**5 011 866**	**8 147 964**
Finance lease obligation	9	-	32 546
Operating lease liability	10 & 11	215 073	360 500
Non-Current Liabilities		**215 073**	**393 046**
Total Liabilities		**5 226 939**	**8 541 010**
Net Assets		**106 618 646**	**83 833 794**
NET ASSETS			
Share capital	15	1	1
Shareholder's subordinated loan - equity	16	102 711 836	102 711 836
Accumulated surplus / (deficit)		3 906 809	(18 878 043)
Total Net Assets		**106 618 646**	**83 833 794**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2013	2012
Revenue			
Rendering of services	20	79 920 167	64 052 620
Settlement fee income	20	7 653 556	-
Profit / (Loss) from exchange transactions		1 116 750	(64 721)
Interest received		572 836	115 052
Total revenue		**89 263 309**	**64 102 951**
Expenditure			
Employee cost		(51 672 880)	(57 357 951)
Depreciation and amortisation	6 & 7	(2 917 492)	(3 384 371)
Impairment loss	6	(859)	-
Finance costs	21	(11 313)	(23 396)
Doubtful debts	14	2 284 974	(2 284 974)
Repairs and maintenance		(132 959)	(87 312)
Administrative expenses		(6 124 153)	(5 337 718)
Professional and special services		(680 350)	(1 192 093)
Total expenditure		**(59 255 032)**	**(69 667 815)**
Operating surplus / (deficit) before taxation	22	**30 008 277**	**(5 564 864)**
Taxation	23	(7 223 429)	1 028 838
Surplus / (deficit) for the year		**22 784 848**	**(4 536 026)**
Attributable to:			
Owners of the controlling entity		22 784 848	(4 536 026)

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Share capital	Shareholder's loan - Equity	Accumulated surplus/ (deficit)	Total net assets
Opening balance as previously reported	1	89 822 261	(14 624 936)	75 197 326
Adjustments				
Prior year adjustments	-	-	282 919	282 919
Balance at 01 April 2011 as restated	**1**	**89 822 261**	**(14 342 017)**	**75 480 245**
Changes in net assets				
Deficit for the year	-	-	(4 536 026)	(4 536 026)
Shareholder's loan	-	12 889 575	-	12 889 575
Total changes	**-**	**12 889 575**	**(4 536 026)**	**8 353 549**
Opening balance as previously reported	1	102 711 836	(19 912 582)	82 799 255
Adjustments				
Prior year adjustments	-	-	1 034 543	1 034 543
Balance at 01 April 2012 as restated	**1**	**102 711 836**	**(18 878 039)**	**83 833 798**
Changes in net assets				
Surplus for the year	-	-	22 784 848	22 784 848
Total changes	**-**	**-**	**22 784 848**	**22 784 848**
Balance at 31 March 2013	**1**	**102 711 836**	**3 906 809**	**106 618 646**
Note	15	16		

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rendering of services		74 518 676	59 986 045
Interest received		572 836	115 052
Settlement fee income		7 653 556	-
Foreign exchange gain / (loss)		1 116 750	(64 715)
		83 861 818	**60 036 382**
Payments			
Employee cost		(51 672 880)	(57 357 951)
Suppliers		(9 319 013)	(6 391 946)
Finance costs		-	(75)
Doubtful debt		-	(2 284 974)
Taxes on surpluses	26	(9 018 741)	-
VAT movement		(964 460)	(4 464 764)
		(70 975 094)	**(70 499 710)**
Net cash flows from operating activities	25	**12 886 724**	**(10 463 328)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(662 874)	(470 786)
Purchase of other intangible assets	7	(263 840)	(276 878)
Shareholder's loan	16	-	12 889 575
Net cash flows from investing activities		**(926 714)**	**12 141 911**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(100 713)	(100 923)
Net increase in cash and cash equivalents		**11 859 297**	**1 577 660**
Cash and cash equivalents at the beginning of the year		3 470 554	1 892 894
Cash and cash equivalents at the end of the year	5	**15 329 851**	**3 470 554**

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board as well as the Public Finance Management Act No. 1 of 1999.

These annual financial statements have been prepared on the accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies is disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in Note 2 - changes in accounting policy.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including projected future revenue forecasts, together with economic factors such as inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in Note 1.10.

ACCOUNTING POLICIES (Continued)

1.1 Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Useful lives and residual value of assets

As described in the accounting policy below, the company reviews the estimate useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that no revision is required to the useful lives and residual values of property, plant and equipment based on the forecast commercial and economic realities and through benchmarking of accounting treatments in the industry.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Intangible assets

Internally developed intangible assets are annually tested for impairment by using various valuation techniques. Estimates and assumptions are used in accounting for future cash flows that are based on the current environment and market conditions existing at the end of each reporting period. It is reasonably possible that the key assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of the intangible assets.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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.

Property, plant and equipment are initially measured at cost.

ACCOUNTING POLICIES (Continued)

1.2 Property, plant and equipment (continued)

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.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.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.

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

Item	***Average useful life***
Furniture and fixtures	3 - 6 years
Plant and machinery	10 years
IT equipment	3 - 5 years
Leasehold improvements	Over the life of the asset or the lease period whichever is the shorter

ACCOUNTING POLICIES (Continued)

1.3 Intangible assets

An asset is identified as an intangible asset when it:

» is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
» arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

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 initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when all of the following can be demonstrated:

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Item	***Useful life***
Intellectual Property and other rights	Indefinite
IT Software	5 years

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 is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

ACCOUNTING POLICIES (Continued)

1.4 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.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- 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.

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.

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.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

ACCOUNTING POLICIES (Continued)

1.4 Financial instruments (continued)

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

» equity instruments or similar forms of unitised capital;
» a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
» a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

» the entity designates at fair value at initial recognition; or
» are held for trading.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	***Category***
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	***Category***
Finance lease obligation	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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.

ACCOUNTING POLICIES (Continued)

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- » financial instruments at fair value.
- » financial instruments at amortised cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Gains and losses

For financial assets and financial liabilities measured at amortised 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.

Impairment and uncollectibility of financial assets

The entity assesses 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 financial assets using trade date accounting.

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

ACCOUNTING POLICIES (Continued)

1.4 Financial instruments (continued)

» 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.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

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.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

ACCOUNTING POLICIES (Continued)

1.5 Tax (continued)

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable surplus will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

» a transaction or event which is recognised, in the same or a different period, to net assets; or
» a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

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.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessee

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 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continued use that are largely independent of the cash inflows from other assets or groups of assets.

ACCOUNTING POLICIES (Continued)

1.7 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
» its fair value less costs to sell (if determinable);
» its value in use (if determinable); and
» zero.

ACCOUNTING POLICIES (Continued)

1.8 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares as well as the loan received from the shareholder are classified as equity. The shareholder loan is subordinated to the interest of other creditors.

1.9 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 paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

The entity has no legal or constructive obligation to pay future benefits which responsibility vests with the contribution retirement benefits schemes.

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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised but are disclosed in note 33 of this financial statements.

ACCOUNTING POLICIES (Continued)

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.
An exchange transaction is one in which the 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.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

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:

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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.

Interest and royalties

Revenue arising from the use by others of entity assets yielding interest and royalties is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

ACCOUNTING POLICIES (Continued)

1.12 Revenue from non-exchange transactions (continued)

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:
» foreign currency monetary items are translated using the closing rate;
» non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
» non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

ACCOUNTING POLICIES (Continued)

1.15 Translation of foreign currencies (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Research and development expenditure

Research costs are charged against operating surplus as incurred. Development costs are recognised as an asset in the period in which they are incurred when the following criteria are met:

- the product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably;
- the technical feasibility of the product or process can be demonstrated;
- the existence of a market or, if to be used internally rather than sold, its usefulness to the entity can be demonstrated;
- adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process; and
- the asset must be separately identifiable.

1.18 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.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management member in their dealings with the entity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. CHANGES IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the revised accounting policy based on the following newly adopted standards. The changes in accounting policy do not have a material impact on the financial statements of the entity.

» GRAP 23: Revenue from non-exchange transactions
» GRAP 26: Impairment of cash-generating assets
» GRAP 104: Financial Instruments

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective and adopted in the current year

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

Standard and description	***Effective date (years beginning on or after)***	***Objective***	***Impact***
GRAP 23: Revenue from non-exchange transactions	1 April 2012	The objective of this standard is to prescribe requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination.	The impact of the adoption is not material.
GRAP 26: Impairment of cash generating assets	1 April 2012	The objective of this standard is to prescribe the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognised. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.	The impact of the adoption is not material.
GRAP 104: Financial instruments	1 April 2012	This standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments.	The impact of the adoption is not material.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

3.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, that may impact the entity's financial records, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2013 or later periods:

Standard and description	**Effective date**	**Objective**	**Impact**
GRAP 25: Employee benefits	1 April 2013	The objective of this standard is to prescribe the accounting and disclosure for employee benefits.	It is unlikely that the standard will have a material impact on the entity's annual financial statements.
GRAP 20: Related parties	Not yet determined.	The objective of this Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.	It is unlikely that the standard will have a material impact on the entity's annual financial statements.

3.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2013 or later periods but are not relevant to its operations:

Standard and description	**Effective date**	**Objective**	**Impact**
GRAP 106: Transfers of functions between entities not under common control	1 April 2014	The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.	The adoption of the standard is not envisaged until such time as it becomes applicable to the entity's operations.
GRAP 107: Mergers	Not yet determined.	The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.	The adoption of the standard is not envisaged until such time as it becomes applicable to the entity's operations.

NOTES TO THE ANNUAL FINANCIAL STATMENTS (Continued)

4. TRADE AND OTHER RECEIVABLES

Figures In Rands	2013	2012
Trade debtors	9 658 923	7 516 419
Deposit	15 305	15 305
Investment receivable	5 543 963	-
	15 218 191	**7 531 724**

To optimise interest rates, an amount of R5 500 000 was invested together with the shareholder's investment. This amount is receivable as soon as the investment matures.

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of trade and other receivables

Trade and other receivables	15 218 191	7 531 724

Trade and other receivables are carried at original invoice amounts, which approximates fair value, less provision for impairment.

Trade and other receivables past due but not impaired

Trade and other receivables past due are not considered to be impaired unless there is a clear indication that the amounts should be considered non-recoverable. At 31 March 2013, R 8 936 485 (2012: R 1 127 050) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	6 808 810	360 763
2 months past due	1 870 245	647 631
3 months or more past due	257 430	118 656

All amounts past due were recovered subsequent to year end.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2 284 974	2 284 974
Unused amounts reversed	(2 284 974)	-
	-	**2 284 974**

The creation and release of the provision for impaired receivables has been included in operating expenses in the deficit in the 2012 financial year as this was the most likely outcome measured at that date. The issues that were evident at the time were resolved and all amounts were subsequently recovered.

Amounts charged to the provision for doubtful debt allowance account are generally written off when there is no expectation of recovering additional cash.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Figures In Rands	2013	2012
Cash on hand	3 607	5 835
Bank balances	15 326 244	3 464 719
	15 329 851	**3 470 554**

Credit quality of cash at bank and short term deposits, excluding cash on hand

Bank balances comprise of cash and short-term investments that are held with registered banking institutions. The carrying amount of these assets approximates their fair value.

6. PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	203 544	(117 401)	86 143	203 544	(75 966)	127 578
Furniture and fixtures	673 305	(307 781)	365 524	657 860	(191 223)	466 637
Office equipment - leased	215 269	(194 639)	20 630	215 269	(122 883)	92 386
IT equipment	6 725 097	(5 289 754)	1 435 343	6 078 528	(3 721 505)	2 357 023
Leasehold improvements	4 528 991	(2 749 234)	1 779 757	4 528 991	(1 778 457)	2 750 534
Total	**12 346 206**	**(8 658 809)**	**3 687 397**	**11 684 192**	**(5 890 034)**	**5 794 158**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Impairment loss	Total
Plant and machinery	127 578	-	(41 435)	-	86 143
Furniture and fixtures	466 637	16 304	(116 558)	(859)	365 524
Office equipment - leased	92 386	-	(71 756)	-	20 630
IT equipment	2 359 239	646 570	(1 570 466)	-	1 435 343
Leasehold improvements	2 750 534	-	(970 777)	-	1 779 757
	5 796 374	**662 874**	**(2 770 992)**	**(859)**	**3 687 397**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Impairment loss	Total
Plant and machinery	169 015	-	(41 437)	-	127 578
Furniture and fixtures	544 047	35 158	(112 568)	-	466 637
Office equipment - leased	164 143	-	(71 757)	-	92 386
IT equipment	4 030 570	435 628	(2 109 175)	-	2 357 023
Leasehold improvements	3 721 311	-	(970 777)	-	2 750 534
	8 629 086	**470 786**	**(3 305 714)**	**-**	**5 794 158**

Depreciation

It is the company's policy to depreciate generators, disclosed under plant and machinery, over a period of 10 years. At inception the shareholder transferred a generator to the company and the generator was only depreciated over the remaining useful life resulting in depreciation over 56 months.

Figures In Rands	2013	2012
Assets subject to finance lease (Net carrying amount)		
Office equipment	20 630	92 386
Other information		
Property, plant and equipment fully depreciated and still in use (Residual value)		
Property, plant and equipment	365 312	140 502

A material portion of the fully depreciated items still in use will systematically be replaced in the coming year.

NOTES TO THE ANNUAL FINANCIAL STATMENTS (Continued)

7. INTANGIBLE ASSETS

Figures In Rand

	2013			2012		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Intellectual property and other rights	73 582 623	-	73 582 623	73 582 623	-	73 582 623
IT software	867 299	(282 007)	585 292	603 459	(133 290)	470 169
Total	**74 449 922**	**(282 007)**	**74 167 915**	**74 186 082**	**(133 290)**	**74 052 792**

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Intellectual property and other rights	73 582 623	-	-	73 582 623
IT software	467 951	263 840	(146 499)	585 292
	74 050 574	**263 840**	**(146 499)**	**74 167 915**

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Intellectual property and other rights	73 582 623	-	-	73 582 623
IT software	271 951	276 878	(78 660)	470 169
	73 854 574	**276 878**	**(78 660)**	**74 052 792**

Details of impairment test

An impairment test was performed to determine whether the intangible asset's value should be impaired. The effective date of the valuation was 31 March 2013. The valuation was performed by the independent valuer, KPMG. KPMG is not connected to the entity and has recent experience in valuing similar assets. The valuation technique adopted in undertaking this valuation has been the Relief from Royalty method.

The Relief from Royalty method estimates the cost of licensing the acquired intangible asset from an independent third party using a royalty rate. Since the company owns the intangible assets, it is relieved from making royalty payments. The resulting cash flow savings attributed to the owned intangible assets are estimated over the intangible asset's remaining useful life and discounted to present value.

This approach focuses on the income producing capability of the intangible asset i.e. IP, that best represents the present value of the future economic benefits expected to be derived from it. It reflects the present value of the operating cash flows generated by the IP after taking into account the cost to realise the revenue, the relative risk of the revenue streams and an appropriate discount rate to reflect the time value of invested capital.

NOTES TO THE ANNUAL FINANCIAL STATMENTS (Continued)

7. INTANGIBLE ASSETS (continued)

The following key inputs were used:

IP valuation 2013 to 2018 forecast	
Royalty rate	20.00%
KPMG calculated Weighted Average Cost of Capital	19.36%
Tax rate	28.00%

The impairment test did not indicate an impairment of the Intellectual Property.

8. DEFERRED TAX

Figures In Rand	2013	2012
Deferred tax asset		
Deferred tax asset	1 020 643	1 525 576
Reconciliation of deferred tax asset		
At beginning of the year	1 525 576	496 738
Originating / (reversing) temporary differences on tangible fixed assets	64 649	161 959
Movement in provisions and accruals	(39 744)	41 346
Originating / (reversing) temporary differences on finance lease	(25 014)	(21 729)
Originating / (reversing) temporary differences on operating lease	(5 337)	27 275
Prior year adjustment	-	320 500
Originating / (reversing) temporary differences on doubtful debt allowance	(499 487)	499 487
	1 020 643	**1 525 576**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

» the utilisation of the deferred tax asset is dependent on future taxable surpluses in excess of the surpluses arising from the reversal of existing taxable temporary differences; and
» the entity has suffered a deficit in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

9. FINANCE LEASE OBLIGATION

Figures In Rands	2013	2012
Minimum lease payments due		
- within one year	33 396	100 927
- in second to fifth year inclusive	-	33 514
	33 396	**134 441**
Less: future finance charges	(932)	(12 576)
Present value of minimum lease payments	**32 464**	**121 865**
Present value of minimum lease payments due		
- within one year	32 464	89 319
- in second to fifth year inclusive	-	32 546
	32 464	**121 865**
Non-current liabilities	-	32 546
Current liabilities	32 464	89 319
	32 464	**121 865**

Certain photocopiers were capitalised and the corresponding finance lease liability raised. The leases are repayable in 36 monthly instalments. The lease term is 3 years and the average effective borrowing rate was 9% (2012: 9%). Total payments of R100 713 were made during the year for the 3 machines. Refer note 6 - Office equipment-leased. The final payment will be made in July 2013.

10. COMMITMENTS

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 613 049	1 486 681
- in second to fifth year inclusive	1 438 092	3 051 140
	3 051 141	**4 537 821**

Operating lease payments represent rentals payable by the entity for its office premises. Refer note 11 for more detail.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

11. OPERATING LEASE

Figures In Rands	2013	2012
Non-current liabilities	(215 073)	(360 500)
Current liabilities	(145 427)	(19 059)
	(360 500)	**(379 559)**

Operating lease represents rentals payable by the entity for its office premises. The operating lease is for a period of 5 years and expires 31 January 2015 with an option to renew for a further 3 years. The lease agreement escalates yearly with 8.5% until the lease expires in 2015.

12. TRADE AND OTHER PAYABLES

Trade payables	829 149	3 205 474
Accrued leave pay	1 417 120	1 374 621
PAYE payable	794 170	1 047 446
Accruals	151 225	-
Salary related accruals	322 311	64 486
	3 513 975	**5 692 027**

Trade and other payables are carried at original invoice amounts, which approximates fair value.

13. VAT PAYABLE (RECEIVABLE)

VAT (receivable) / payables	(121 343)	843 117

14. PROVISIONS

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	1 504 442	1 096 421	(1 280 863)	1 320 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

14. PROVISIONS (continued)

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	1 409 134	1 280 756	(1 185 448)	-	1 504 442

Performance bonuses represents the estimated obligation for the current year.

15. SHARE CAPITAL

Figures In Rands	2013	2012
Authorised		
1000 Ordinary shares of R1 each	1 000	1 000
Reconciliation of number of shares issued:		
Reported as at the beginning of the financial year	1	1

999 Un-issued ordinary shares are under the control of the members in terms of a resolution of board passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Issued		
Ordinary	1	1

Share capital is fully paid and has no restrictions.

16. SHAREHOLDER'S LOAN

The loan is unsecured, bears no interest and has no fixed date of repayment. SARS as shareholder will provide Interfront with operational funding in accordance with pre-approved annual budgets until 31 March 2014 to the extent that the revenue is insufficient.

The loan has been subordinated in favour of other creditors until such time as the assets of the company, fairly valued, exceed its remaining liabilities. No portion of the loan will be repayable until such date.

Loan at the beginning of the year	102 711 836	89 822 261
Receipts	-	12 889 575
Shareholder's loan recognised in equity	**102 711 836**	**102 711 836**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

17. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Figures In Rand

2013

	At fair value	At amortised cost	Total
Trade and other receivables		15 218 191	15 218 191
Cash and cash equivalents	15 329 851		15 329 851
Current tax receivable		2 300 245	2 300 245
VAT receivable		121 343	121 343
	15 329 851	**17 639 779**	**32 969 630**

2012

	At fair value	At amortised cost	Total
Trade and other receivables		7 531 724	7 531 724
Cash and cash equivalents	3 470 554		3 470 554
	3 470 554	**7 531 724**	**11 002 278**

18. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

2013

	At amortised cost	Total
Operating lease liability	145 427	145 427
Trade and other payables	3 513 977	3 513 977
Finance lease obligation	32 464	32 464
Provisions	1 320 000	1 320 000
	5 011 868	**5 011 868**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

18. FINANCIAL LIABILITIES BY CATEGORY (continued)

Figures In Rand

2012

	At amortised cost	Total
Operating lease liability	19 059	19 059
Trade and other payables	5 692 027	5 692 027
VAT payable	843 117	843 117
Finance lease obligation	89 319	89 319
Provisions	1 504 442	1 504 442
	8 147 964	**8 147 964**

19. EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution plan

Entitlement to retirement benefits is governed by the rules of the Finsolnet Provident Fund which is a defined contribution retirement fund. The entity has no legal or constructive obligation to pay for future benefits, this responsibility vests with the Finsolnet Provident Fund.

The entity is under no obligation to cover any unfunded benefits.

	2013	2012
The total economic entity contribution to such schemes	2 305 840	2 061 780

20. REVENUE

Rendering of services	79 920 167	64 052 620
Settlement fee income	7 653 556	-
Profit / (loss) from exchange transactions	1 116 750	(64 721)
Interest received	572 836	115 052
	89 263 309	**64 102 951**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

20. REVENUE (continued)

Figures In Rands	2013	2012
The amounts included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	79 920 167	64 052 620
Settlement fee Income	7 653 556	-
Profit / (loss) from exchange transactions	1 116 750	(64 721)

Settlement fee income

Settlement fee income comprised income due to new agreements with a client based on the agreed value provided to them in prior years.

21. FINANCE COSTS

Finance leases	11 313	23 321
Bank	-	75
	11 313	**23 396**

22. OPERATING SURPLUS / (DEFICIT)

Operating surplus / (deficit) for the year is stated after accounting for the following:

Operating lease charges		
Premises: Contractual amounts	1 467 622	1 467 622
Impairment on property, plant and equipment	859	-
Amortisation of intangible assets	146 499	78 660
Depreciation on property, plant and equipment	2 770 993	3 305 711
Employee costs	51 672 880	57 357 951

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

23. TAXATION

Figures In Rands	2013	2012
Major components of the tax expense (income)		
Current		
Local income tax - current period	6 718 496	-
Deferred		
Deferred tax movement current year	504 933	(1 028 838)
	7 223 429	**(1 028 838)**

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

	2013	2012
Accounting surplus (deficit)	30 008 277	(5 564 864)
Tax at the applicable tax rate of 28% (2012: 28%)	8 402 318	(1 558 162)
Tax effect of adjustments on taxable income		
Originating temporary differences	(504 934)	708 337
Effect of non-deductible expenses	221 700	221 700
Utilised prior year unrecognised tax losses	(1 400 588)	-
Tax losses available for set off against future taxable income	-	628 125
	6 718 496	**-**

24. AUDITORS' REMUNERATION

	2013	2012
Fees	565 932	227 273
Expenses	112 549	67 887
	678 481	**295 160**

Treatment of audit fees was changed during the current year to align with the shareholders treatment thereof. Fees are now recognised when invoiced. The disclosed amounts per period are thus pertaining to more than one financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

25. CASH (UTILISED IN) / GENERATED FROM OPERATIONS

Figures in Rands	2013	2012
Surplus / (deficit)	22 784 848	(4 536 026)
Adjustments for:		
Depreciation and amortisation	2 917 492	3 384 371
Finance costs - Finance leases	11 313	23 321
Impairment	859	-
Doubtful debts	(2 284 974)	2 284 974
Movements in operating lease assets and liabilities	(19 059)	97 410
Movements in provisions	(184 442)	95 308
Movement in tax receivable and payable	(2 300 245)	-
Annual charge for deferred tax	504 933	(1 028 838)
Changes in working capital:		
Trade and other receivables	(7 686 467)	(4 066 575)
Provision for doubtful debts	2 284 974	(2 284 974)
Trade and other payables	(2 178 048)	32 465
VAT	(964 460)	(4 464 764)
	12 886 724	**(10 463 328)**

26. TAX PAID

Balance at beginning of the year	-	-
Current tax for the year recognised in surplus or deficit	(6 718 496)	-
Balance at end of the year	(2 300 245)	-
	(9 018 741)	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

27. RELATED PARTIES

Relationships	Party
Controlling entity	South African Revenue Service
Close family members of key management	M. Robertson
Key management who have significant influence in companies which were transacted with	J.M. Robertson
Companies in which key management has significant influence	Tsohle Business Solutions (Pty) Ltd (25,32% effective interest) Tatis Africa (Pty) Ltd (19,97% effective interest)
Members of key management	M.A. Enus-Brey - Chairman of the Board B.J.S. Hore - Non-Executive Director J.J. Louw - Non-Executive Director V. Pillay - Non-Executive Director(resigned 3 April 2012) H.G.N. Ravele - Non-Executive Director R.M. Head (appointed 3 April 2012) G.O. Randall - Managing Director J.M. Robertson - Director of Operations L.L. Janse van Rensburg - Financial Director
Members of key management who are employed by the shareholder	B.J.S. Hore J.J. Louw V. Pillay H.G.N. Ravele R.M. Head

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

27. RELATED PARTIES (continued)

Figures In Rands	2013	2012
Related party balances		
Loan account - Owing to related parties		
South African Revenue Service	102 711 836	102 711 836
Trade Receivables		
Tatis Africa (Pty) Ltd	-	3 766 083
South African Revenue Service	7 788 678	4 530 434
Trade Payables		
Tsohle Business Solutions (Pty) Ltd	7 741	93 649
Tatis Africa (Pty) Ltd	-	1 481 109
South African Revenue Service	327 143	968 284
Related party transactions		
Rendering of services to related parties		
South African Revenue Service	72 152 042	52 764 713
Tatis Africa (Pty) Ltd	1 322 325	9 747 652
South African Revenue Service	-	(968 284)
Procurement of services from related parties		
Tsohle Business Solutions (Pty) Ltd	4 890 848	8 175 244
Tatis Africa (Pty) Ltd	1 325 528	5 130 285
Compensation to close family members of key management		
Short term employee benefits	129 626	381 100

Interfront provides SARS with software development services. The value of the services was determined by negotiated charge out rates and hours spent on delivering the services.

A close family member of the operations director was employed by Interfront for part of the year and received remuneration for her services.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

27. RELATED PARTIES (continued)

A member of Interfront's key management has significant influence, through indirect shareholdings, in two suppliers one of which is also a customer of Interfront.

In the ordinary course of business Interfront enters into various sales and purchase transactions on an arm's length basis at market rates with other state controlled entities (e.g. Telkom). These transactions do not result in economic dependency nor does Interfront have the ability to exercise significant influence over them. In terms of IPSAS 20 - Related Party Disclosure, Interfront is not required to disclose any of these transactions.

SARS seconded an employee during parts of the financial year to Interfront for which SARS carried the full cost.

Refer to note 28, members and prescribed officer emoluments for disclosure of transactions with directors.

28. MEMBERS' AND PRESCRIBED OFFICER'S EMOLUMENTS

No emoluments were paid to non-executive members during the year although R83 124 (2012: R0) was provided for payment to the chair of the board Mr. M.A. Brey. We are awaiting the instruction of National Treasury to determine the exact amount allowed.

Figures In Rand

Executive

2013

	Salary	Bonus	Total
J.M. Robertson	1 764 000	617 400	2 381 400
G.O. Randall	1 695 720	559 588	2 255 308
L.L. Janse van Rensburg	861 000	220 000	1 081 000
	4 320 720	**1 396 988**	**5 717 708**

2012

	Salary	Bonus	Total
J.M. Robertson (appointed 1/10/11)	860 908	588 000	1 448 908
G. O. Randall (appointed 1/07/11)	1 297 193	324 375	1 621 568
L.L. Janse van Rensburg (appointed 1/10/11)	406 601	46 667	453 268
G.F. Theart (resigned 30/08/11)	815 601	-	815 601
S.M. Paterson (resigned 31/05/11)	286 694	-	286 694
	3 666 997	**959 042**	**4 626 039**

Salaries include petrol card payments and leave payouts.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

28. MEMBERS' AND PRESCRIBED OFFICER'S EMOLUMENTS (continued)

Figures In Rand

Prescribed officers and three highest paid employees

2013

	Salary	Bonus	*Allowances (including leave payments)	Total
A.C. du Toit	934 680	98 142	-	1 032 822
A.J. Louw (resigned 31/08/12)	335 545	-	-	335 545
D. Oswald (resigned 31/01/13) #	863 340	94 866	-	958 206
C. Geldenhuys (resigned 31/01/13)	699 800	-	-	699 800
J. A. Prinsloo (resigned 31/03/12) #	107 825	-	-	107 825
M. Laurie*	777 360	217 672	32 426	1 027 458
M. Beckerling*	881 040	105 726	-	986 766
	4 599 590	**516 406**	**32 426**	**5 148 422**

2012

	Salary	Bonus	Total
A.C. du Toit	902 708	-	902 708
A.J. Louw	843 954	-	843 954
D. Oswald	881 847	301 178	1 183 025
C. Geldenhuys	801 497	119 970	921 467
J.A. Prinsloo	616 900	59 400	676 300
	4 046 906	**480 548**	**4 527 454**

Salaries include leave payments at date of resignation, immaterial subsistence and travel allowance and petrol card payments for staff transferred from Tatis at the inception of Interfront.

Messrs. Oswald and Prinsloo resigned but continued to provide certain services on a contract basis.
* Messrs. Laurie and Beckerling are not prescribed officers but are disclosed based on the King III requirements.

29. RESTATEMENT / RECLASSIFICATION OF PRIOR PERIOD FIGURES

To align our accounting treatment with that of the shareholders the following changes were made:
* Audit fees: An accrual is no longer created and audit fees are recognised as and when invoiced.
* Trade and other receivables: Trade and other receivables are shown at fair value less provision for impairment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

29. RESTATEMENT / RECLASSIFICATION OF PRIOR PERIOD FIGURES (continued)

Two items previously disclosed in IT equipment were reclassified to intangible assets.

A new agreement was reached with a foreign customer in the current year. This agreement resulted in Interfront carrying foreign exchange risk.

The correction of the above results in adjustments as follows:

Figures In Rands	2013	2012
Statement of financial position		
Property, plant and equipment	-	(15 259)
Intangible assets	-	15 259
Trade and other payables	-	(642 559)
Trade and other receivables	-	2 539 216
Opening Accumulated Surplus or Deficit	-	(282 919)
Deferred tax	-	646 222
Provisions	-	(2 284 974)
Statement of Financial Performance		
Decrease in Services Rendered	-	189 521
Increase in Foreign exchange loss	-	64 721
Decrease in Audit Fees	-	(359 640)
Increase in Deferred tax	-	(646 222)
Decrease in Deficit	-	751 620

30. RISK MANAGEMENT

Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns for the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 9, 10,12, 13, cash and cash equivalents disclosed in note 5 and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to the owner, return capital to the owner, issue new shares or sell assets to reduce debt.

The entity monitors capital on the basis of the debt: equity ratio.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

30. RISK MANAGEMENT (continued)

This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position.

The entity's strategy is to work towards a debt: equity ratio of less than 1 to 1. Currently the entity is geared mainly with a shareholders loan. To mitigate the risk associated with this type of financing the loan is interest free, has no fixed term of repayment and is subordinated to other creditors.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The entity's activities expose it to a variety of financial risks, credit risk and liquidity risk.
Risk management is carried out by the board. The board provides written policies for overall risk management, as well as a review covering specific areas.

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Figures In Rand

At 31 March 2013	1 year	1 - 2 years	2 - 5 years	No fixed date of repayment
Loan from shareholder	-	-	-	102 711 836
Trade and other payables	3 513 975	-	-	-
Finance lease obligation	32 464	-	-	-
Operating lease contractual amounts	1 613 049	1 438 092	-	-

At 31 March 2012	1 year	1 - 2 years	2 - 5 years	No fixed date of repayment
Loan from shareholder	-	-	-	102 711 836
Trade and other payables	5 692 027	-	-	-
Finance lease obligation	100 923	33 512	-	-
Operating lease contractual amounts	1 370 213	1 486 681	3 051 140	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

30. RISK MANAGEMENT (continued)

Interest rate risk

As the entity has no interest-bearing assets or liabilities, resulting in material interest, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Cash flow interest rate risk

Figures in Rand

Financial instrument	Current market interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	No fixed term of repayment
Trade and other receivables - normal credit terms	8,50%	15 218 191	-	-	-	-
Cash in current banking institutions	4,50%	15 329 851	-	-	-	-
Trade and other payables - normal credit terms	8,50%	(3 513 975)	-	-	-	-
Finance lease obligation	8,50%	(32 464)	-	-	-	-
Operating lease obligation	8,50%	(1 613 049)	(1 438 092)	-	-	-
Loan from shareholder	- %	-	-	-	-	(102 711 836)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the entity assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	2013	2012
Cash and cash equivalents	15 329 851	3 470 554
Trade and other receivables	15 218 191	9 816 698

Foreign exchange risk

The entity provides service to one international customer and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The entity does not hedge foreign exchange fluctuations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)

30. RISK MANAGEMENT (continued)

Figures In Rand	2013	2012
Foreign currency exposure at statement of financial position date		
Current assets		
Trade debtors, EURO 158 400 (2012 : EURO 150 000) receivable 31 March 2013	1 870 245	1 504 875
Exchange rates used for conversion of foreign items were:		
Euro	11,8071	10,2437

31. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

32. EVENTS AFTER THE REPORTING DATE

No events after the reporting date have been identified that warrant adjustment to the financial statements. Interfront is not aware of any matters or circumstances arising since the end of the financial period that can impact the financial state of the entity materially.

33. CONTINGENCIES

Certain employees have, via an attorney, contended for a claim for a three-year retention bonus which claim they allege arose prior to their transfer to Interfront in and during 2010. Interfront have obtained independent legal advice and have been advised that the claim is without merit and should be contested. This process is ongoing.

34. RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

SARS as principle of its wholly owned subsidiary, incorporate Interfront in its parliamentary and ultimate statutory accounting processes. Interfront is included inter alia in the SARS strategic plan, budget, monthly and annual reporting, as well as the consolidated annual financial statements. Interfront functions primarily as a service provider supporting customs modernisation. Within these overall objectives, Interfront is governed by its Board under close scrutiny of SARS. Interfront is thus excluded from the detailed reporting requirements based on paragraph 3 of GRAP 24.

35. *EX GRATIA* PAYMENTS

No material *ex gratia* payments were made during the year under review.

CORPORATE INFORMATION

International Frontier Technologies SOC Ltd

(Registration number 2009/007987/30)

Registered office and business address

Gleneagles Building, Somerset Links Office Park

De Beers Avenue

Somerset West

7130

Postal address

PostNet Suite #10

Private Bag X15

Somerset West

7129

Company Secretary

L.L. Janse van Rensburg

Gleneagles Building, Somerset Links Office Park

De Beers Avenue

Somerset West

7130

Email: secretarial@interfront.co.za

ABBREVIATIONS AND ACRONYMS

Accenture	Accenture (South Africa) (Pty) Ltd
ADA	Administration des Douanes et Accises
AGSA	Auditor-General South Africa
CER	Customs and excise refunds
COMESA	The Common Market for Eastern and Southern Africa
Companies Act	Companies Act, No. 71 of 2008
DMT	Data Management Tool
DPR	Declaration Processing
EDI	Electronic Data Interchange
EDIFACT	Electronic Data Interchange For Administration, Commerce and Transport
EMCS	Excise Movement Control System
ERT	Error Reporting Tool
EU	European Union
GRAP	Generally Recognised Accounting Practice
GUI	Graphic User Interface
IBAS	In-Bond Acquittal System
iCBS	Interfront Customs and Border Management Solutions
ICS	Import Control System
ICT	Information and communication technology
IETA	Import, Export and Transit Application
IP	Intellectual property

ABBREVIATIONS AND ACRONYMS

IT	Information technology
King III	King III Report on Corporate Governance, 2009
LCM	Licence and Certificate Management
MOI	Memorandum of Incorporation
PAA	Public Audit Act No. 25 of 2004
PDP	Personal Development Plan
PFMA	Public Finance Management Act, No.1 of 1999
PMO	Programme Management Office
POC	Proof of Concept
QA	Quality Assurance
RFI	Request for Information
RFP	Request for Proposal
SA	South Africa
SADC	Southern African Development Community
SARS	South African Revenue Service
SCC	System Configuration Console
SCDM	SARS Customs Data Model
SDLC	System Development Life-Cycle
SLA	Service Level Agreement
SMC	System Management Console
SOA	Service-orientated architecture

ABBREVIATIONS AND ACRONYMS

TBK	Tariff Book
TMS	Tariff Management System
WCO	World Customs Organization
WIMS	Warehouse and inventory management system
XML	Extensible mark-up language