ANNUAL REPORT 2015

interfront

Smart Systems. Better Borders.

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PART A

GENERAL INFORMATION

1. Corporate Information

International Frontier Technologies SOC Ltd
Registration Number: 2009/007987/30

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Postal Address

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Somerset West, 7129

Contact

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Bankers: ABSA Limited

Company Secretary

L. L. Janse van Rensburg
Gleneagles Building, Somerset Links Office Park
De Beers Avenue
Somerset West, 7130

2. List of Abbreviations / Acronyms

Accenture	Accenture (South Africa) (Pty) Ltd
ADA	Administration des Douanes et Accises
AGSA	Auditor-General of South Africa
CEO	Chief Executive Officer
Companies Act	Companies Act. No. 71 of 2008
COTS	Commercially off the Shelf
EDI	Electronic Data Interchange
EDIFACT	Electronic Data Interchange for Administration, Commerce and Transport
EE	Employment Equity
ERT	Error Reporting Tool
EU	European Union
GRAP	Generally Recognised Accounting Practice
iCBS	Interfront Customs and Border Management Solutions
ICS	Import Control System
ICT	Information and Communications Technology
IETA	Import, Export and Transit Application
IP	Intellectual Property
IT	Information Technology
NCAP	New Customs Acts Programme
King III	King III Report on Corporate Governance, 2009
PAA	Public Audit Act, No. 25 of 2004
PFMA	Public Finance Management Act, No. 1 of 1999
PMO	Project Management Office
RFI	Request for Information
RFP	Request for Proposal
SA	South Africa
SARS	South African Revenue Service
SLA	Service Level Agreement
SMART	Specific, Measurable, Achievable, Relevant and Time-bound
SOA	Service-Orientated Architecture
Tatis	Tatis International (Pty) Ltd
TMS	Tariff Management System
UAE	United Arab Emirates
UCC	United Customs Code
WCO	World Customs Organization
XML	Extensive Mark-Up Language

3. Strategic Overview

3.1 Vision

The best partner in border solutions

3.2 Mission

We deliver smart solutions, creating better borders

3.3 Values

Trust
Excellence
Camaraderie
Humility
Integrity

3.4 Strategic Objectives

Interfront has three strategic objectives:

- Provide and support software solutions for clients
- Establish a broader customer base
- Maintain a sustainable, financially self-sufficient organisation

Performance against each objective is reported on in Part B.

TECHI

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 in our product through constant innovation and pride in our product and service delivery

C

CAMARADERIE Passionate teamwork; walking the extra mile; commitment to the team and organisation; fun

H

HUMILITY Servant leadership – transparency; communication; supportive – acting in the best interest of those you are leading in a humble way; supporting each other's efforts; empowerment; 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

4. Interfront Product – iCBS

The iCBS is a product led modular customs and border-management product suite, rather than a single package monolithic commercially off-the-shelf (COTS) product. 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 as well as license and certificate management. **Clients may select specific iCBS modules that are then customised to their 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 a single-window operation with the respective trade, migration and enforcement structures. The implementation of the iCBS modules is scalable to the size and complexities of any customs operation.

Modernisation programmes are complex, typically implemented in a staged approach and take 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 the modules required and facilitate the integration of iCBS with externally supplied systems, such as the accounting modules, in order to deliver the full scope of the intended solution. To this end, we work closely with various service providers in order to work according to their personal specifications.

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

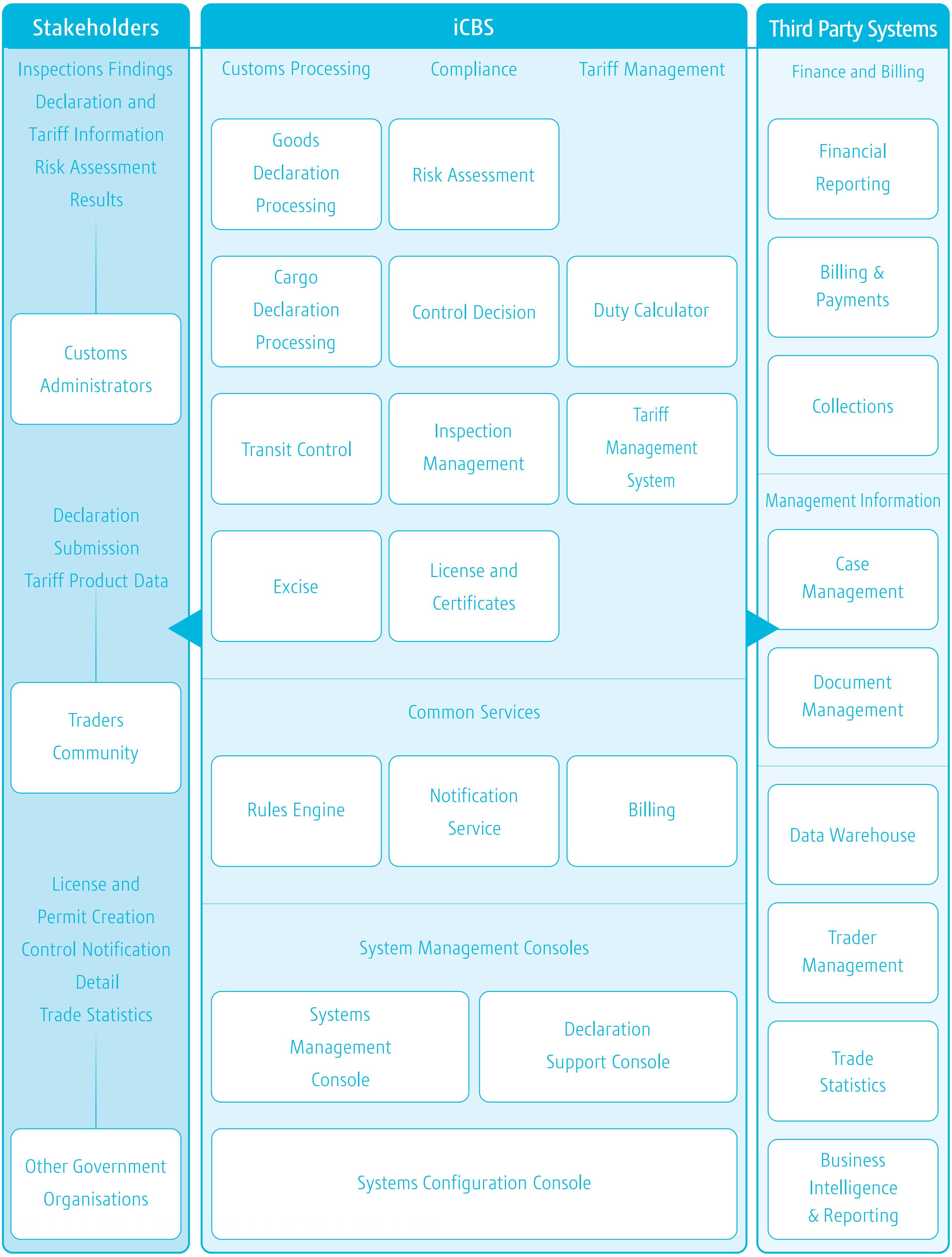
In a world where tariff, customs and security requirements are constantly developing against a backdrop of exploding technological capability, Interfront provides future-proof solutions and is determined to be a stable long-term partner. Our shareholder and status as a state-owned company underwrite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

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. This allows for continuous improvement and requires a certain level of investment that is amply reimbursed, through long-term license 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.

PRODUCT SUITE

Stakeholders and Third party systems integrations



4.1 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.**

The Tariff Management System supports the customs administration by managing risks associated with prohibited and restricted goods (e.g. illicit trade), as well as offers the capability of maintaining trade agreement provisions. This system also facilitates the management of the required documentation and thus the movement towards a single-window system.

The Duty Calculator ensures accurate and consistent duty calculations across the business and offers the customs organisation the flexibility to configure duty calculation formulae that is fully customisable.

4.2 Cargo and Goods Declaration Processing

Supports the core business processes of the customs administration of movement which includes the validation of documents or reported events associated with import, export, 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.

A **powerful Business Rules Engine** employed in the Declaration Processing module supports the unique legislative obligations of the customs administration. This ensures consistent implementation of the obligations of the customs administration.

4.3 License and Certificate Management

The Interfront License and Certificate Management module offers a **centralised, multi-agency capability for the management and issuing of electronic permits and certificates.** This 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 towards a single-window customs administration and allows multiple submission channels for other government agencies and customs administrations, through web and EDI (EDIFACT and XML).

4.4 Inspection and Audit Management

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

The system manages risks in the customs operations 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 any customs operation.

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

4.5 Risk Management

The Interfront Risk Management module assesses the risk of non-compliance with customs laws and regulations on goods and cargo declaration transactions. This 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 analyses 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.

4.6 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 **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 that **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 that there will be **no missing customs declarations and no interruptions to trade.**

4.7 SARS Extensions

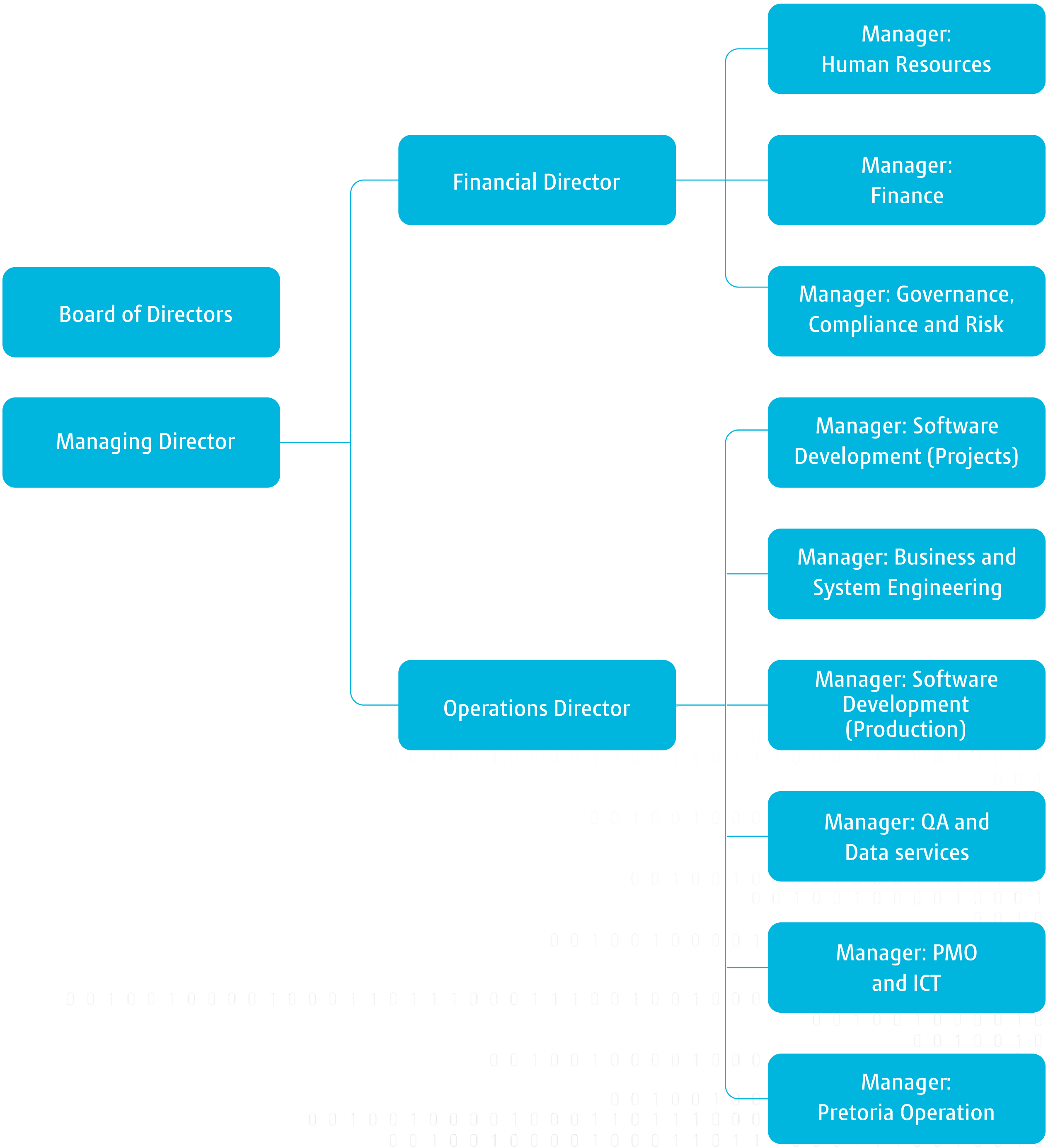
SARS projects as envisaged for the new year will extend iCBS customs functionality, including Trade Registration, Case Workflow and connected devices at border posts and branch offices (scanners, signature pads etc.).

5. Mandates

Interfront is a wholly owned subsidiary of SARS through which its parliamentary accountability is exercised. It is classified as a public entity as defined in Schedule 3A of the PFMA.

Interfront is regulated as a state-owned company by the PFMA, the Companies Act and Treasury Regulations.

6. Organisational Structure



7. Foreword by the Chairperson

Interfront celebrated its fifth anniversary in January 2015. The Board and staff can be justly proud of the reputation which has been built of being a leading and reliable customs solution provider.

The company has established itself as a stable and dependable supplier of robust back-end software. The past year has seen internal realignment with a limited migration from software development to software support. Significant investment has also been made in technical systems and staff development. This has tempered the financial result to some degree, but I am sure will prove to be a worthwhile investment.

During the year, we have seen the resignation of three Board members, Messrs Barry Hore, Gene Ravele and Bob Head. They have all contributed significantly to the development of Interfront and I would thank them for their dedication and counsel. It is also a pleasure for me to welcome Mr Jonas Makwakwa and Mr Matsobane Matlwa to the Board. Both have extensive experience and I look forward to your contribution.

The most significant development of the year under review has been the assignment by SARS of the information technology brief to implement the requirements of the new customs acts. Broadly these provide for enhanced systems of declaration and processing of cargo manifests and will require far-reaching further development of the iCBS. The company response to this challenge has been the main focus during the latter part of the financial year and will consume its full attention in the period to come. I am sure that the team at Interfront are fully capable and look forward to following their progress.

The Board has fulfilled its role as the accounting authority through Board meetings and its subcommittees. Ongoing liaison also takes place through the close relationship with its parent. I am confident that the company is well run and that sound accountability arrangements are in place for its stewardship.

In conclusion, I would offer my thanks to the shareholder and congratulations to the management and staff for the outcomes they have produced.

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

Mustaq Enus-Brey
Interfront SOC Ltd
Date: 31 July 2015

8. Chief Executive Officer's Overview

This annual report is intended to provide the reader with a balanced view of the company with regard to our strategy, governance, performance and prospects.

Interfront is a robust and long-term supplier of back-end customs solutions through its iCBS to global customs authorities. Our value proposition is to be found in our hands-on experience of the industry and customer-partnership model in an economical modular process. Ultimately, the outcome of efficient borders means easier and quicker goods and people movement, improved security, as well as wealth creation internationally.

As the company moves on from its fifth year in business, significant developments lie ahead in what is the second major phase of development of the Interfront Customs and Border Solution, the iCBS. The declaration processing engine, together with its peripherals has proven to be robust and agile. We are embarking now on manifest processing, an equally large development, which provides the capability to track cargo. This and other developments will give effect to the application of the new customs acts in South Africa.

The South African Revenue Service, SARS, has identified Interfront as its preferred IT service provider for customs and will continue to invest significantly in the product development. This provides security over the long-term for Interfront and users of the iCBS which would typically be installed and require support over a lifespan of some 20 years.

The past financial year has seen a normalisation of the activity levels after the strenuous rollout of the declaration processing system to SARS in the prior year. This has allowed an opportunity to continue with research into tooling and upgrading our build processes, whilst training staff and providing for succession on the other. We also have a strong contingent of students and graduates who play a key role in our empowerment initiative and investment in the future. Our staff remain our key asset and I would like to express my sincere thanks and those of EXCO for their efforts and on-going loyalty.

Interfront is a stable IT supplier in a niche market. The company is sound and is expected to continue to be a valuable asset to South Africa.

Graham Randall
Interfront SOC Ltd
Date: 31 July 2015

PART B

PERFORMANCE REPORT

1. Statement of Responsibility for Performance Information

The CEO is responsible for the preparation of Interfront's performance information and for the judgements made in this information.

The CEO is furthermore, responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the actual achievements against the planned objectives, indicators and targets as per the strategic and annual business plan of Interfront, for the financial year ended 31 March 2015.

The external auditors have examined Interfront's performance information for the year ended 31 March 2015 and their report is presented on page 16.

The Board has approved the performance information set out on pages 18 to page 20.

Graham Randall
Chief Executive Officer
Date: 31 July 2015

2. Auditors Report: Predetermined Objectives

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management and is unqualified. There are no material findings to be reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 46 of the Report of the Auditors included in Part E: Financial Information.

3. Overview of Performance

3.1 Service Delivery Environment

Interfront continued to grow in stature in the past year, steadily building on its delivery reputation since its acquisition by SARS back in 2010. Its original mandate was the application of the purchased IP to develop the core customs system as part of the SARS customs modernisation programme which involved a number of other external vendors. The modernised core customs system went into production successfully in 2013 and other modernisation projects followed. Recently Interfront has been charged with taking on much wider systems responsibilities for software developed by other external vendors. Interfront's role in SARS is expected to expand significantly over the next few years, from being the iCBS vendor, to becoming the development partner for all customs systems. In this process Interfront's customs product suite will be enriched to include various new components for customs management system functionality.

The past year has seen Interfront continue to support and maintain the iCBS software in production in SARS, meeting all the required service levels while at the same time implementing significant enhancements to the production system. The most significant new development was the development of a modernised manifest processing system, a major part of the second phase of the technology development programme in progress to implement the new Customs Acts. Other key developments were a provisional payments enhancement to the iCBS Declaration Processing System and several enhancements to the Tariff Management System.

Interfront's relationship with ADA (Administration des Douanes et Accises) Luxembourg, remains firmly established. A new two year maintenance agreement has been concluded to support the iCBS systems as supplied to Luxembourg since 2007. Technical discussions have started on the requirements for the Union Customs Code (UCC) being implemented in the EU in the next few years.

Interfront continues to operate exclusively in the customs business arena, regionally as well as globally. The convergence of the basic business and operational issues the national customs agencies have to solve going forward remain a compelling business opportunity for the product and professional services Interfront can bring to bear. Increasing trade facilitation requirements in the digital era is progressively forcing agencies worldwide to modernise their business enterprises.

Customs modernisation is a huge undertaking and agencies are looking to vendors with proven track record and success stories behind them as well as the capacity to deliver. Interfront has built a solid foundation to be so recognised. It has the brand, product suite and core expertise and processes in place, as well as the structure and management talent necessary to scale the organisation, to be adjudged a serious contender for large-scale customs modernisation projects.

Interfront's solution architects are also busy planning the extraction of modular iCBS components into services to reach a wider market. Some customers plan their own integration programmes and are in the market for well-defined services to be integrated in their service-oriented enterprise architectures.

Interfront accelerated its marketing drive towards the last quarter of the year. Significant opportunities are currently being pursued regionally and globally in collaboration with its resellers, Accenture and Tatis.

3.2 Organisational Environment

The Interfront commercial model is based on the provision of software development and support at a reasonable but not excessive mark-up.

Organisationally, the majority of resources are engaged in software development projects with a small product maintenance and support complement.

One of Interfront's key strategic objectives is the expansion of its business footprint inside and beyond the current customer base. To this end, Interfront has concentrated its efforts in the area of organisational development to create structure and process, in order to scale the organisation when having to commit to new work. This will allow Interfront to deliver on multiple programmes concurrently and still be able to honour its current system support responsibilities to its existing customer community.

Interfront is a knowledge company with a critical dependency on highly skilled and experienced individuals and teams to meet the requirements of its development programmes as well as its existing client community. The well-known shortage of these skills in the knowledge job market presents the company with some challenges. First of all to attract new talent but also to retain scarce skills in the light of the opportunity space open to them in this job market. Interfront mitigated against this risk by investment in leadership development of its senior management material and maturing the organisational structures they lead and take responsibility for. This provides for a dynamic but well managed work environment where the company's work force remains challenged and engaged as an effective counter to knowledge dissipation and IP attrition. Training at technical levels to develop talent also contributed to staff retention. Staff turnover remained stable in the past year, resulting in low impact on the programmes in progress.

3.3 Key Policy Developments and Legislative Changes

No significant changes have taken place during the year with regard to legislation or policies that affect Interfront in its corporate environment.

The South African Customs Control Act and Customs Duty Act of 2014 will necessitate further development of the declaration processing and cargo processing systems developed by Interfront and planning is in progress with SARS to identify requirements and schedule projects to implement these changes over the next few years. It is envisaged that these projects will comprise the bulk of the Interfront business with SARS over the next two years at least.

3.4 Strategic Objective Oriented Goals

Interfront as a wholly owned subsidiary, contributes to the strategic outcomes of SARS. This is consolidated in the Schedule of Performance Information in the SARS Annual Report and supports the Increased Customs Compliance strategic outcome. With an unqualified external audit report, Interfront can report that its overarching strategic goal has been achieved at the consolidated level.

Performance planning and monitoring is cascaded to company level and more detailed reporting takes place to the Interfront Board in terms of the approved strategic and business plan. Three strategic objectives were identified for the year under review and are reported on hereafter.

It is pleasing to note that the predetermined targets were substantially achieved.

4. Performance Information

Strategic Objective 1: Provide and Support Software Solutions for Clients

Interfront participated in two major customs modernisation projects in SARS during the year – Manifest Processing and Provisional Payments. Both these projects are due for release to production in the new financial year. Manifest Processing already implements functionality required by the second phase of the NCAP (New Customs Acts Programme) in SARS. The Tariff Management System (TMS) that has been in operation in SARS since 2012 was also upgraded with three new releases in the year, two of which are to be released with the Provisional Payments system in the new financial year.

Interfront seeks to maintain and **expand its footprint in the SARS modernisation process** with ongoing work. Work on the implementation of the iCBS systems functionality required to comply with the newly promulgated customs acts started with the development of Manifest Processing. The technology development programme to support the implementation of the NCAP work will form the backbone of the Interfront development programme in 2015/16 and beyond and Interfront is expected to play an increasingly key role in this programme.

Interfront provides maintenance and support services on the iCBS production systems deployed by its two clients, SARS in South Africa and ADA in Luxembourg. These services include a helpdesk service, issue tracking and resolution and maintenance releases containing fixes and enhancements to the production software. Service level agreements govern the provision of these services to SARS and ADA.

Service levels are reported to SARS monthly and all service levels were met in the year. Sixteen releases of the iCBS declaration processing system were delivered to SARS production in the year. As part of the maintenance and support service to SARS, a total of 52 enhancements requested by SARS were implemented on the production system throughout the year.

Significant improvements to the performance of the iCBS system in Luxembourg were achieved during the year as part of the normal maintenance and support activities. More than 20 releases were provided to ADA for the two iCBS systems in production in Luxembourg - IETA and ICS – during the year. The maintenance agreement with ADA Luxembourg expired in December 2014 and a new agreement was concluded for 2015 and 2016.

Targeted performance for the year was achieved with respect to meeting client service levels based on our service level agreements. Solutions delivery targets were only partly achieved due to a change in SARS project schedules from December 2014.

The performance results against the measure and targets for the current year are set out below.

Provide and Support Software Solutions for Clients				
PERFORMANCE INDICATOR	MEASURE	TARGET 2014/2015	ACHIEVED 2014/2015	COMMENTS
Develop and implement new client solutions	Client acceptance of agreed deliverables (specified in work orders, change orders)	All deliverables	Partly achieved	One of two work orders completed and signed off
Provide support for operational client systems	Meet response and resolution targets as agreed with client expressed as percentage of incidents	95%	Achieved>95%	Response consistently exceeded 95%

Strategic Objective 2: Establish a Broader Customer Base

Interfront operates in the global customs arena and potential customers are comprised largely of the national customs agencies in each country. The replacement of a national customs system is typically a major operational change, which would take place infrequently. Each agency has its own unique needs and requirements. Interfront's approach to the market is therefore to invest in core back-end modular components and to collaborate with the agency concerned. This will ensure that modules are customised and implemented through a modernisation programme on an affordable and systematic basis for each suitor.

The solution is fully compatible with major accounting/business packages and is platform agnostic. Interfront focuses on the core customs software and partners with other suppliers who provide integration, change management and software applications, providing the customer with a complete solution.

The marketing strategy is directed at positioning the Interfront brand as a key solutions provider in the customs and border management sphere and supporting the marketing initiatives of our value-added resellers, Accenture and Tatis, who enjoy preferential rights to market the iCBS globally. This typically commences with a lengthy process of engagement, information and specification before the typical customer will go to the market to tender. Interfront has been active in several promising developments of this nature.

SARS remains the core customer at this point and finances the development of new modules. The relationship is strong and Interfront has been identified as the preferred supplier of customs systems for SARS going forward. This is a significant achievement and will require intensive effort.

We can therefore report positively on our responses to the targets set by the Board with regard to new opportunities for income, as well as the expansion of our footprint in existing client programmes.

The establishment of a Pretoria office in the year under review proved to be premature operationally and in view of service requirements. However, the need remains and it will be pursued going forward.

Establish a Broader Customer Base

PERFORMANCE INDICATOR	MEASURE	TARGET 2014/2015	ACHIEVED 2014/2015	COMMENTS
Generate new income from outside current portfolio of projects	Prepare quarterly plan for EXCO approval and Board review	4 reviews	Achieved	
Expand footprint in existing client programmes	Number of new work orders / contracts for work outside the scope of the current operational modules	2 work orders / contracts	Achieved	Interim Matching
		Establish an office in Pretoria	Not achieved	Selected candidate withdrew

Strategic Objective 3: Maintain a Sustainable, Financially Self-Sufficient Organisation

Interfront has established its own identity as a small, but long-term and resilient supplier of robust customs IT. It has a strong record of good governance and intends to continue and grow through this strategic objective, by keeping focused on its people, finance and governance.

Each of these three matters has warranted their own sections elsewhere in this report, where they are reported on more fully.

Although the year has not been an easy one, it is pleasing to report that this objective has been substantially achieved.

On the people side, the company is regarded as a good place to work. Teamwork is strong and the value system is embedded in our culture. Although staff turnover is reported as high, often attributable to the personal circumstances of staff, it is within the target. The 2014/15 culture survey shows a distinct improvement on the initial baseline survey conducted in 2013/14, although the results are not directly empirically comparable, due to the use of slightly differing models. We are making good progress on the equity front, although we are not fully representative at each level. Actions have been put in place to address this over time.

Financially, operating expenses have been closely managed and are both within budget and below inflation. On the income side, we are strongly influenced by the small customer base so it was not possible to compensate for the below budget spend of our major customer. Although the time was usefully spent and will likely pay dividends in future, it has given rise to the partially achieved rating.

Governance continues to be a forté in the company. Much work is now behind us establishing and laying the foundation of our structures and policies. Moving forward, the trend is toward refinement of the business model.

In summary, we have a professional and competent staff with high standards. The result while to be expected, is still gratifying.

Maintain a Sustainable, Financially Self-Sufficient Organisation				
PERFORMANCE INDICATOR	MEASURE	TARGET 2014/2015	ACHIEVED 2014/2015	COMMENTS
Maintain and develop a skilled, diverse and engaged workforce	Percentage staff turnover	<20%	Achieved	18.8%
	Culture Survey	Improve on baseline	Achieved	Improvement on baseline determined in 2013/14
	EE Plan targets	Meet targets	Achieved	
Manage income and expenses to achieve financial goals	Budgeted surplus	Achieve 90% of budgeted surplus	Partially Achieved	A cyclical change in sales resulted in reduced revenue
Establish and support effective governance	Unqualified audit report	Unqualified audit report	Achieved	

5. Summary of Financial Information

The financial information is set out in detail in the annual financial statements and augmented in the Finance Report.

Revenue is generated mainly through the labour charges for services rendered and shows a marginal increase over the prior year of 3, 8%. This is below budget due to the temporary slowdown of IT development experienced at our major customer.

Employee costs showed a moderate increase of 10% which reflects the investment in sustaining a professional development team to respond to the increased work building the software to implement the new customs acts at SARS.

Administrative and other expenses have been carefully controlled and show below inflation increases.

The reduction in the surplus to R2 300 100 (2013/14 R7 412 191) is attributable to the full effect of the amortisation of the IP being reflected for the first time, as well as the effect of the slowdown of IT development on the revenue from services.

The financial position of Interfront remains strong. The shareholder's loan is subordinated and treated as equity.

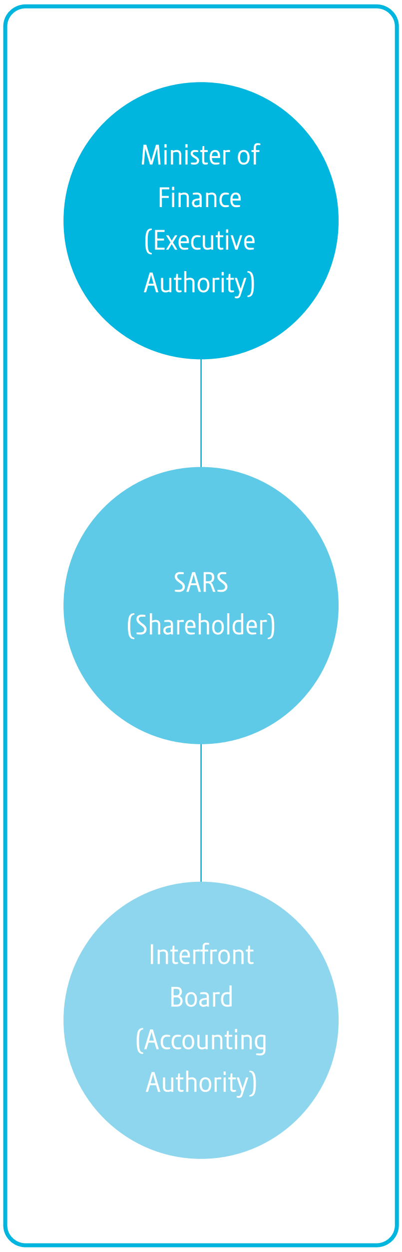
No material contingent liabilities are known to management.

The movement of cash during the year to finance debtors has been noteworthy. The majority of the debtors balance at year-end has been paid and no doubtful debt has been provided. A change in the billing model moving forward is likely to require some increase in working capital.

Interfront is in all respects sound financially and expected to continue as a going concern. Future revenue increases are likely to be dependent on sales which are infrequent, but significant when they occur.

PART C

GOVERNANCE



1. Introduction

Corporate governance embodies the processes and systems by which Interfront is directed, controlled and held to account. In addition to legislative requirements based on enabling legislation and the Companies Act, corporate governance is applied through the precepts of the PFMA and the principles contained in King III.

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

2. Portfolio Committees

Interfront is a wholly owned subsidiary of SARS. It is consolidated inter alia, in the SARS strategic outcomes and the Consolidated Financial Statements. Accordingly, it is included as an integral part of the Parliamentary accountability processes of SARS.

3. Executive Authority

Oversight by the Executive Authority rests largely on the prescripts of the PFMA. The PFMA gives authority to the Executive Authority for oversight powers.

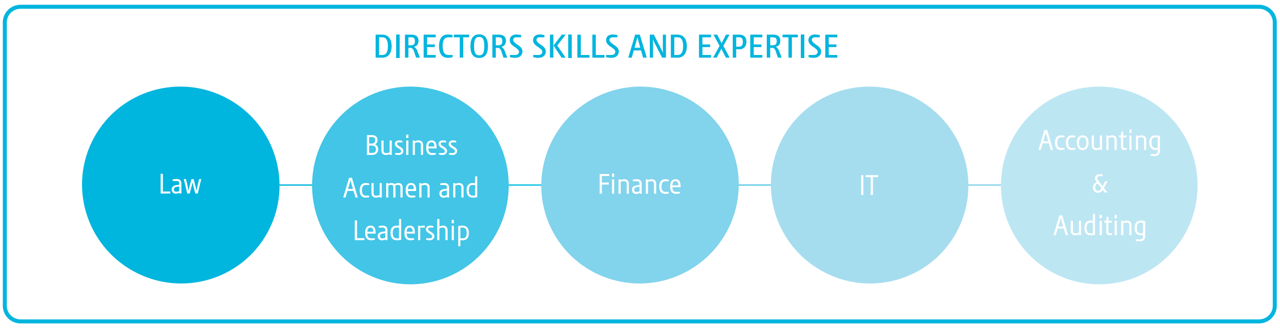
SARS (Shareholder) in conjuction with the Minister of Finance appointed the Interfront Board at incorporation. Subsequent renewals and replacements of Board members have been approved by the Commissioner of SARS in the capacity of shareholder, in terms of section 68 (1) of the Companies Act and Interfront's Memorandum of Incorporation, through the medium of the Annual General Meetings.

4. The Board of Directors

Interfront's business operation functions through its own Board of Directors and strives to be a fully sustainable and 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 is the accounting authority and is accountable to all stakeholders in all respects. The Board is responsible inter alia for the strategic direction of the company and monitoring the company's progress against the business strategy. The Board also steers the company's goal to be a good corporate citizen. The Board members have a diverse profile that includes law, finance, auditing, software development, business and accounting skills and expertise. The majority of the Board members are non-executive directors and employees of the shareholder.

The Board has a fiduciary duty to act in good faith with due care and diligence, in the best interest of all stakeholders. The Board applies the provisions of the Companies Act to disclose or avoid conflicts of interest. In terms of its Terms of Reference the Board should meet formally at least four times a year to review strategy, operational performance, risk management, internal controls, stakeholder communication and other material aspects pertaining to the company.



4.1 Changes in Board Composition

Three resignations of directors took place during the year while two appointments were made, leaving one vacancy.

Mr Gene Ravele resigned as non-executive director and member of the Remuneration, Social and Ethics Committee effective 17 November 2014.

Mr Barry Hore resigned as non-executive director effective 1 December 2014 and Mr Bob Head resigned as non-executive director and Chairperson of the Finance Committee effective 5 February 2015 both resignations resulted from them no longer being employees of the shareholder.

The shareholder appointed Mr Jonas Makwakwa, Acting Chief Operations Officer of SARS and Mr Matsobane Matlwa, Chief Financial Officer of SARS as non-executive directors on 5 February 2015. At the Board meeting held on 17 April 2015, Mr Matlwa was appointed as the Chairperson of the Finance Committee.

4.2 Corporate Governance Structure

One of the essential components of the governance framework is the emphasis on the clarity of roles between the Board, shareholder and management and this is addressed in the documents listed below.

Memorandum of Incorporation

The Memorandum of Incorporation sets out the powers of the shareholder and the Board.

Certain matters are dealt with exclusively by the Board of Directors, 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.

Relevant Legislation

As a state-owned entity Interfront must comply with the provisions of the Companies Act, No 71 of 2008, the Public Finance Management Act, No 1 of 1999 and the Treasury Regulations.

Interfront has substantially applied the King III principles and practices. However, as a state-owned entity and wholly owned subsidiary of a public entity, a few of these principles are not appropriate and Interfront has, in some instances adopted alternative practices to those recommended.

Delegation of Authority

The ultimate responsibility for Interfront's operations rests with the Board of Directors. The Board delegates certain powers and authority to employees. The Delegation of Authority was reviewed during the financial year and no changes were made.

4.3 Board Members

Interfront currently has a Board of seven directors as well as one vacancy. The roles of the Chairperson and the Chief Executive Officer are separated and a clear division of authority exists between these roles.

The Chairperson is an independent, non-executive director and is remunerated in terms of a directive issued by the Minister of Finance. The managing, operations and financial directors are executive appointments and are full-time employees of Interfront. The remaining three directors are non-executive and employed by the shareholder in top management positions. All directors are South African citizens.

Mustaq Enus-Brey (61)

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

Mustaq is a founder member and CEO of Brimstone Investment Corporation Ltd. A qualified Chartered Accountant, Mustaq serves as the Chairperson of Oceana Group Limited and Life Healthcare Group Holdings Limited. He also serves as director on a number of boards including Triangle Core Real Estate Fund Group Ltd, the Scientific Group, Lion of Africa Insurance Company Ltd and House of Monatic (Pty) Ltd.

Kosie Louw (62)

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

Kosie is the Chief Officer: Legal and Policy overseeing research and policy development, interpretation and rulings, dispute resolution and product oversight in SARS. He is the holder of a Bachelor degree of Commerce and B.Proc.

Matsobane Matlwa (59)

Non-Executive Director, Chairperson of the Finance Committee

Matsobane is a qualified Chartered Accountant, holds an MBA from Alabama University in the United States, a Master of Commerce (Taxation) from the University of the North West and has completed management programmes at the University of Cape Town. He has held various strategic roles in both the public and private sectors. Prior to starting his own business he served as CEO of the South African Institute of Chartered Accountants (SAICA), worked in SARS occupying various senior managerial positions including Group Executive for the Large Business Centre, General Manager at ABSA Finance and was an Audit Partner at Ernst & Young. He has served on the boards of several companies including Clientele Limited, Spechpharm Holdings, JD Group and Sasol Inzalo Limited. Matsobane is currently the Chief Financial Officer of SARS.

Jonas Makwakwa (46)

Non-Executive Director

Jonas' qualifications include a B Com Accounting degree and a diploma in Business Management. He also completed the Global Executive Development Programme with GIBS where he studied in Singapore and Malaysia. He joined SARS in 1995 and started his career as an auditor. During this time he played a major role in the transformation and advancement of young black people. After his role as regional auditor responsible for Gauteng, he became the General Manager for Enforcement. Jonas was responsible for benchmarking and aligning both the Audit and Enforcement divisions with international standards and he introduced training programmes for auditors. Jonas represents SARS management in all engagements with organised labour and is currently the Acting Chief Operations Officer at SARS.

Graham Randall (63)

Chief Executive Officer - Member of the Finance Committee

Graham is a Chartered Accountant and spent much 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.

John Robertson (55)

Executive Director – Operations

John started his career in the computer industry in 1983 with ICL supporting mainframe systems in the commercial sector. In 2002, he founded SincroWave with former colleagues, a technology independent company with its focus on systems integration services. SincroWave merged, through a BEE initiative, to form Tsohle Business Solutions. Through continuous exposure to major IT developments, he has built his reputation nationally as a leading project manager.

Leilanie Janse van Rensburg (33)

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

Leilanie also assumes the role of Company Secretary. She qualified as a Chartered Accountant in 2008 and has private and public sector experience in accounting and auditing. She has managed various audits including SARS and the Land Bank and gained valuable experience in the public sector.

4.4 Board and Committee Meeting Attendance

The Board's Terms of Reference provide that the Interfront Board should meet at least every three months. For the financial year under review three Board meetings were convened, which were augmented by round robin resolutions as the need arose.

The Remuneration, Social & Ethics Committee's Terms of Reference as determined by the Board, provide that the Committee shall meet at least twice each year. During the financial year under review one meeting was held and the business of the Remuneration Social and Ethics Committee was properly conducted in the Board meetings, during the period in which a quorum was not available.

Name	Date Appointed	Board		Remuneration, Social and Ethics Committee		Finance Committee		Audit Committee
		NO. ATTENDED	NO. OF MEETINGS	NO. ATTENDED	NO. OF MEETINGS	NO. ATTENDED	NO. OF MEETINGS	
Mustaq Enus-Brey	18 Oct 2011	3	3	1	1	n/a	n/a	See Audit Committee Report
Kosie Louw	22 Dec 2009	3	3	1	1	n/a	n/a	
Graham Randall	1 June 2011	3	3	1*	1	4	4	
John Robertson	1 Sept 2011	3	3	1*	1	n/a	n/a	
Leilanie Janse van Rensburg	1 Oct 2011	2	3	1*	1	4	4	
Barry Hore	22 Dec 2009 Resigned 1 Dec 2014	3	3	n/a	n/a	n/a	n/a	
Bob Head	3 April 2012 Resigned 5 Febr 2015	2	3	1*	1	4	4	
Gene Ravele	22 Dec 2009 Resigned 17 Nov 2014	0	2	0	1	n/a	n/a	
Matsobane Matlwa	5 Feb 2015	No meetings were held from the date of appointment to financial year-end						
Jonas Makwakwa	5 Feb 2015	No meetings were held from the date of appointment to financial year-end						

*Attended meetings as permanent invitee

4.5 Remuneration Report

The Board determines the remuneration of the executive directors. In doing so, the Board considers the following factors:

- position the remuneration levels appropriately and competitively in comparison with the labour market;
- performance bonuses linked to company and individual performance;
- acknowledgement of the contribution of individual employees by rewarding them for the successful achievement of the company's goals and objectives; 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.

National Treasury evaluated the remuneration level for Interfront Board members and approval was granted by the Minister of Finance for the following remuneration rates to be paid:

Category Classification A1 (part-time members)		
Remuneration	2014/15	
Chairperson	R 4 344 per day	R 543 per hour
Members	R 3 232 per day	R 404 per hour

Mr Mustaq Enus-Brey being an independent, non-executive director and Chairperson of the Interfront Board, as well as a member of the Remuneration, Social and Ethics Committee receives remuneration as Chairperson and as member of the Committee as aforesaid.

The remuneration paid to the executive directors and the independent non-executive director is set out in Part F: Annual Financial Statements of this report.

Mr Kosie Louw is the Chairperson of the Committee and the members were Mr Mustaq Enus-Brey and Mr Gene Ravele. The permanent invitees were the directors Mr Bob Head, Mr Graham Randall, Mr John Robertson and Ms Leilanie Janse van Rensburg, Interfront's Human Resources Manager and Mr Mike Olivier who resigned as a special advisor on 7 July 2014.

Remuneration consists of a cost to company package, benefits and an incentive bonus payable at the discretion of the Board. Permanent employees are required to become members of Interfront's Provident Fund. This was changed on 1 April 2015 to a Group Retirement Annuity.

The Remuneration, Social and Ethics Committee recommends salary increases and percentage annual bonuses payable to the executive directors to the Board for approval. The Chief Executive Officer, together with the executive management committee determine individual employee increases and bonus awards based on the parameters as set by the Board.

The main purpose of the performance bonus is to support a performance culture and to reward employees for achieving and surpassing pre-determined targets.

Management is tasked with responsibly managing remuneration and thus supporting the long-term sustainability of Interfront.

The Terms of Reference for the Remuneration, Social and Ethics Committee are tabled and approved by the Board. No changes were made during the year.

Part of the function of the Remuneration, Social and Ethics Committee is to ensure that social and ethics areas are addressed and focused on:

- social and economic development including human rights, corruption, employment equity and transformation;
- good corporate citizenship, including the company's approach to preventing discrimination and contributing to community development;
- health and safety; and
- labour and employment.

The Employment Equity Plan was approved by the Board and will be implemented during the 2015/2016 financial year to ensure alignment with the Western Cape Economically Active Population demographics as required by the Employment Equity Act.

5. Board Committees

The Board acknowledges its accountability to Interfront's stakeholders for the actions of its Committees and is satisfied that they have met their respective responsibilities for the year under review unless specified to the contrary herein.

The Chairperson of each Committee reports its findings to the Board after each formal Committee meeting and in the case of the SARS/Interfront Audit Committee, the Chairperson of Interfront's Finance Committee reports to the Board.

5.1 Finance Committee

A Finance Committee was established to support the joint SARS/Interfront Audit Committee and the Interfront Board in the oversight of inter alia:

- financial reporting;
- the effectiveness of the system of internal control;
- the performance of Interfront's internal audit and the external auditors; and
- risk management.

6. Risk Management

Interfront's principal goal is to run a sustainable company providing customs and border management solutions. It has a clear view of its strategic objective and strives towards securing the planned outcome through an approach of pro-active risk management.

A pro-active risk based approach provides an objective, systematic and defensible framework to make informed decisions around the setting of priorities and for allocating scarce resources to manage risk.

The risk management policy sets out the guiding principles to identify and manage the most important business risks in the company. Taking of controlled risks and using innovative approaches to further the interest of Interfront are encouraged, if the resultant exposures from the associated risks are within the tolerance range and will not:

- negatively impact the reputation of Interfront;
- negatively impact the performance of Interfront; or
- result in material financial loss to Interfront.

Risk management activities are aligned to organisational goals, objectives and key priorities to ensure that these are successfully accomplished. A strategic risk assessment session is conducted as part of Interfront's annual strategic planning to determine the strategic risks facing the company. The strategic risk assessment also informs the strategic and operational plans.

The Board is responsible for governing the risk management process and the management of risk is essential for improved performance, growth and sustainable value creation. The material risks for Interfront have been identified, assigned to owners, linked to key risk indicators and are associated with mitigation actions to mitigate the risk. The risk management process has been driven from the executive level and the risk framework takes into account both financial and non-financial risks.

Interfront's IT Disaster Recovery Plan was externally audited during the year with no significant issues reported. Additional improvements were suggested and were being considered by management.

The following risks were identified as the top five risks (from highest to lowest) through the year and mitigating actions were directed at reducing the likelihood of the occurrence and impact:

Risk	Mitigating Actions Performed
Loss of skills/Key staff	continuous market alignment of remuneration; analyse culture survey results and implement action plan; execute career planning process; support and encourage targeted training; support and encourage staff/management forums and follow up issues promptly; promote transparent and equitable HR practices; and succession planning.
Change of business model from time and-material to fixed price	establish reliable estimation model for fixed price quotes; negotiate part payments with SARS when milestones are delayed; and manage working capital based on continuous forecasting.
Uncertainty regarding future premises	secure rental / purchase.
Progress towards representation as per the Employment Equity Act	regular review of EE Plan; graduate recruitment and selection; and Skills Development Plan.
Dependency on single client	engage with VAR's to execute a Sales and Marketing Plan; and expand footprint, establish office in Pretoria.

7. Internal Audit

The Board recognises its responsibilities to ensure effective and adequate internal controls and appointed SARS Internal Audit to provide assurance in this regard.

Internal audit reviewed and provided management with an opinion on the internal controls around and within Interfront processes, as well as Interfront's ICT environment.

The objective of the internal control system is, inter alia, to provide management with reasonable but not absolute assurance that risks that may have an impact on Interfront achieving its objectives are properly managed and that the controls are adequate and effective. Management is responsible for the establishment and maintenance of sound systems of internal control. Internal Audit's mandate was to independently evaluate the way that business is managing the risks.

There were no significant audit findings to be reported to the Audit Committee.

8. Audit Committee

The Audit Committee has been combined with the SARS Audit Committee. This allows for independent oversight. The members of the Audit Committee and details of their attendance of meetings are set out below. A Finance Committee has been established by the Interfront Board under the chairmanship of the shareholder representative and Chief Financial Officer of SARS, to review finance matters in advance of Audit Committee meetings.

The Audit Committee oversees the integrity of Interfront's accounting and reporting practices and financial statements. While the Audit Committee's key focus is on financial reporting controls it increasingly oversees the controls that ensure legal and regulatory compliance. The Audit Committee oversees the external auditor (AGSA), assesses its independence, discusses the audit scope and reviews its compensation.

The internal audit function is a key resource for the Audit Committee and the purpose, responsibility and authority of the internal audit function is embedded in its Charter.

The Report of the Audit Committee can be found on page 32.

9. Annual General Meeting

An annual general meeting was held on 19 November 2014 and the following matters were addressed:

- presentation of the annual financial statements;
- re-appointment of external auditors;
- re-appointment of the Audit Committee;
- extension of the employment contract of the managing director; and
- confirmation of the permanent appointment of the operations director.

10. Fraud and Corruption

Interfront adopted a Fraud Prevention Strategy and Policy during the year under review. The Policy and Strategy is to protect Interfront from dishonest or unethical conduct, including financial or other unlawful gains and to regulate its response to fraudulent activities. Interfront monitors and detects fraud, theft and other ethical breaches through the normal financial controls and the activities of internal audit. No instances of fraud or corruption have been reported in the current year.

11. Minimising conflicts of Interest

A formal Conflict of Interest policy was adopted during the 2014/2015 financial year. The purpose of the policy is to establish measures and standards for managing conflicts of interest in Interfront.

Full disclosure of private interest is the key to preventing and resolving conflict of interest situations and upholding the integrity of Interfront. The disclosure may not necessarily restrict or preclude an employee's activities. Private interests that are disclosed may be deemed acceptable and permissible when all the facts have been considered.

All staff and directors are required to complete the declaration of private interests at the date of their appointment, as well as at regular intervals thereafter, to ensure transparency with regards to staff and directors private interests.

Refer to note 25 in the Annual Financial Statements for related party disclosure.

12. Code of Conduct

The purpose of Interfront's Code of Conduct is to express the set of values and behaviours expected of Interfront staff, to ensure Interfront staff conduct themselves in an appropriate and ethical manner and provides for:

- zero tolerance for corruption; and
- optimising its human capital and material resources and leverage diversity to deliver quality service to all those engaged in legitimate economic activity in and with South Africa.

The Code sets out:

- specific standards of conduct that represent Interfront's interpretation of its core values and the appropriate conduct expected of Interfront staff under certain circumstances; and
- additional specific standards of conduct that must be followed by the Interfront senior management.

The standards of conduct required under this Code must be met by Interfront staff when:

- in an official capacity; and
- to the extent applicable, acting in a non-official capacity in circumstances where the staff may be recognised or known to be an Interfront official.

13. Health, Safety and Environmental Issues

Interfront's Health and Safety Policy provides for:

- adequate control of the health and safety risks arising from our work activities;
- conducting our business with respect for people and the environment;
- responsible utilisation of natural resources;
- continually improving our safety, health and environmental performance; and
- promoting dialogue with stakeholders about safety, health and environmental performance.

14. Company Secretary

The role and responsibilities of the Company Secretary include but are not limited to the following:

- makes directors aware of all laws and regulations relevant to Interfront;
- schedules Board and Committee meetings;
- ensures that the directors and management operate within an authority framework approved by the Board;
- takes responsibility for the preparation of all or parts of the annual report and ensures that statutory deadlines are met;
- acts in good faith, avoids any conflicts of interest and ensures that appropriate guidance is given to the Board in all matters relating thereto;
- ensures compliance with all the statutory provisions of the Companies Act; and
- ensures compliance with the Memorandum of Incorporation.

15. Social Responsibility

Interfront seeks to be an active and responsible company within its community and is engaged in several initiatives in this regard.

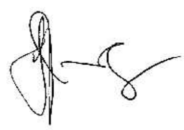
As part of the Employment Equity strategy, Interfront developed and implemented a bursary scheme. One of the primary purposes of the scheme is to target employment equity candidates and to promote balance and diversity in the IT sector. Two bursary students were sponsored to further their IT qualifications at tertiary institutions.

The Graduate Programme is also in its second year and serves to address Interfront's social responsibility towards helping the youth of South Africa.

More information regarding the Graduate Programme can be found on page 36 of this report.

16. Declaration by 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 state-owned company in terms of the Companies Act and that all such returns are to the best of my knowledge, belief, true, correct and up to date.



L L Janse van Rensburg
Company Secretary
Date: 31 July 2015

17. Report of the Audit Committee

Introduction

The Interfront Audit Committee is combined with the SARS Audit Committee. This allows for independent oversight.

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2015 in terms of Treasury Regulations 3.1.1.9 and 10 whereby the Audit Committee is required to report amongst others on the effectiveness of the internal controls, the quality of in-year management and monthly reports submitted in terms of the Division of Revenue Act as well as its own evaluation of the annual financial statements.

Audit Committee Members and Attendance

The Audit Committee operates in terms of approved written Terms of Reference, which deals with its membership, authority and responsibilities. These Terms of Reference are reviewed at least annually to ensure their continued relevance (Treasury Regulations 27.1.6).

The composition of the Audit Committee members is such that all Treasury Regulations requirements are met in terms of financial literacy and independence. The Audit Committee consisted of three external members for most of the period under review (listed hereunder) and held four meetings for the financial year. Ms Berenice Lue-Marais resigned from the SARS Audit Committee in July 2014 to take up membership of the SARS HR Committee. She was the Acting Chairperson until July 2014.

AUDIT COMMITTEE ATTENDANCE

Audit Committee Members	Meeting Dates		
	25 JUL 2014	17 OCT 2014	5 DEC 2014
Mr Bongani Nqwababa (Chairperson Audit Committee): Executive Director & Group Chief Financial Officer Sasol Limited B. Acc Hons (University of Zimbabwe), CA (ZIM), MBA in Finance (Universities of Manchester and Wales), Bangor	✓	✓	✓
Mr Vuyo Kahla: Executive Vice President: Advisory & Assurance and Company Secretary Sasol Limited; Bachelor of Arts (Rhodes University), LLB (Rhodes University)	✓	✓	✓
Sathie Gounden: B.Compt. - Unisa Diploma in Accounting - University of Durban-Westville Chartered Accountant (S.A.) Registered Auditor Certificate in Forensic Accounting & Fraud Examination - University of Pretoria Fellow of the Institute of Chartered Secretaries (CIS) Executive Leadership Development Institute Programme - Harvard Business School	✓	✓	✓

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1) (a) (ii) and 76(4) (d) of the PFMA, and Treasury Regulation 27.1. The Audit Committee has regulated its affairs in compliance with its Terms of Reference and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. From the various reports issued by the Internal Audit function, the external Audit Report on the Annual Financial Statements and management letters of the Auditor-General, it was noted that with one exception, no significant or material non-compliance with prescribed policies and procedures has been reported.

In line with the PFMA and the King III Report on Corporate Governance, the Internal Audit function provided 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.

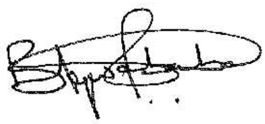
The Audit Committee satisfied itself that SARS took the necessary steps to maintain the effective functioning of its Internal Audit unit. Accordingly, the committee reports that the systems of internal controls for the period under review were effective and efficient.

Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the annual report with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General's management letters and management's responses thereto;
- reviewed accounting policies; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.



Bongani Nqwababa
Date: 31 July 2015

PART D

HUMAN CAPITAL MANAGEMENT

OVERVIEW

STRATEGIC OBJECTIVES

COMPLIANCE WITH OUR EE FIVE YEAR PLAN

REMUNERATION

1. Overview

As a company Interfront is committed to investing in our people and to recognising people as decisive success factors in competitive situations, as well as forming the foundation of the company's long-term strategy and success.

Employment Equity remains a key element in our strategy. In the long run, the Interfront EE Plan aims to achieve equitable representation in all the company's occupational categories and levels, mirroring the demographics of the Western Cape.

2. Strategic Objectives

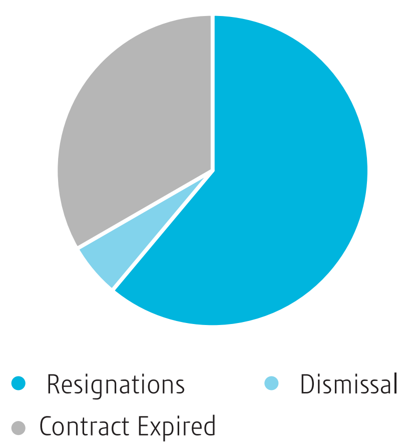
2.1 Staff Turnover

Staff turnover for the year increased to 18.8%, excluding temporary staff movements (2013/14 – 13.9%). After adjusting for abnormalities, the normalised staff turnover amounts to 15.1%. Exit interviews indicated that resignations were mainly due to staff relocation, as well as staff seeking other or different job opportunities.

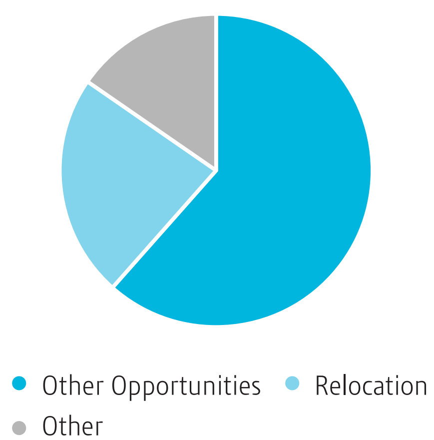
Employment And Vacancies

LEVEL	NO. OF EMPLOYEES 2013/2014	NO. OF EMPLOYEES 2014/2015	APPROVED POSTS	VACANCIES	% OF VACANCIES
Non-Executive Directors	5	4	5	1	20%
Top Management	3	3	3	0	0%
Senior Management	7	8	9	1	11%
Professional Qualified	35	33	37	4	11%
Skilled	30	26	32	6	19%
Semi-Skilled	6	11	11	0	0
Unskilled	2	2	2	0	0
TOTAL	88	87	99	12	12%

Terminations



Resignations

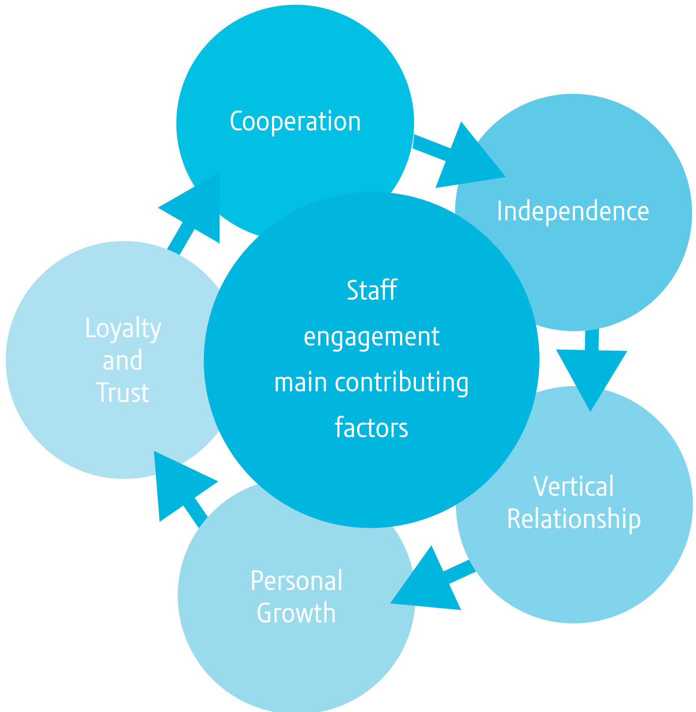


2.2 Culture Survey

A survey was carried out on staff engagement and it was pleasing to note that 91% of staff would recommend Interfront as a place to work.

Although much can be done to ensure a fully engaged workforce we have seen a marked improvement in the recent report compared to the survey that was done in the previous year and was regarded as the baseline.

Staff indicated that the top five aspects that motivate their engagement are:



On average staff rated Interfront 7.5 out of 10 for the above-mentioned engagement factors. The lowest score was 6 and allocated to loyalty and trust. A process has been put in place to identify the areas which can be improved in order to increase the level of engagement. Staff further indicated that they were unsure about the strategy and future of the company. Interfront is in the process of reviewing its long-term strategy in close collaboration with its shareholder and Board. Although the company will continue to mature and seek growth opportunities, the long-term perspective for staff is believed to be stable and conducive to growth.

2.3 EE Plan Targets

The labour market for experienced Java developers, continues to show a very limited supply of candidates from the designated groups and the competition for these candidates is intense. Interfront is responding by recruiting newly qualified graduates with high potential and growing them by providing skills training, to fast track their development.

This approach has proven to be very successful and we have recruited seven graduates from the designated target groups, which has exceeded our planned intake of four. These young and energetic staff members started their internship year with Interfront in February 2015 and it is envisaged that they will remain with us as permanent appointees thereafter.

Although we are actively growing our EE intake we lost several EE staff members during the year under review mainly due to two reasons:

- relocation or travel difficulties; and
- career growth (where Interfront ceilings were reached).

EE GROWTH

OCCUPATION LEVEL	April 2014			March 2015			% GROWTH/ (% DECLINE)
	NO. OF EMPLOYEES	EE REPRE-SENTATION	EE %	NO. OF EMPLOYEES	EE REPRE-SENTATION	EE %	
Non-Executive Directors	5	2	40%	4	3	75%	35%
EXCO	3	1	33%	3	1	33%	-
Senior Management	8	4	50%	8	4	50%	-
Team Leads	7	3	43%	7	4	57%	14%
Technical Managers	3	1	33%	4	1	25%	(8%)
Skilled	55	33	60%	47	26	55%	(5%)
Semi-Skilled	2	2	100%	4	4	100%	-
Unskilled	2	2	100%	2	2	100%	-
Graduates	3	3	100%	7	7	100%	-
Total	**88**	**51**	**58%**	**86**	**51**	**59.3%**	**1.3%**

*Totals exclude one independent contractor.

GENDER GROWTH

OCCUPATION LEVEL	April 2014			March 2015			% GROWTH/ (% DECLINE)
	NO. OF EMPLOYEES	FEMALE REPRE-SENTATION	FEMALE %	NO. OF EMPLOYEES	FEMALE REPRE-SENTATION	FEMALE %	
Non-Executive Directors	5	0	0%	4	0	0%	-
EXCO	3	1	33%	3	1	33%	-
Senior Management	8	4	50%	8	4	50%	-
Team Leads	7	2	28%	7	2	28%	-
Technical Managers	3	1	33%	4	1	25%	(8%)
Skilled	55	18	33%	47	15	32%	(1%)
Semi-Skilled	2	1	50%	4	1	25%	(25%)
Unskilled	2	2	100%	2	2	100%	-
Graduates	3	0	0%	7	3	43%	43%
Total	**88**	**29**	**33%**	**86**	**29**	**33.7%**	**0.8%**

*Totals exclude one independent contractor.

3. Compliance with our EE Five Year Plan

Overall Interfront has exceeded the target of 43.6% EE representation set for 2014/15 by achieving representation of 59%. Our challenges moving forward are to be found in improving the representivity in the more senior technical levels as well as of female employees, both structural legacies in the IT industry.


Newly appointed graduates with the Commissioner and Management

4. Remuneration

Our remuneration philosophy remained consistent with that of the previous year. While we remain cognisant of our EE targets, experience and educational levels as well as performance, salaries and wages are positioned close to commercial market norms.

Details of personnel cost for the year under review are set out below:

Total Personnel Cost					
YEAR	TOTAL EXPENDITURE	PERSONNEL COST	PERSONNEL COST AS A % OF TOTAL COST	NO OF EMPLOYEES (AVERAGE)	AVERAGE PERSONNEL COST PER EMPLOYEE
2014/15	70 090 805	53 027 764*	75.65%	81.92	647 312*
2013/14	63 332 898	48 187 997*	76.09%	77.11	573 532*

*Amount includes personnel cost other than salaries such as recruitment fees etc.

The higher average is mainly due to our inflation increases together with the fact that we have had a higher turnover rate this year in the lower paid categories.

Personnel Cost By Salary Band				
LEVEL	PERSONNEL EXPENDITURE	% OF PERSONNEL COST TO TOTAL PERSONNEL COST	NO OF EMPLOYEES (AVERAGE)	AVERAGE PERSONNEL COST PER EMPLOYEE
Top Management	5 775 891	11.3%	3.00	1 925 297
Senior Management	7 511 455	14.7%	8.00	938 932
Professional Qualified	25 795 082	50.3%	33.35	773 559
Skilled	10 488 485	20.5%	28.69	365 569
Semi-Skilled	1 487 220	2.9%	6.46	230 081
Unskilled	206 244	0.4%	2.42	85 342
TOTAL	**51 264 376**	**100.0%**	**81.92**	**625 763**

Performance Rewards By Salary Band			
LEVEL	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE	% OF PERFORMANCE REWARDS OF TOTAL PERSONNEL COST
Top Management	778 000	5 775 891	13.5%
Senior Management	649 679	7 511 455	8.6%
Professional Qualified	1 431 211	25 795 082	5.5%
Skilled	418 446	10 488 485	4.0%
Semi-Skilled	29 544	1 487 220	2.0%
Unskilled	17 180	206 244	8.3%
TOTAL	**3 324 060**	**51 264 376**	**6.5%**

PART E

FINANCIAL INFORMATION

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

REPORT BY THE BOARD OF DIRECTORS

FINANCE REPORT

REPORT OF THE EXTERNAL AUDITOR

1. Statement of Responsibility for the Annual Financial Statements

The Board is responsible for the preparation of Interfront's annual financial statements and for the judgements made in this information.

The Board is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

In my opinion, the financial statements fairly reflect the operations and Interfront for the financial year ended 31 March 2015.

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

The 2014/2015 annual financial statements for the year ended 31 March 2015 have been audited by the external auditors and their report is presented on page 46.

The annual financial statements of Interfront set out on page 49 to page 90 have been approved.

Graham Randall **Chief Executive Officer** **Interfront SOC Ltd** **Date: 31 July 2015**	**Mustaq Enus-Brey** **Chairperson of the Board** **Interfront SOC Ltd** **Date: 31 July 2015**

2. Report by the Board of Directors

The Board submits its report for the year ended 31 March 2015.

2.1 Incorporation

The entity was incorporated on 20 April 2009 and obtained its certificate to commence business on the same day.

2.2 Review of activities

Main business and operations

The entity is primarily engaged in the following:

- to hold, invest in and develop customs and border management software solutions for use by border control and revenue agencies around the globe; and
- to commercialise the software solutions to enable marketing thereof globally and operates principally in South Africa.

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

Net surplus of the entity was R2 300 100 (2014: R7 412 189), after taxation of R3 887 934 (2014: R3 581 535)

2.3 Going Concern

The Public Finance Management Act requires the directors to ensure that International Frontier Technologies SOC Limited (Interfront) keeps full and proper records of their financial affairs. The annual financial statements should fairly present the state of affairs of Interfront, its financial results, its performance against predetermined objectives for the year and its financial position at the end of the year in terms of International Financial Reporting Standards and the PFMA.

To enable the directors to meet the above-mentioned responsibilities, the Interfront Board sets standards and management implements systems of internal control. The controls are designed to provide cost-effective assurance that assets are safeguarded, and that liabilities and working capital are efficiently managed. Policies, procedures, structures and approval frameworks provide direction, accountability and division of responsibilities, and contain self-monitoring mechanisms. The controls throughout Interfront focus on those critical risk areas identified by operational risk management and confirmed by executive management. Both management and the internal audit department closely monitor the controls and actions are taken to correct deficiencies as they are identified.

The directors have made an assessment of the ability of Interfront to continue as a going concern in the foreseeable future.

The directors reviewed Interfront's performance for the year ended 31 March 2015 and the budget forecast for the 2015/2016 financial year.

Interfront showed a net surplus of R 2 300 100 at the end of the 2014/2015 financial year and an accumulated surplus of R 13 619 099. A Subordination Agreement was concluded with its shareholder for the 2015/2016 financial year whereby the shareholder subordinates for the benefit of the other creditors of Interfront its loan to Interfront in favour of the other creditors until the assets of the company, fairly valued, exceeds its liabilities and to provide additional capital on an on-going basis.

The Board will not compromise the going concern status and no new long-term liabilities are considered for the foreseeable future.

Based on, but not limited to, the above the directors are satisfied that Interfront has access to adequate resources and facilities to be able to continue its operations for the foreseeable future. Accordingly the Board have continued to adopt the going-concern basis in preparing the financial statements.

The preparation and fair presentation of Interfront's annual financial statements are the responsibility of the directors. The external auditors are responsible for independently auditing the financial statements in accordance with International Standards on Auditing and the Public Audit Act.

The annual financial statements of Interfront has been prepared in terms of Generally Recognised Accounting Practice (GRAP) - as stated in note 1 of the AFS. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates and are prepared on the going-concern basis.

Based on the information and explanations given by management, the internal audit function, the directors are of the opinion that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the annual financial statements and that accountability for assets and liabilities is maintained.

Nothing significant has come to the attention of the directors to indicate that any material breakdown has occurred in the functioning of these controls, procedures and systems during the year under review.

In the opinion of the directors, based on the information available to date, the annual financial statements fairly present the financial position of Interfront as at 31 March 2015 and the results of its operations and cash flow information for the year then ended.

2.4 Subsequent Events

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

2.5 Accounting Policies

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

2.6 Share Capital

There were no changes in the authorised or issued share capital of the entity during the year under review. Interfront is capitalised by a way of an interest free shareholder's loan that has no fixed term of repayment. This loan has been subordinate to other creditors.

2.7 Distribution to owners

No dividends were declared or paid to SARS during the year.

2.8 Board

Details of the Board members can be found under Part C: Governance

2.9 Secretary

L L 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.

2.10 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 governance matters can be found in Part C: Governance.

Remuneration

Refer to Part C: Governance for detail disclosure on the determination of the remuneration of directors.

Internal Audit

The entity has outsourced its internal audit function to SARS. This is in compliance with the PFMA.

2.11 Controlling Entity

The entity's controlling entity is the South African Revenue Service established by the South African Revenue Service Act of 1997.

2.12 Auditors

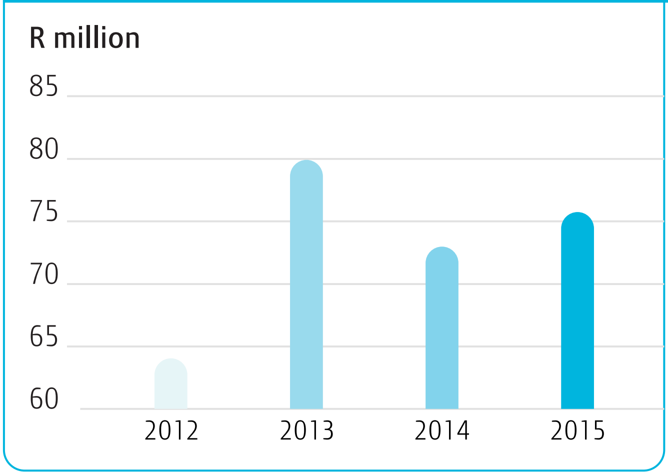
In line with the requirements of the PAA the Auditor-General of South Africa will continue in office for the next financial year

3. Finance Report

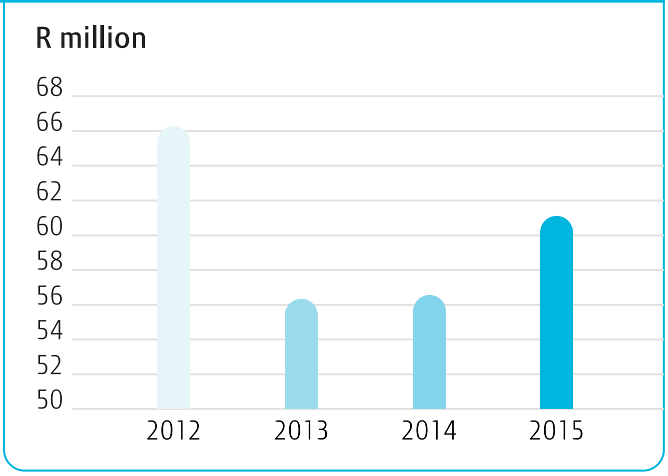
Financial Overview:

- Revenue increased to R76 278 839
- Cash Expenditure (Excluding employee cost) decreased by 3%
- Employee cost increased by 10%
- Average staff numbers increased from 77 to 80.67
- Amortisation and depreciation increased to R8 967 133

Rendering of Service



Total Cash Expenditure



3.1 Introduction

The company continues to be financially sound delivering a small surplus over the 2014/15 financial year. Overall, the financial results reflect the investment which is being made and will provide for sound returns going forward. Interfront is wholly owned by the South African Revenue Service and its financial results are consolidated into the annual financial statements of SARS.

3.2 Results Overview

Interfront is a Schedule 3A public entity in terms of the PFMA. Its main purpose over the past year has been to deliver customs software to SARS, which is built at favourable rates. As such, its main focus has not been to maximise financial returns.

Total revenue for the year increased by 2,6% to R76,3 million (2014: R74,3 million) yielding a net after tax return on equity of 2,48%.

The gross margin, attributable to services revenue less total employee costs, declined from 34% in the previous financial year to 30% in the current year.

The pressure on margins is attributable to a decline in recoverability from 82% over the first eight months of the financial year to 69% over the remaining four months, yielding an average of 76% against the budgeted norm of 80%. This resulted from the decreased level of activity recorded for SARS, while maintaining strong operational resources to be able to respond to the expected demands for new work. The non-recoverable time was put to the improvement of the operational model and is expected to be of benefit going forward.

The net surplus for the year declined by R5,1 million to R2,3 million for the year (2014: R7,4 milllion).

Operating expenses were strictly controlled and declined by 3%, some 8% in real terms. However, the full effect of the amortisation of the IP has been felt for the first time in the current year, with an increase of R2,6 million in the charge to the statement of financial performance. The increase in the tax charge arises from the deferred tax provision on the IP (which will reverse from 2018) and further impacts on the net surplus for the year.

The development cost of IP is financed by SARS and is not capitalised in the accounts of Interfront. The strength of the company lies to some degree in the future marketability of this IP which is co-owned by Interfront.

3.3 Revenue

Revenue is generated predominantly through the labour charges raised on a time and material basis, but also includes an element of fixed price support.

The increase of 3,8% in income reported as rendering of services, is attributable to the marginal increase in staff numbers over mid-year, as well as a rate increase.

3.4 Expenditure

88% of expenditure is driven by employee costs, together with depreciation and amortisation. The increase of 10% in employee costs is attributable to the annual inflation increase, as well as the slightly higher average staff number during the period. Cost containment has been a priority due to the pressure on margins.

3.5 Cash Flow and Current Assets

The year-end debtors balance of R38,5 million (2014: R10,1 million) shows a significant increase. This is attributable to the governance processes of our customers. No provision has been made for bad debts and 96% of the year-end debtors balances were settled in the first quarter of the 2015/16 financial year. Cash flow has continued to be managed carefully and the current assets show a significant increase of R14,3 million to R51,7 million (2014: R37,4 million).

3.6 Assets

The change in non-current assets during the year is attributable in the main to the amortisation of the legacy IP, as well as the on-going renewal of IT equipment.

3.7 Liabilities

Non-current liabilities have been impacted by the deferred tax provision on the amortisation of the IP. This will continue for the next two financial years after which, it will reverse over the ensuing seven years.

The most significant changes in current liabilities relate to the bonus provision in Note 13 to the annual financial statements, as well as the change in sundry payables in Note 11, to take account of the revised billing method of one of our customers.

3.8 Foreign Exchange Rates

The Rand strengthened against the Euro over the financial year from R14,54 to the Euro at the beginning of the period to a closing rate of R13,11, yielding an average rate of R13,98 over the year under review. Company policy is to cover exchange rate differences internally without taking forward cover. This resulted in a foreign exchange loss of R311 400 measured in terms of GRAP, although the revenue streams continued to deliver a favourable return and remained within the projected parameters.

3.9 Audit Report

We are pleased to report that we have once again received an unqualified audit report. Our past efforts to create a solid sustainable control environment are continuing to pay off and we are reviewing the control processes on an ongoing basis to ensure it remains effective and efficient.

Report of the Auditor-General to the South African Revenue Service on International Frontier Technologies SOC Ltd trading as Interfront SOC Ltd

Report on the Financial Statements

Introduction

1. I have audited the financial statements of Interfront SOC Ltd set out on pages 49 to 90 which comprise statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's Responsibility for the Financial Statements

2. The 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), and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's Responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of Interfront SOC Ltd as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with S.A Standards of GRAP and the requirements of the PFMA and Companies Act.

Additional Matter

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

Other Reports required by the Companies Act

8. As part of our audit of the financial statements for the year ended 31 March 2015, 1 have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

Report on other Legal and Regulatory Requirements

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

Predetermined Objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2015:

    - Strategic objective 1: Provide and support software solutions for clients on pages 18.
    - Strategic objective 3: Maintain a sustainable, financially self-sufficient organisation on pages 19 to 20.

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

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

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

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

    - Strategic Objective 1: Provide and support software solutions for clients
    - Strategic Objective 3: Maintain a sustainable, financially self-sufficient organisation

Achievement of Planned Targets

15. Refer to the annual performance report on page(s) 18 and 19 to 20 for information on the achievement of the planned targets for the year.

Compliance with Legislation

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

Procurement and Contract Management

17. Contracts/quotations were awarded to bidders (procurement between R10 000 and R30 000) who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with Treasury regulation 16A.8.3

Internal Control

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

Financial and Performance Management

19. Misinterpretation by management of a compliance requirement regarding the declarations to be made by suppliers, and thus omitted to obtain the declaration for certain suppliers specifically related to procurement between R10 000 and R30 000.

Auditor - General

Pretoria
30 July 2015

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

PART F

ANNUAL FINANCIAL STATEMENTS

BOARD'S RESPONSIBILITIES AND APPROVAL

The Board is required by the Public Finance Management Act (Act 1 of 1999) (PFMA), 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 places 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 loss 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 loss.

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 46 to 48.

The annual financial statements set out on page 51 to 90, which have been prepared on the going concern basis, were approved by the Board on 31 July 2015 and were signed on its behalf by:

Graham Randall
Managing Director
Date: 31 July 2015

Mustaq Enus-Brey
Chairman of the Board
Date: 31 July 2015

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

Figures in Rand	Note(s)	2015	2014
ASSETS			
Current Assets			
Current tax receivable		4 822 888	3 582 235
Trade and other receivables	4	38 486 910	10 133 435
Cash and cash equivalents	5	8 392 465	23 642 513
		51 702 263	**37 358 183**
Non-Current Assets			
Property, plant and equipment	6	4 267 811	3 553 621
Intangible assets	7	62 835 547	70 343 952
Deferred tax	8	-	1 147 452
		67 103 358	**75 045 025**
Total Assets		**118 805 621**	**112 403 208**
LIABILITIES			
Current Liabilities			
Finance lease obligation	9	61 820	54 295
Operating lease liability	11	-	215 073
Trade and other payables	12	5 178 098	4 220 767
VAT payable	13	608 681	414 064
Provisions	14	3 915 815	3 372 221
		9 764 414	**8 276 420**
Non-Current Liabilities			
Finance lease obligation	9	33 942	95 952
Operating lease liability	11	52 275	-
Deferred tax	8	2 740 482	-
		2 826 699	**95 952**
Total Liabilities		**12 591 113**	**8 372 372**
Net Assets		**106 214 510**	**104 030 837**
NET ASSETS			
Share capital	15	1	1
Shareholder's subordinated loan - equity	16	92 595 410	92 711 836
Accumulated surplus		13 619 099	11 319 000
TOTAL NET ASSETS		**106 214 510**	**104 030 837**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2015	2014
Revenue			
Rendering of services		75 754 006	72 992 515
(Loss) / profit from exchange transactions		(311 400)	260 403
Other income		840	70
Interest received		835 393	1 073 634
Total revenue		**76 278 839**	**74 326 622**
Expenditure			
Employee costs		(53 027 764)	(48 187 997)
Depreciation and amortisation	6&7	(8 967 133)	(6 771 275)
Impairment loss	6	-	(15 679)
Finance costs	19	(15 978)	(11 499)
Repairs and maintenance		(127 443)	(383 030)
Administrative expenses		(7 246 450)	(6 945 449)
Professional and specialised services		(706 037)	(1 017 968)
Total Expenditure		**(70 090 805)**	**(63 332 897)**
Operating surplus	20	**6 188 034**	**10 993 725**
Surplus before taxation		**6 188 034**	**10 993 725**
Taxation	21	3 887 934	3 581 534
Surplus for the year		**2 300 100**	**7 412 191**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Share capital	Shareholder's loan-equity	Accumulated surplus/ (deficit)	Total net assets
Balance at 1 April 2013	**1**	**102 711 836**	**3 906 809**	**106 618 646**
Changes in net assets				
Surplus for the year	-		7 412 191	7 412 191
Repayment of shareholders loan	-	(10 000 000)	-	(10 000 000)
Total changes	-	(10 000 000)	7 412 191	(2 587 809)
Balance at 1 April 2014	**1**	**92 711 836**	**11 318 999**	**104 030 836**
Changes in net assets				
Surplus for the year		-	2 300 100	2 300 100
Transfer of assets		(116 426)	-	(116 426)
Total changes		(116 426)	2 300 100	2 183 674
Balance at 31 March 2015	**1**	**92 595 410**	**13 619 099**	**106 214 510**
Note(s)	15	16		

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rendering of services		47 400 531	79 048 539
Other income		840	70
Interest received		835 393	1 073 634
Foreign exchange (loss) / gain		(311 400)	260 403
		47 925 364	80 382 646
Payments			
Employee cost		(53 027 764)	(48 187 997)
Suppliers		(6 713 897)	(5 732 863)
Prepayment movement		-	(971 267)
Taxes on surpluses	24	(1 240 653)	(4 990 334)
VAT movement		194 615	535 407
		(60 787 699)	(59 347 054)
Net cash flows from operating activities	23	**(12 862 335)**	**21 035 592**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(2 066 899)	(1 809 201)
Proceeds from sale of property, plant and equipment	6,23	9 157	-
Purchase of other intangible assets	7	(259 511)	(1 020 010)
Shareholder's loan	16	-	(10 000 000)
Net cash flows from investing activities		**(2 317 253)**	**(12 829 211)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(70 463)	106 284
Net (decrease) / increase in cash and cash equivalents		**(15 250 051)**	**8 312 665**
Cash and cash equivalents at the beginning of the year		23 642 513	15 329 851
Cash and cash equivalents at the end of the year	**5**	**8 392 462**	**23 642 516**

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Public Finance Management Act (Act 1 of 1999) (PFMA).

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

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

These accounting policies are consistent with the previous period.

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 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 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 assumptions will 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. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for individual assets that have been identified to be impaired. 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, exchange rates 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 1.11.

ACCOUNTING POLICIES

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 estimated useful lives of property, plant and equipment and Intangible assets at the end of each reporting period.

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 carrying amount of debtors 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 assumptions 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 (including infrastructure 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.

ACCOUNTING POLICIES

1.2 Property, plant and equipment (continued)

Property, plant and equipment are initially measured at cost.

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.

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

Item	Average useful life
Furniture and fixtures	5-10 years
IT equipment	3-5 years
Leasehold improvements	Over the life of the asset or the lease period whichever is the shorter
Security equipment	5 years
Generators	10 years
Office equipment - leased	Over the term of the lease

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. In the current year management revised the useful lives of property plant and equipment refer to Note 31 Changes in Estimates .

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined by comparing the proceeds with the carrying amount and is included in surplus or deficit when the item is derecognised.

1.3 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

ACCOUNTING POLICIES

1.3 Intangible assets (continued)

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.

An intangible asset is initially recognised at cost and subsequently carried at cost less any accumulated amortisation and any impairment losses .

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Development costs are recognised as an asset in the period in which they are incurred when all the following criteria are met:

- 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 assets and
- the expenditure attributable to the asset during its development can be measured reliably.

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 estimated useful life.

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

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	10 years
IT software	3-5 years

Intangible assets are derecognised:

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

ACCOUNTING POLICIES

1.3 Intangible assets (continued)

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

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.

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 discounts estimated future cash payments or receipts throughout 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 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.

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

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:

ACCOUNTING POLICIES

1.4 Financial instruments (continued)

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

Financial instruments at fair value comprise financial assets or financial liabilities that are instruments designated at fair value.

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.

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 are subject to an impairment review.

ACCOUNTING POLICIES

1.4 Financial instruments (continued)

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 recognised valuation technique. The objective of using a recognised 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.

Reclassification

The entity does not have any financial instruments that are subject to reclassification.

Gains and losses

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or loss 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 assets 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 occuring 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 loss.

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.

ACCOUNTING POLICIES

1.4 Financial instruments (continued)

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

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

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 the 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).

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

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

ACCOUNTING POLICIES

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 loss for the period.

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 assets held with the primary objective of generating a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

1.7 Impairment of cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is the period of time over which an asset is expected to be used by the entity.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable service 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 shall estimate the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests 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.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the entity:

- bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- bases cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimates cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

ACCOUNTING POLICIES

1.7 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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. The reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or loss.

1.8 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is the period of time over which an asset is expected to be used by the entity.

Identification

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

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

ACCOUNTING POLICIES

1.8 Impairment of non cash-generating assets (continued)

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. Different intangible assets may be tested for impairment at different times. 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

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

An impairment loss is recognised immediately in surplus or loss.

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

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

1.9 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.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees.

Where employee benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted.

ACCOUNTING POLICIES

1.10 Employee benefits (continued)

Provision for employees entitlement to annual leave represents the present obligation that the entity has to pay as a result of employees services provided to the reporting date. The provision has been calculated at undiscounted amounts based on salary rates effective on the reporting date.

When an employee has rendered services to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset.

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 entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus or performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Payments to a defined contribution retirement benefit plan are charged as an expense as they fall due. The entity has no legal or constructive obligation to pay future benefits which responsibility vests with the contributing retirement benfit schemes.

1.11 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.

ACCOUNTING POLICIES

1.11 Provisions and contingencies (continued)

All provisions of the entity are short-term in nature and the effect of discounting is immaterial.

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 the notes to the annual financial statements.

1.12 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 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 can be measured reliably; and
- the cost incurred for the transactions and the cost to complete the transaction can be measured reliably.

ACCOUNTING POLICIES

1.12 Revenue from exchange transactions (continued)

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.

1.13 Interest received

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

1.14 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 to the spot exchange rate at the date of the transaction.

At each reporting date foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items from intial recogonition are recognised in surplus or loss 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.

1.15 Comparative figures

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

1.16 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 in their dealings with the entity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) on a basis consistent with the prior year . The entity has not adopted any new accounting policies in the current financial year .

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2015 or later periods:

Standard/ Interpretation:	**Effective date:** **Years beginning on or after**	**Expected impact:**
• GRAP 20: Related parties	Not yet effective.	The impact of the amendment is not material on the entity's annual financial statements.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	1 April 2015	The impact of the amendment is not material on the entity's annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014

4. TRADE AND OTHER RECEIVABLES

Trade debtors	37 363 565	9 146 862
Prepayments	1 107 820	971 268
Deposits	15 305	15 305
Sundry receivables	220	-
	38 486 910	**10 133 435**

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	**38 486 910**	**10 133 435**

Trade and other receivables are carried at original invoice amounts, which approximate 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 2015, R31 425 579 (2014: R 2 800 773) were past due but not impaired

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

1 month past due	6 944 702	5 078
2 months past due	4 094 496	2 435 022
3 months or more past due	20 386 381	360 673

Debtors balances of R 35 616 672 have been received subsequent to year end leaving the remaining receivable balance at R 1 746 893.

All trade and other receivables are considered recoverable and no provision for impairment was recognised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2015	2014
Cash on hand	7 500	5 757
Bank balances	8 384 965	23 636 756
	8 392 465	**23 642 513**

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

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

6. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	925 573	(431 334)	494 239	761 690	(409 506)	352 184
Office equipment - leased	153 379	(76 690)	76 689	153 379	(25 563)	127 816
IT equipment	9 870 138	(6 906 737)	2 963 401	8 182 584	(5 995 503)	2 187 081
Leasehold improvements	4 563 086	(3 866 083)	697 003	4 563 086	(3 732 654)	830 432
Generators	203 544	(174 645)	28 899	203 544	(158 837)	44 707
Security equipment	20 108	(12 528)	7 580	20 108	(8 707)	11 401
Total	**15 735 828**	**(11 468 017)**	**4 267 811**	**13 884 391**	**(10 330 770)**	**3 553 621**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment on disposal	Total
Furniture and fixtures	352 184	273 779	(37 065)	-	(94 659)	-	494 239
Office equipment - leased	127 816	-	-	-	(51 127)	-	76 689
IT equipment	2 187 081	1 793 120	-	(105 566)	(911 234)	-	2 963 401
Leasehold improvements	830 432	-	-	-	(133 429)	-	697 003
Generators	44 707	-	-	-	(15 808)	-	28 899
Security equipment	11 401	-	-	-	(3 820)	-	7 581
	3 553 621	**2 066 899**	**(37 065)**	**(105 566)**	**(1 210 077)**	**-**	**4 267 811**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment on disposal	Total
Furniture and fixtures	365 524	117 923	-	-	(122 020)	(9 243)	352 184
Office equipment - leased	20 630	153 376	-	-	(46 190)	-	127 816
IT equipment	1 422 451	1 501 573	-	-	(730 510)	(6 433)	2 187 081
Leasehold improvements	1 779 757	34 095	-	-	(983 420)	-	830 432
Generators	86 143	-	-	-	(41 436)	-	44 707
Security equipment	12 893	2 234	-	-	(3 726)	-	11 401
	3 687 398	**1 809 201**	**-**	**-**	**(1 927 302)**	**(15 676)**	**3 553 621**

Depreciation

During the financial year,it was determined that the revision of useful lives of property, plant and equipment was required based on the forecast commercial and economic realities and through benchmarking of accounting treatments in the industry.

The reassesment of useful lives was performed in each cateogory of assets of property plant and equipment. The revised estimates were dislcosed under Note 31 as a change in estimate and will be disclosed prospectively in the financial statements. It is the company's policy to depreciate generators, disclosed under plant and machinery, over a period of 10 years from new. The generator has accordingly been depreciated over its revised remaining useful life of 72 months since its transfer from the shareholder.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets subject to finance lease (Net carrying amount)

	2015	2014
Office equipment	76 690	127 816

Other information

Property, plant and equipment fully depreciated and still in use (Residual value)

	2015	2014
Property, plant and equipment	338 140	409 427

Fully depreciated items still in use will systematically be replaced.

7. INTANGIBLE ASSETS

	2015			2014		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Intellectual property and other rights	73 582 623	(11 927 506)	61 655 117	73 582 623	(4 569 244)	69 013 379
IT software	2 135 961	(955 531)	1 180 430	1 887 310	(556 737)	1 330 573
Total	**75 718 584**	**(12 883 037)**	**62 835 547**	**75 469 933**	**(5 125 981)**	**70 343 952**

Reconcilliation of intangible assets - 2015	Opening balance	Additions	Transfers	Amortisation	Total
Intellectual property and other rights	69 013 380	-	-	(7 358 263)	61 655 117
IT software	1 330 573	259 511	(10 860)	(398 794)	1 180 430
	70 343 953	**259 511**	**(10 860)**	**(7 757 057)**	**62 835 547**

Reconcilliation of intangible assets - 2014	Opening balance	Additions	Transfers	Amortisation	Total
Intellectual property and other rights	73 582 623	-	-	(4 569 243)	69 013 380
IT software	585 292	1 020 010	-	(274 730)	1 330 572
	74 167 915	**1 020 010**	**-**	**(4 843 973)**	**70 343 952**

Details of impairment test

The Intellectual Property is classified as a cash generating asset as defined per GRAP 26 and have an estimated useful life of 10 years.

Cash generating assets are assets held with the primary objective of generating a commercial return.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

7. INTANGIBLE ASSETS (continued)

Management has considered the impairment indicators as defined in Grap 26, together with any other indicators that may be relevant.

None existed that indicated that the Intellectual Property is impaired.

Useful life

During the financial year,it was determined that the revision of useful lives of IT Software was required based on the forecast commercial and economic realities and through benchmarking of accounting treatments in the industry. The change in estimate of the IT software useful lives had no material effect on the financial statements.

Amortisation of the Intellectual Property started in August 2013 when the Intellectual Property became available for use. Management assessed the useful life of the Intellectual Property based on the estimated forecast commercial and economic realities, as 10 years.

8. DEFERRED TAX

Deferred tax (Liability) / Asset	2015	2014
Deferred tax	(2 740 482)	1 147 452
Deferred tax asset		
Reconciliation of deferred tax (Liability) / Asset		
At beginning of year	1 147 452	1 020 643
Temporary difference on prepayments	(310 189)	(271 955)
(Reversing) / Originating temporary difference on tangible fixed assets	(310 772)	(184 040)
Movement in provision and accruals	154 608	639 502
Reversing temporary difference on finance lease	(12 833)	(15 979)
Reversing temporary difference on operating lease	(45 584)	(40 719)
Temporary difference on intellectual property	(3 363 164)	-
	(2 740 482)	**1 147 452**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014
9. FINANCIAL LEASE OBLIGATION		
Minimum lease payments due		
- within one year	70 463	70 042
- in second to fifth year inclusive	35 231	105 062
	105 694	175 104
Less: future finance charges	(9 932)	(24 857)
Present value of minimum lease payments due	**95 762**	**150 247**
Present value of minimum lease payments due		
- within one year	61 820	54 295
- in second to fifth year inclusive	33 942	95 952
	95 762	**150 247**
Non-current liabilities	33 942	95 952
Current liabilities	61 820	54 295
	95 762	**150 247**

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 9.25% (2014: 9%). Total payments of R 70 462 were made during the year for the 3 machines. Refer note 6 - Office equipment-leased. The final payment will be made in September 2016.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014

10. COMMITMENTS

Authorised capital expenditure

Already contracted for not provided for		
• Property, plant and equipment	-	798 609
• Intangible assets	-	111 549
	-	**910 158**

Total capital commitments		
Already contracted for but not provided for	-	910 158

This committed expenditure relates to property, plant and equipment and will be financed by existing cash resources

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	-	1 438 092

Operating lease payments represent rentals payable by the entity for its office premises. Refer note 11 for more detail. The new lease agreement is still being negotiated and thus there is no current fixed commitment.

11. OPERATING LEASE

Non-current liabilites	(52 275)	-
Current liabilities	-	(215 073)
	(52 275)	**(215 073)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014

11. OPERATING LEASE (continued)

Operating lease represents rentals payable by the entity for its office premises. The operating lease was for a period of 5 years and expired on 31 January 2015 with an option to renew for a further 5 years. A new lease agreement is being negotiated that will be effective from February 2015. The current operating lease liability is the best estimate with the lease negotiations still being conducted.

12. TRADE AND OTHER PAYABLES

Trade payables	572 189	1 505 145
Accrued leave pay	1 693 835	1 685 260
PAYE payable	999 735	925 873
Accruals	931 251	32 782
Salary related accruals	325 543	71 707
Revenue billed in advance	655 545	
	5 178 098	**4 220 767**

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

13. VAT PAYABLE

VAT payable	608 681	414 064

14. PROVISIONS

Reconciliation of provisions - 2015	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	3 372 221	3 915 815	(3 324 060)	(48 161)	3 915 815

Reconciliation of provisions - 2014	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	1 320 000	3 372 221	(614 341)	(705 659)	3 372 221

Performance bonuses represent the estimated obligation for the current year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014

15. SHARE CAPITAL

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 the 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.

The loan has been subordinated in favour of other creditors until such time as the assets of the company, fairly valued, exceed it's liabilities.

Loan at the beginning of the year	92 711 836	102 711 836
Repayment of shareholders loan	-	(10 000 000)
Transfer of assets to shareholder	(116 426)	-
Shareholder's loan recognised in equity	**92 595 410**	**92 711 836**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014

17. EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees. 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 Finsolnet Provident Fund.

The total contribution to the scheme during the year was	2 700 840	2 444 430

18. REVENUE

Rendering of services	75 754 006	72 992 515
(Loss) / profit from exchange transactions	(311 400)	260 403
Other income	840	70
Interest received	835 393	1 073 634
	76 278 839	**74 326 622**

The amounts included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	75 754 006	72 992 515
(Loss) / profit from exchange transactions	(311 400)	260 403
Other income	840	70
	75 443 446	**73 252 988**

19. FINANCE COSTS

Finance leases	15 978	11 499

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014

20. OPERATING SURPLUS

Operating surplus for the year is stated after accounting for the following:

Impairment of property, plant and equipment	-	15 679
Amortisation of intangible assets	7 757 056	4 843 973
Depreciation of property, plant and equipment	1 210 077	1 927 302
Employee costs	53 027 764	48 187 997

21. TAXATION

Major components of the tax expense

Current		
Local income tax - current period	-	2 648 733
Local income tax - recognised in current tax for prior periods	-	1 059 611
	-	**3 708 344**
Deferred		
Deferred tax movement current year	3 887 934	(126 809)
	3 887 934	**3 581 535**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014

21. TAXATION (continued)

Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense:		
Accounting surplus	6 188 034	10 993 725
Tax at the applicable tax rate of 28%	1 732 650	3 078 242
Tax effect of adjustments on taxable income		
Originating temporary differences	(3 887 935)	126 809
Permanent differences	656 318	(556 319)
Assessed tax loss	1 498 967	-
Under provision of tax in the previous year	-	1 059 611
	-	**3 708 343**

No current tax has been provided for 2015 tax as the entity has no taxable income. The estimated tax loss availiable for set-off against future taxable income is R5 353 455.

22. AUDITORS' REMUNERATION

External audit: Fees	359 620	501 350
Subsistance and travel: External audit	113 177	188 717
Internal audit: Fees	185 032	271 852
Subsistance and travel: Internal audit	48 208	53 619
	706 037	**1 015 538**

Audit fees are recognised when invoiced. Interfront is making use of the internal audit of SARS, its controlling entity. The service was invoiced at cost during the 2015 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23. CASH GENERATED FROM OPERATIONS

Figures in Rand	2015	2014
Surplus	2 300 100	7 412 191
Adjustments for:		
Depreciation and amortisation	8 967 133	6 771 275
Profit or loss on disposal of assets	27 905	-
Finance costs - Finance leases	15 978	11 499
Impairment losses on scrapped assets	-	15 679
Movements in operating lease assets and liabilities	(162 799)	(145 427)
Movements in provisions	543 594	2 052 221
Movement in tax receivable and payable	(1 240 653)	(1 281 990)
Annual charge for deferred tax	3 887 934	(126 809)
Changes in working capital:		
Trade and other receivables	(28 353 475)	5 084 756
Trade and other payables	957 331	706 790
VAT	194 617	535 407
	(12 862 335)	**21 035 592**

24. TAX PAID

Figures in Rand	2015	2014
Balance at beginning of the year	3 582 235	2 300 245
Current tax for the year recognised in surplus or loss	-	(3 708 344)
Balance at end of the year	(4 822 888)	(3 582 235)
	(1 240 653)	**(4 990 334)**

Tax credits arise from estimations made for the second provisional payment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

25. RELATED PARTIES

Relationships

Controlling entity	**South African Revenue Service**
Companies in which key management has significant influence	Tsohle Technology Holdings (Pty) Ltd (24,5%) Tatis Africa (Pty) Ltd (17,88% effective interest)
Members of key management	M.A. Enus-Brey - Chairman of the Board B.J.S. Hore - Non-Executive Director (resigned 1 December 2014) J.J. Louw - Non-Executive Director H.G.N. Ravele - Non-Executive Director (resigned 17 November 2014) R.M. Head - Non-Executive Director (resigned 5 February 2015) G.O. Randall - Managing Director J.M. Robertson - Operations Director L.L. Janse van Rensburg - Financial Director J.M. Makwakwa (appointed 5 February 2015) M. P. Matlwa (appointed 5 February 2015)
Members of key management who are employed by the shareholder	B.J.S. Hore (resigned 1 December 2014) J.J. Louw H.G.N. Ravele (resigned 17 November 2014) R.M. Head (resigned 5 February 2015) J.M. Makwakwa (appointed 5 February 2015) M.P. Matlwa (appointed 5 February 2015)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014

25. RELATED PARTIES (continued)

Related party balances		
Loan account - Owing to related parties		
South African Revenue Service	92 595 410	92 711 836
Trade Receivables		
South African Revenue Service	34 741 385	6 691 259
Trade Payables		
South African Revenue Service	98 941	202 779
Related party transactions		
Rendering of services to		
South African Revenue Service	66 449 721	64 513 761
Transfer of property, plant and equipment to		
South African Revenue Service	116 426	-

Interfront provides SARS with software development and support services. The value of services was determined on a time and material basis in terms of the joint master services agreement.

An employee of Interfront became a close family member of the operations director during the year by means of marriage and received remuneration for services provided.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

25. RELATED PARTIES (continued)

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. Related Party Disclosure in these cases in not required in terms of IPSAS 20.

SARS seconded an employee for a portion of the financial year to Interfront, for which SARS carried the full cost.

Refer to note 26 , members and prescribed officer emoluments for disclosure of transactions with directors.

26. DIRECTORS' EMOLUMENTS

Executive

2015

	Salary	Bonus	Total
J.M. Robertson	2 135 405	390 000	2 525 405
G.O. Randall	1 917 838	260 000	2 177 838
L.L. Janse van Rensburg	1 021 434	128 000	1 149 434
	5 074 677	**778 000**	**5 852 677**

2014

	Salary	Bonus	Total
J.M. Robertson	1 897 541	117 813	2 015 354
G. O. Randall	1 792 534	28 262	1 820 796
L.L. Janse van Rensburg	928 736	14 700	943 436
	4 618 811	**160 775**	**4 779 586**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

26. DIRECTORS' EMOLUMENTS (continued)

Non-executive

2015	Board fees	Committee fees	Total
M.A. Enus-Brey	10 815	808	11 623

2014	Board fees	Committee fees	Total
M.A. Enus-Brey	18 907	3 629	22 536

27. 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.

The capital structure of the entity consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in Notes 9 and12 cash and cash equivalents disclosed in Note 5 and equity as disclosed in the statement of financial position.

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

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

27. RISK MANAGEMENT (continued)

The table below analyses the entity's financial liabilities and net-settled derivative 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.

At 31 March 2015	1 year	1 - 2 years	2 - 5 years	No fixed date of repayment
Loan from shareholder	-	-	-	92 595 410
Trade and other payables	5 178 096	-	-	-
Finance lease obligation	61 820	33 942	-	-
Operating lease contractual amounts	1 833 792	1 980 496	6 500 675	-

At 31 March 2014	1 year	1 - 2 years	2 - 5 years	No fixed date of repayment
Loan from shareholder	-	-	-	92 711 836
Trade and other payables	4 220 769	-	-	-
Finance lease obligation	54 295	95 952	-	-
Operating lease contractual amounts	1 438 092	-	-	-

Interest rate risk

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

Cash flow interest rate risk

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 terms of repayment
Trade and other receivables - normal credit terms	9.25 %	38 486 910	-	-	-	-
Cash in current banking institutions	4.50 %	8 392 465	-	-	-	-
Trade and other payables - normal credit terms	9.25 %	(5 178 096)	-	-	-	-
Finance lease obligation	9.25 %	(61 820)	(33 942)	-	-	-
Operating lease obligation	9.25 %	1 833 792	1 980 496	6 500 675	-	-
Loan from shareholder	- %	-	-	-	-	(92 595 410)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2015	2014

27. RISK MANAGEMENT (continued)

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.

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		
Cash and cash equivalents	8 392 465	23 642 514
Trade and other receivables	38 486 910	10 133 435

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 currently hedge foreign exchange fluctuations.

Foreign currency exposure at statement of financial position date

Current assets		
Trade debtors, EURO 200 000 (2014 EURO 167 428) receivable 31 March 2015	2 622 180	2 435 023
Prepayments, AUD 2 632	-	25 719
Current liabilities		
Trade creditor, EURO 5 000 payable 31 March 2015	65 555	-

Exchange rates used for conversion of foreign items were:

EURO	13.1109	14.53437
AUD	-	9.7726

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

28. 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. A major portion of revenue is currently attributable to a single customer, the shareholder. This is expected to continue in the near term.

29. 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 materially on the financial state of the entity.

30. RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

SARS as principal of its wholly owned subsidiary, incorporated Interfront in its parliamentary and 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.

31. CHANGES IN ESTIMATES

Property, plant and equipment

In the current period management have revised their estimate of the useful lives of property, plant and equipment as refered to in the accounting policy note 1.2. The effect of this revision has decreased the depreciation charges by R 870 768 for the current period. The amount of the effect in future periods is impracticable to estimate.

The new useful lives were estimated to be:

Item	**Average useful life**
Furniture and fixtures	5-10 years
IT Equipment	3-5 years
Leasehold improvements	Over the life of the asset or the lease period whichever is the shorter
Security equipment	5 years
Generators	10 years
Office equipment	Leased over the term of the lease

TAX COMPUTATION 2015

Figures in Rand

	R
Net income per income statement	6 188 034
Add back:	
Leave accrual	1 693 835
Bonus provision	3 915 815
Depreciation on PPE excluding non-deductable leasehold improvements	1 475 442
Depreciation on non-deductable leasehold improvements	133 429
Amortisation temporary difference portion	5 147 700
Amortisation permanent difference portion	2 210 563
Interest on finance lease	15 978
Operating lease: Straight-lining	1 576 904
	16 169 666
Less:	
Leave accrual for the previous year	(1 685 260)
Bonus provision prior year	(3 372 221)
Actual payments made on finance lease	(61 810)
Actual operating lease payments made	(1 739 702)
Wear and tear allowance	(2 585 342)
Wear and tear temporary difference	(17 159 000)
Prepayments	(1 107 819)
	(27 711 154)
Tax loss carried forward	**(5 353 454)**
Tax thereon @ 28%	-

Tax liability

	R
Amount owing/(prepaid) at the beginning of year	(3 582 235)
Amount to be refunded/(paid) in respect of prior year	1 292 095
Tax owing/(prepaid) for the current year	
Normal tax	
1st provisional payment	(2 032 056)
2nd provisional payment	(500 691)
	(2 532 747)
Amount owing/(prepaid) at the end of year	**(4 822 888)**

interfront

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