2016 • 17

ANNUAL REPORT

interfront

Smart Systems. Better Borders.

Table of Contents

PART A

General Information

Corporate Information
Foreword by the Chairperson
Overview by the Managing Director
About Us
Organisational Structure
Statement of Responsibility and Confirmation of Accuracy for the Annual Report

1 CORPORATE INFORMATION

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

Registered Office and Business Address

Gleneagles Building
Somerset Links Office Park
De Beers Avenue, Somerset West 7130

Postal Address

PostNet Suite #10
Private Bag X15
Somerset West 7129

Contact

Tel: 021 840 3400
Fax: 021 840 3401
Email: secretary@interfront.co.za
Website address: www.interfront.co.za

External Auditors: The Auditor-General of South Africa

Bankers: ABSA Bank Limited

Company Secretary

L.L. Janse van Rensburg (Resigned 13 July 2017)
M. Pepperell (Appointed 13 July 2017)
Gleneagles Building, Somerset Links Office Park
De Beers Avenue
Somerset West 7130

2 FOREWORD BY THE CHAIRPERSON

It is an honour for me to present this Annual Report for the 2016/17 financial year, once again demonstrating that Interfront is well governed in every respect, as a responsible and efficient state-owned entity.

Interfront is a wholly owned subsidiary of the South African Revenue Service (SARS), tasked predominantly with the development and support of SARS customs IT modernisation programme, as well as maintaining a centre of excellence which will contribute to grow and advance young South Africans in the field of information technology.

Although Interfront comprises somewhat less than one percent of SARS's overall resources, its role in supporting the achievement of SARS customs outcomes, is indispensable. This contributes to keeping South Africa and its trading partners safe, while ensuring that customs revenue is collected. The company also continues to support and further develop the customs IT solution which it supplied to the Luxembourg revenue authority.

While Interfront has performed with distinction in fulfilling its role, essentially as a special purpose vehicle for SARS, ongoing consideration is being devoted to whether the current corporate model continues to be the most appropriate in light of the mandate of its parent.

In the 2016/17 financial year, the bulk of Interfront resources were dedicated to SARS New Customs Acts Programme (NCAP) – developing systems for compliance with the new customs acts. These systems are expected to start becoming operational in 2018.

2017 has seen the retirement of Mr Kosie Louw, the only remaining director of Interfront who has served the Board since the operation first began. I wish to extend my sincere thanks to Mr Louw, as well as to my fellow Board members, without whom it would not have been possible to achieve our current level of success.

The results for the current financial year demonstrate ongoing growth, a strong financial position and all the indicators of good governance. It is important that we maintain this project team, which will continue to be an asset long after the NCAP software solution has been completed.

> “Interfront is well governed in every respect, as a responsible and efficient state-owned entity.”

On behalf of myself and the Board, I would like to extend our thanks to the management and staff of Interfront. It is they who have demonstrated the company values and provided the necessary commitment.

I take pleasure in noting that the Board has approved this Annual Report.

Mustaq Enus-Brey
31 July 2017

3 OVERVIEW BY THE MANAGING DIRECTOR

This, the 2016/17 Interfront Annual Report, is intended to provide our stakeholders with insight into the performance and results of this state-owned company, as well as the sustainability of its operations. Interfront is closely aligned with the strategic planning and objectives of SARS. The results of its operations are consolidated into SARS Annual Report and annual financial statements are included in the concomitant accountability process.

The past year has been especially stable, with attention continually focused on the development of the NCAP. Staff turnover has been the lowest on record, employment equity targets have been surpassed and the operating surplus and cash flow continue to strengthen, while productivity has exceeded the benchmark. Timely arrangements, which had been made to augment capacity as the NCAP requirements increase in production, have demonstrated their value. 2016/17 has perhaps been the most fruitful of the past seven years that the company has experienced in its short lifespan. This is supported by the results of the internal and external audits, both of which reported no significant findings.

The current year will present its own challenges and there is no room for complacency. Production deadlines are tight and the outcome of the NCAP will impact on all South Africans to a greater or lesser degree. Interfront is a small company operating in a competitive environment. Our risks require ongoing responses, which are set out in more detail elsewhere in this report.

Interfront's major assets, notably the systems developed and implemented to date, as well as the intellectual capital vested in our people, are not evident in the financial accounts. The effective use and custodianship of these assets will determine our success in delivering and supporting our IT systems, as well as our contribution as a centre of excellence.

> "We look forward to playing a role in continuing to improve revenue collections and controls at borders and within them."

At a strategic level, we have been engaging with our stakeholders in reviewing our respective positions, as the original contractual provisions have expired or are no longer as relevant in determining our future. We are aligned on many of the principles and have developed the thought leadership to take the company forward.

As the company matures, we have expanded the Executive Committee to include roles which are linked most closely to our risk profiles, notably the engagement with our most significant customer, as well as our people. This has served to strengthen corporate governance internally.

In conclusion, Interfront continues to demonstrate its value. While many countries worldwide have been engaged on a bumpy road with regard to the modernisation of their customs systems, or have remained on the side-lines altogether, South Africa has maintained its place as a steady leader. This is attributable to the foresight which has been displayed, but also in no small measure to the talent and commitment of our staff, who are deserving of recognition.

As a team, we look forward to playing a role in continuing to improve revenue collections and controls at borders and within them.

Graham Randall
31 July 2017

4 ABOUT US

Who We Are

Interfront is a wholly owned subsidiary of the SARS through which its parliamentary accountability is exercised. The main purpose for Interfront's creation was to develop an information technology (IT) based solution for the SARS customs modernisation programme and the NCAP. Interfront has delivered major systems which it supports whilst continuing developments.

Our Vision

The best partner in border solutions

Our Mission

We deliver smart solutions, creating better borders

Our Values

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

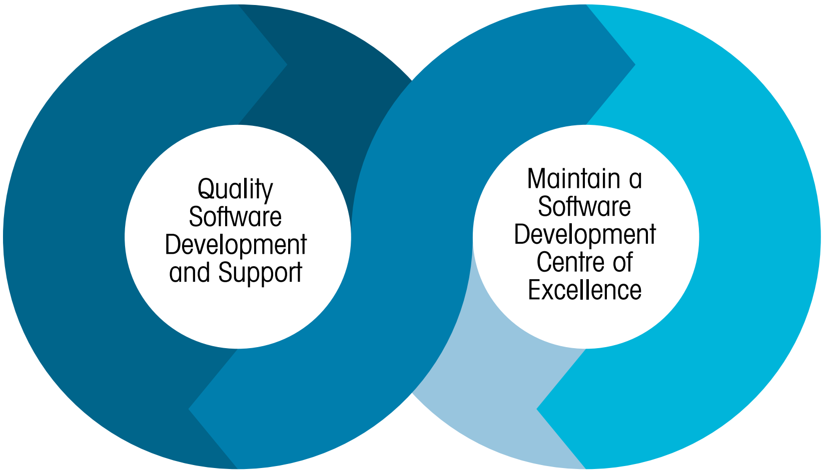
Humility
Servant leadership: Transparency; communication; being supportive; acting in the best interests of those you are leading in a humble way; supporting each other's efforts; empowerment; treating other people in a fair and consistent way; collaboration

I

Integrity
Consistently acting in an honest, respectful and trustworthy manner; say what you do and do what you say

The Interfront team in front of our offices at the Gleneagles Building in Somerset West

Strategic Objectives



Following delivery of several modernised customs systems (declaration processing, tariff management, certificate management) to SARS in August 2013, the focus for Interfront systems development changed to commence the implementation of several phases of SARS NCAP, enabling SARS to put into effect the new South African customs legislation. The legislation is designed to give effect to the Revised Kyoto Convention (RKC) and other binding international instruments and to establish a framework to enable other legislative instruments which rely on customs control. This is a major programme which is expected to take several years before it will be fully operational. A modernised cargo processing system was delivered in August 2016, providing a basis for further phases of the NCAP to be implemented. Other production system upgrades have improved the effectiveness of operational processes, such as provisional payment and support new or changed trade agreements, such as the African Growth and Opportunity Act (AGOA) and MERCOSUR (Common Market of the Southern Cone).

Our strategic objectives are in turn supported by six activities to measure our performance against these predetermined objectives.

Refer to Part B for a report on our performance against predetermined objectives

The SARS NCAP Phased Implementation Programme currently consists of the following phases, each represented by a development project in Interfront:

Phase 1: Registration Licensing and Accreditation (RLA): a new system is being developed for re-registration of all SARS customers.

Phase 2: Reporting of Conveyances and Goods (RCG): based on the modernised cargo processing system, this project will add trans-shipment management, advanced notifications, fiscal goods accounting and security goods accounting.

Phase 3: Customs Procedure Management, Clearance/Release processing: the Declaration Processing System (DPS) will be modified to handle new declaration types, procedure codes and other controls and business rules as required by the new acts.

The corporate response to the needs of the parent has been to upscale resources, through a moderate increase in the staff complement and also through the identification of contractors to provide short-term capacity as the project intensifies.

Interfront has continued to align itself more closely with its parent and is increasingly expected to serve as an IT centre of excellence, to provide a conduit of competent resources both within Interfront and externally.

Interfront's contract – to provide Luxembourg Customs (ADA, Administration des Douanes et Accises) with support services for the maintenance and upgrade of legacy Interfront systems in operation in Luxembourg since 2007 – has been renewed until December 2018. In the year under review, upgrades to the base technology of both the legacy Import/Export and Cargo systems, have been delivered to Luxembourg in an attempt to increase the lifespan of the product. Interfront maintains a dedicated team to provide support services of high value and quality to ADA.

Legislative and Other 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 Public Finance Management Act, No. 1 of 1999 (PFMA).

As a state-owned company (SOC), Interfront is regulated by the PFMA, the Companies Act, No. 71 of 2008 (Companies Act) and the Treasury Regulations.

Interfront was incorporated primarily to develop and support customs and border management solutions for SARS.

In implementing our strategy we recognise that there are various risks associated with our business.

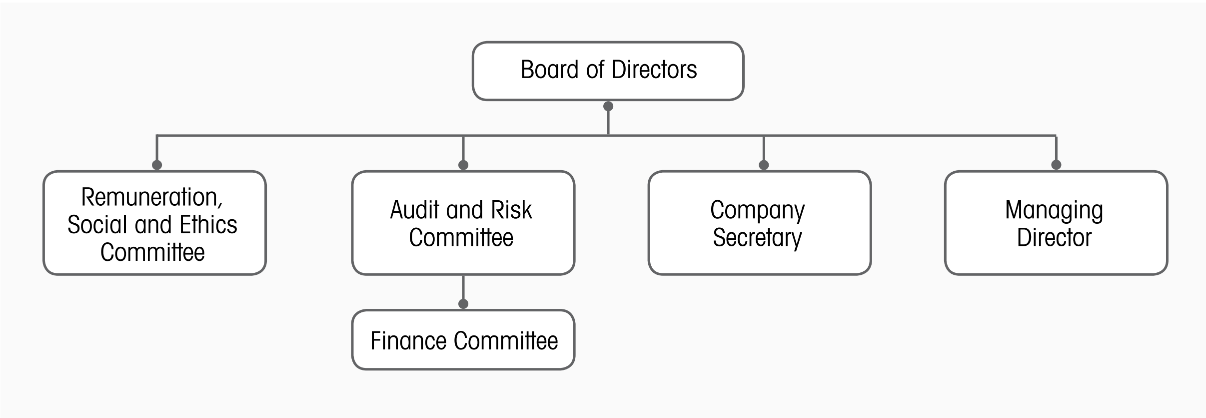
Key among these are:

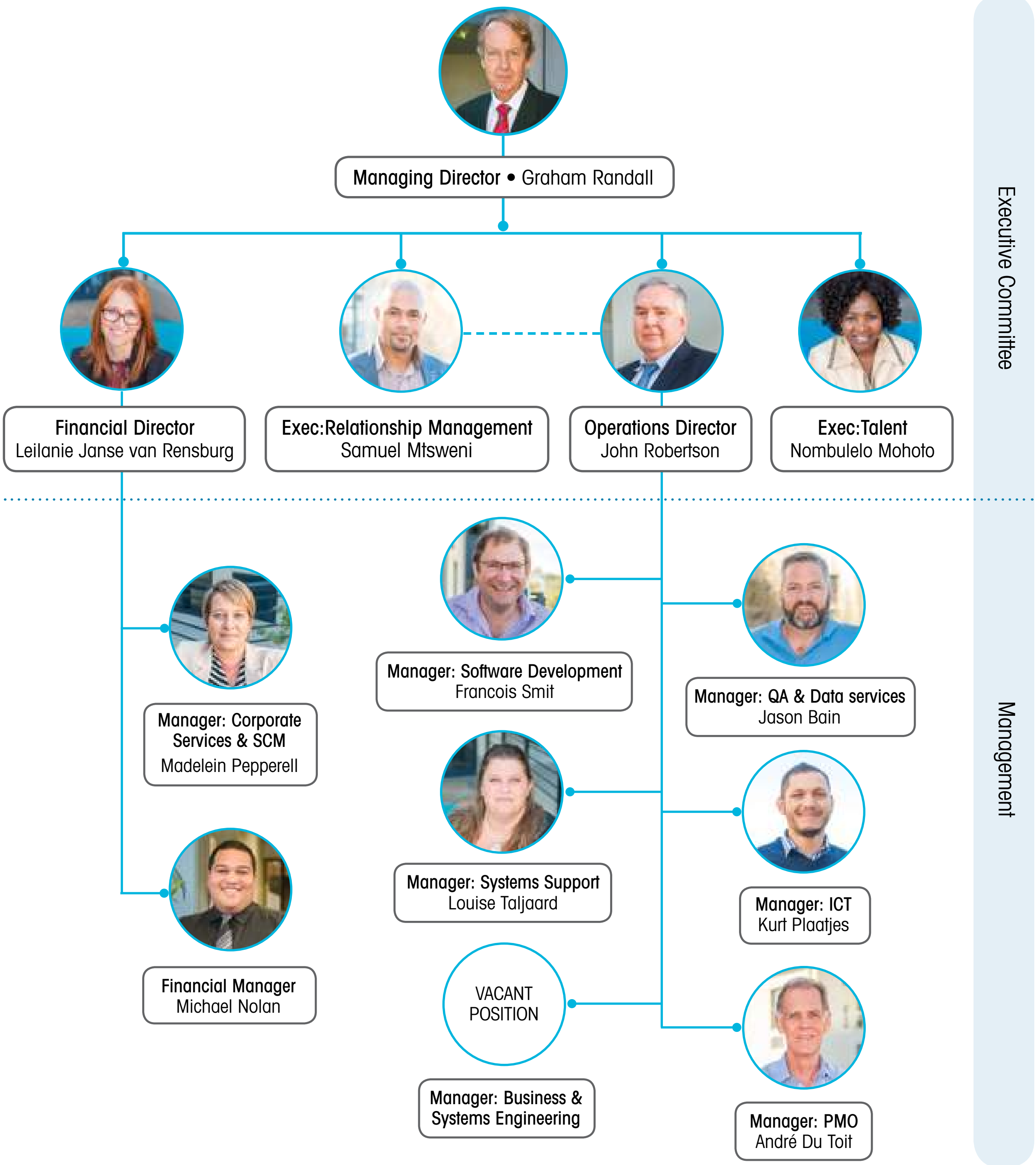
- Interfront delivery on the NCAP considered inadequate or unsuccessful by SARS
- Loss of key staff/staff retention
- Successful penetration of company network by cyber criminals

Refer to Part C for further details regarding our key risks and how we have managed them

"Interfront has continued to align itself more closely with its parent and is increasingly expected to serve as an IT centre of excellence, to provide a conduit of competent resources both within Interfront and externally."

5 ORGANISATIONAL STRUCTURE





Our Clients

South African Revenue Service (SARS)

South Africa is a leading role player on the African continent. Like many other countries on the African continent, it faces customs and border management challenges such as increasing trade volumes, poorly developed infrastructure or a lack thereof and the threat of illicit trade.

In a strategic move toward addressing trade challenges, SARS embarked on a modernisation journey. Part of this journey consists of the development of the Interfront Customs and Border Management Solutions (iCBS). The iCBS has already replaced several key legacy systems, one of which served South Africa for more than thirty years. At this stage it includes a Goods Declaration Processing (DPR) module, a Manifest Processing System (MPR), a Tariff Management System (TMS), a Customs Duty Calculator (CDC), as well as the License and Certificate Management (LCM) modules. The modernised system is also supported by a suite of specialised systems support management tools.

The current phase of the customs systems development programme in SARS is to adapt the current production systems to align with the new customs acts that have been introduced. The NCAP in SARS addresses the implementation of the requirements of the new Customs Control Act (CCA) in the various SARS systems. In the year under review, Interfront focused on Phases 1 (Registration, Licensing and Accreditation) and 2 (Reporting on Conveyancing and Goods) of the NCAP and significant milestones were reached in both of these phases.

Administration des Douanes et Accises Luxembourg (ADA)

Luxembourg, although being a small landlocked country, is one of the most developed countries in the world. It has relatively large volumes of international trade to and from neighbouring countries such as France and Germany, as well as elsewhere in the European Union (EU).

Customs processes in the EU are complex, structured and highly regulated. They contain numerous centrally managed systems that need to communicate with national systems.

Interfront's customs systems have been in operation in Luxembourg since 2007, when the import/export/transit system was implemented. An import control system followed in 2010. Improvements to these systems have been ongoing since 2007 and Interfront maintains a dedicated team to provide support and software enhancements.

Interfront recently performed an upgrade on the ADA system to make it compatible with the latest versions of some of the solution's technical components and to extend the supportability of the systems.

> "In 2017 Interfront celebrated the 10th anniversary of its customs system being in operation in Luxembourg."

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

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

All information and amounts disclosed in the Annual Report are consistent with the annual financial statements audited by the Auditor-General of South Africa (AGSA).

The Annual Report is complete, accurate and free from any significant omissions.

The Annual Report has been prepared in accordance with the relevant guidelines issued by National Treasury.

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

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

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

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human capital information and the financial affairs of the entity for the financial year ended 31 March 2017.

Graham Randall
Managing Director
31 July 2017

Mustaq Enus-Brey
Chairperson of the Board
31 July 2017

PART B
Performance Report

1 AUDITOR-GENERAL OF SOUTH AFRICA 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 contains no material findings. The Report of the Auditor-General of South Africa is included in Part E: Financial Information.

Refer to Part E
for the Report of the Auditor-General of South Africa

2 SITUATIONAL ANALYSIS

Service Delivery Environment

Interfront is governed through its own Board of Directors (its accounting authority) and strives to be a fully sustainable, eco-friendly body. The company develops customs and border management IT solutions for SARS and supports the systems it has in operation with its clients.

Part of the comprehensive modernisation journey that SARS embarked on included the development of the Interfront Customs and Border Management Solution (iCBS). The iCBS has already replaced several legacy systems and is also supported by a suite of specialised system support management tools. During the 2016/2017 financial year, significant milestones were reached in the development of Phases 1 and 2 of the NCAP in SARS. It is foreseen that Interfront will continue to associate closely with SARS.

Interfront provided Luxembourg (ADA) with core declaration processing customs solutions that support the flexibility required to adapt to regular amendments to customs policies. The solutions operate with a high level of reliability and regular updates are performed to meet ongoing client requirements.

Interfront intends to maintain a strong IT development capacity as the preferred supplier to SARS, augmenting its capacity with contracted resources where necessary. It is envisaged that Interfront will function as a centre of excellence, developing IT skills that contribute to empowerment within its own business, SARS and the wider public sector.

"It is envisaged that Interfront will function as a centre of excellence, developing IT skills that contribute to empowerment within its own business, SARS and the wider public sector."

Organisational Environment

Oversight by the Executive Authority (Minister of Finance) rests largely on the prescripts of the PFMA.

The Interfront Board conducts its business in the best interests of Interfront. All Board appointments are sanctioned by the shareholder. Please refer to Part C: Governance, for further information.

Refer to Part C
for further details regarding our Organisational Governance

Key Policy Developments and Legislative Changes

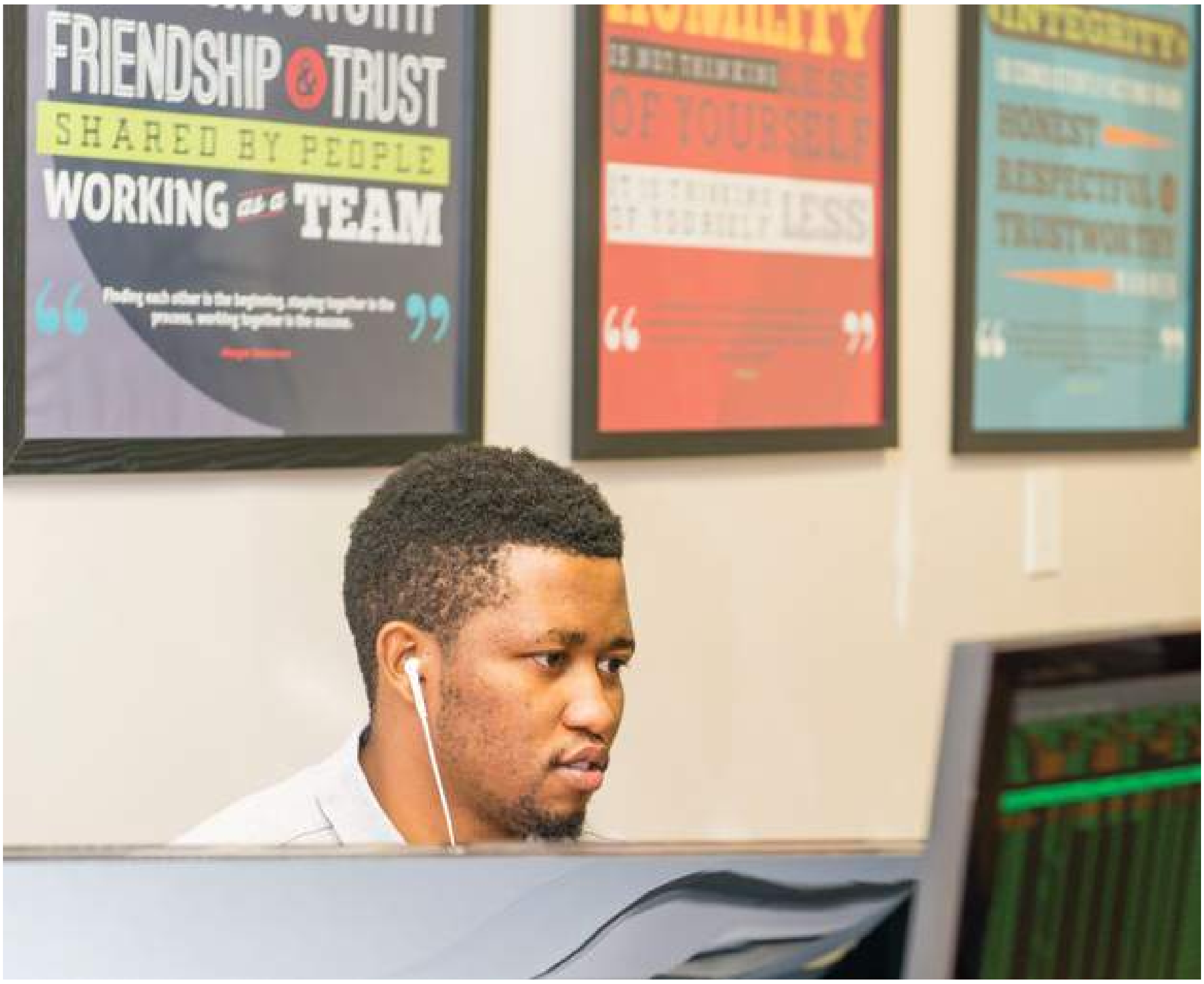
National Treasury Instruction 01 of 2013/2014, pertaining to Cost Containment Measures, was replaced by Instruction 02 of 2016/2017, which became effective on 1 November 2016. The instruction requires the Interfront Board to implement control measures to ensure that all expenditure incurred by Interfront is necessary, appropriate, cost-effective and is recorded and reported, as prescribed. In addition to the annual Demand Plan, Interfront must also ensure that it has an approved Cost Containment Plan effective 1 April 2017 and annually thereafter. Policies such as the Travel Management Policy have been updated and aligned with the prescribed measures.

The new Preferential Procurement Regulations became effective on 1 April 2017. The revision of the 2011 regulations was largely influenced by the need to provide a mechanism to empower certain categories of Small, Medium and Micro Enterprises (SMMEs), also classified as Exempted Micro Enterprises (EMEs) or Qualifying Small Enterprises (QSEs), Co-Operatives, Township and Rural Enterprises. In response to the new regulations, Interfront updated its Procurement Policy and Standard Operating Procedure for bids.

The King IV Report on Corporate Governance became effective on 1 April 2017, which sees a departure from "apply or explain" to the "apply and explain" principle. This will require Interfront to substantiate their claim that good governance is practised. Amendments were made to the Interfront Board's terms of reference to take the key oversight provisions into account.

> "In response to the new regulations, Interfront updated its Procurement Policy and Standard Operating Procedure for bids."

Kgomoto Sito



3 OVERVIEW

Measuring Interfront's Performance

Interfront aligns its performance management to the approach that SARS and National Treasury follow regarding performance planning, monitoring and evaluation.

In line with SARS's commitment to maintaining and promoting good governance, the performance of Interfront is included in its overall strategic measures through the annual achievement of an unqualified audit report.

Performance against Predetermined Objectives

Towards the end of the 2015/2016 financial year, the Interfront Board determined that prominence should be afforded strategically to building resources, to create a centre of excellence for IT skills and expertise for Interfront, as well as for SARS. It was therefore determined that diversifying Interfront's customer base should be less prominent in the present environment, while all available resources are focused on current development and support work. Interfront's Board approved the revision of the five-year strategic plan, which reduced the number of strategic measures from three to two. The strategic drivers for the current year and for the remaining four years ahead will broadly encompass the following:

- Maintain the strong IT development capacity as the preferred supplier to SARS and augment this with contractual resources where necessary, to meet peak delivery timelines.
- Provide ongoing maintenance and support. As further systems are delivered, the support capability will increase proportionally and is likely to double in the two to three years ahead.
- Grow Interfront as a centre of excellence to develop IT skills to contribute to empowerment within Interfront, SARS and the wider public sector. The number of candidates selected annually will increase as project growth allows.
- Revisit the form of the entity and its alliances to best serve the Shareholder and its refined strategic goals. This will commence with the rationalisation process and be followed with operational alignment with SARS systems and the provision of long-term specialist premises.

These strategic drivers are encapsulated in the two core outcomes:

- provide quality software development and support; and
- maintain a Software Development Centre of Excellence (COE).

In-year amendments were made to the 2016/2017-2020/2021 Strategic Plan. This was to improve the measurability of the strategic measures relating to providing effective software support services for SARS and ADA Luxembourg. The Business Plan was amended accordingly and the Board directed that work on the NCAP should be broken down into clearly defined sprints for the year under review. Interfront's amended Strategy and Business Plan was approved by the Interfront Board at its meeting held on 15 September 2016.

> "The Interfront Board determined that prominence should be afforded strategically to building resources, to create a centre of excellence, IT skills and expertise."

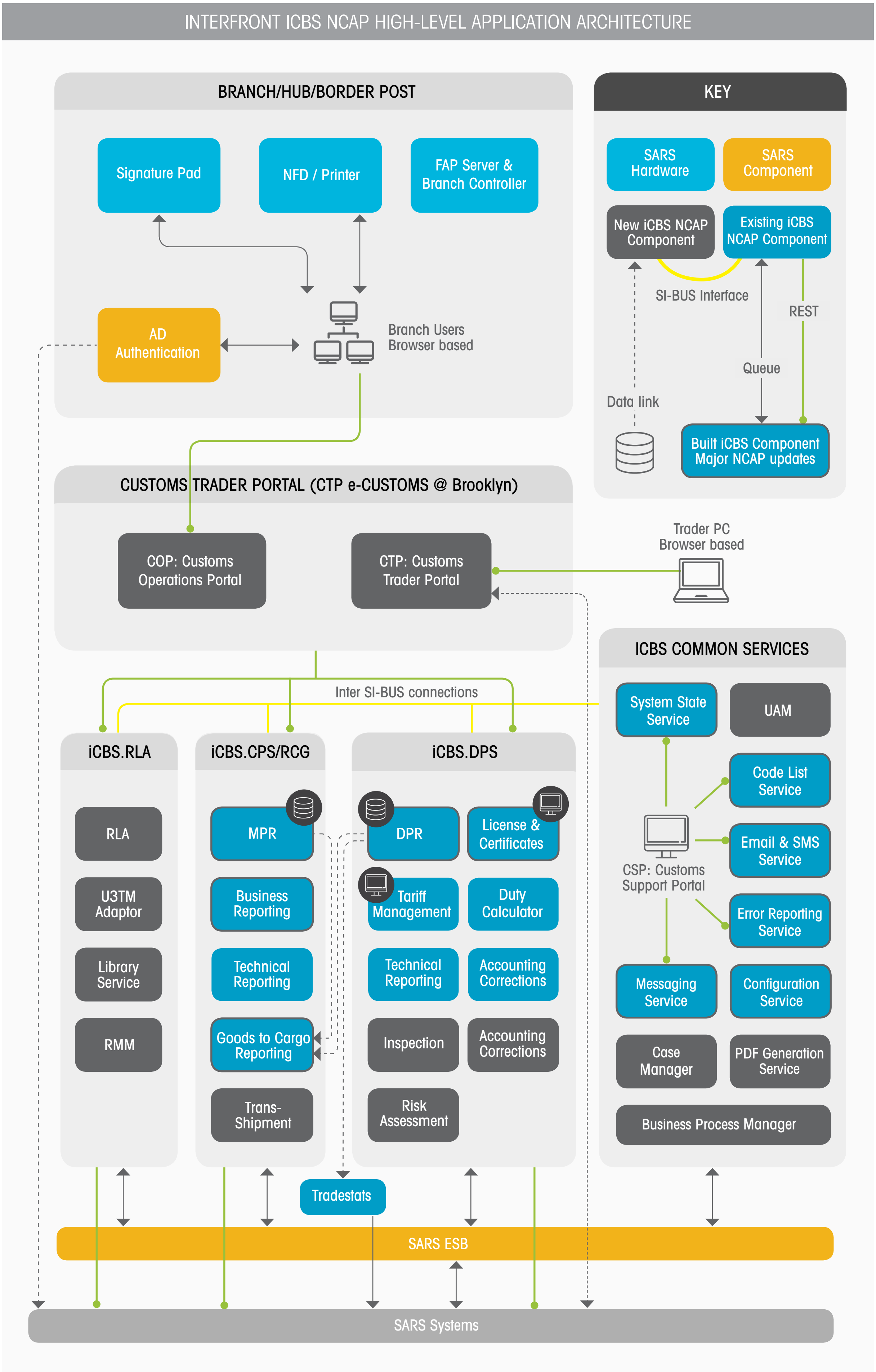
CORE OUTCOMES

1

PROVIDE **QUALITY SOFTWARE DEVELOPMENT** & **SUPPORT**

2

MAINTAIN A **SOFTWARE DEVELOPMENT CENTRE OF EXCELLENCE** (COE)


INTERFRONT ICBS NCAP HIGH-LEVEL APPLICATION ARCHITECTURE
BRANCH/HUB/BORDER POST
Signature Pad
NFD / Printer
FAP Server & Branch Controller
AD Authentication
Branch Users Browser based
KEY
SARS Hardware
SARS Component
New iCBS NCAP Component
Existing iCBS NCAP Component
SI-BUS Interface
REST
Queue
Data link
Built iCBS Component Major NCAP updates
CUSTOMS TRADER PORTAL (CTP e-CUSTOMS @ Brooklyn)
COP: Customs Operations Portal
CTP: Customs Trader Portal
Trader PC Browser based
ICBS COMMON SERVICES
Inter SI-BUS connections
iCBS.RLA
RLA
U3TM Adaptor
Library Service
RMM
iCBS.CPS/RCG
MPR
Business Reporting
Technical Reporting
Goods to Cargo Reporting
Trans-Shipment
iCBS.DPS
DPR
License & Certificates
Tariff Management
Duty Calculator
Technical Reporting
Accounting Corrections
Inspection
Accounting Corrections
Risk Assessment
System State Service
UAM
Code List Service
CSP: Customs Support Portal
Email & SMS Service
Error Reporting Service
Messaging Service
Configuration Service
Case Manager
PDF Generation Service
Business Process Manager
Tradestats
SARS ESB
SARS Systems

4 OPERATIONAL HIGHLIGHTS

- The new Cargo Processing System (CPS) went live in SARS in August 2016, replacing the previous legacy system.
- Significant additional functionality to manage Provisional Payments was completed and went live in October 2016.
- A technology upgrade of the import/export system was released to Luxembourg and refined and enhanced in collaboration with ADA throughout the year. The cargo system was also upgraded in terms of database compatibility.
- Eight iCBS system releases were deployed to production in SARS' during the year, containing twenty-six functional enhancements and various bug fixes. These releases included changes to operational systems such as declaration processing, tariff management, license and certificate management, cargo processing and provisional payments.
- In ADA Luxembourg, five system releases were deployed to production in the year, including various enhancements and bug fixes to the import/export and cargo systems.

"Interfront is a key development partner to SARS for the programme to implement the new customs acts."

5 CORE OUTCOME 1: QUALITY SOFTWARE DEVELOPMENT AND SUPPORT

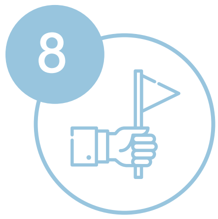
ACTIVITY	MEASURE	ACTUAL ACHIEVEMENT FOR 2015/2016	TARGET 2016/2017	ACHIEVED 2016/2017	COMMENT
Develop iCBS to support SARS NCAP programme	Number of development sprints completed on SARS NCAP programme	Not applicable	Five sprints completed and demonstrated to SARS on the NCAP Phases 1 and 2	Achieved Eight sprints completed and demonstrated to SARS on the NCAP Phases 1 and 2	Interfront utilised an increased resource capacity by outsourcing work to approved service providers

Interfront is a key development partner to SARS for the programme to implement the new customs acts. The existing iCBS product in SARS is being expanded and modified to meet the objectives of the NCAP programme. The NCAP programme will be implemented in three phases. Each of these phases is associated with a software development project in Interfront. These projects are delivered in "slices" of functionality, called sprints, which are demonstrated to SARS for acceptance before delivery.

During the 2016/17 year, sprints were delivered for Phases 1 and 2, while Phase 3 was still in the requirements and architecture design stage within SARS.

SARS Project Team

Eight functional milestones were completed for the NCAP Phases 1 and 2 during the year. Each of these milestones was demonstrated to SARS and accepted as progress milestones. Before the start of the financial year, a target of five sprints was set, based on what Interfront would be able to achieve with its own capacity at the time. Due to delivery pressure from SARS, approved external service providers were engaged to bolster Interfront capacity, enabling Interfront to deliver eight sprints in the financial year.



FUNCTIONAL **MILESTONES COMPLETED** FOR THE **NCAP PHASES 1 AND 2**

To assist in achieving milestones on the NCAP projects, Interfront had embarked on a tender process well in advance to identify service providers to outsource selected software development work. Two of these service providers were engaged during the year and made valuable contributions to progress on the projects, complementing the larger internal development team. As part of the engagement process, development environments had to be aligned, remote IT connectivity had to be established and processes had to be created for remote team collaboration and delivery. These relationships will enable the further distribution of work and enhanced delivery in the run-up to the go-live dates of the NCAP projects in 2017/2018.

ACTIVITY	MEASURE	ACTUAL ACHIEVEMENT FOR 2015/2016	TARGET 2016/2017	ACHIEVED 2016/2017	COMMENT
Provide effective software support services for SARS and ADA (Luxembourg)	SARS: Service levels	Met or exceeded service levels	Meet or exceed service levels	Achieved	Met or exceeded service levels for each month of the year
	ADA: Client survey on the level of quality of software support services (annual measure)	Not applicable	Four out of five point satisfaction level scale	Partly achieved	An average score of 3.5 was achieved for 4 questions, with 2 scores of 3 and 2 scores of 4

The NCAP Phase 3 workshops were initiated by SARS late last year and continued in February 2017. A new working model was presented for this project where SARS and its development partner would be responsible for business requirements modelling and system design, while Interfront would be required to develop technical services to implement this design in the iCBS product. Work on the iCBS technical services is expected to start in the second half of 2017.

Interfront forms part of SARS architecture and design team that is leading the effort on the design of the new DPS system for Phase 3.

Both clients of Interfront operate national customs systems on a 24 x 7 x 365 basis. The Interfront software is a key component in each of these systems and the support service level provided by Interfront is crucial to their effective operation.

Support agreements have been established with both clients. Expected interactions and service levels are detailed in the agreements. A key focus for Interfront is to provide a quality support service to SARS Customs and ADA, to "meet or exceed" the service levels required by these clients. As part of this service, Interfront continues to develop minor enhancements to the iCBS system as required by SARS and in respect of the legacy system currently operational within Luxembourg. Regular updates to these systems are provided. A dedicated support team is deployed for each of these clients, support requests are managed and service levels measured and adhered to. Relationships are nurtured and maintained by regular communication and face-to-face visits on operational and executive level.

Two major systems went live successfully in SARS Customs during the year under review: the Cargo Processing System in August 2016 and the Provisional Payments in October 2016.

SARS operational support is functioning effectively and has continuously "met or exceeded" the service level agreement (SLA) targets, which are reported back to SARS on a monthly basis. Deployment of new versions of the system into production remains under active monitoring by the Interfront support team and technical leads.

NEW **SYSTEMS** LAUNCHED

CARGO PROCESSING
AUGUST 2016

PROVISIONAL PAYMENTS
OCTOBER 2016

Luxembourg (ADA) Project Team

Interfront's legacy systems (import/export and cargo) have been running successfully in ADA Luxembourg for ten years. Over time, various enhancements were added to these systems. An EU Union Customs Code (UCC) audit was completed on the Interfront systems in Luxembourg during the year, with very positive outcomes for the Interfront software.

ADA Luxembourg has a services agreement with Interfront to support these systems. This agreement has just been renewed up to December 2018.

Interfront performed one site visit to Luxembourg during the year under review. Customs and trader visits were carried out to maintain and establish a regular and effective feedback loop for issues experienced with the product, by all parties, as well as to catalogue and plan the resolution of such issues. Four import/export releases and one cargo release were delivered to ADA during the year and deployed to production. Upgrades to the base technology of both the legacy import/export and cargo systems have been delivered to Luxembourg in an attempt to increase the lifespan of the product.

The measure for the Activity "Provide effective software support service for ADA (Luxembourg)" was changed during the year. Management designed and obtained Board approval for a new, SMARTer (Specific, Measurable, Achievable, Relevant and Time-bound) measure, in response to the AGSA audit findings of 2016. This measure is in the form of a client survey to determine satisfaction with the support service being provided.

The Luxembourg client survey consists of four questions designed to assess the level of satisfaction with the support service being provided. The target is to achieve a satisfaction rating of four, which is denoted as Good on the scale. Interfront achieved an average of 3.5, which lies between Satisfactory and Good. Comments related to the Satisfactory (3) scores suggest that improvement be made to the system to adapt to new technology more easily and that documentation during integration and test phases could be improved. Interfront is paying attention to this feedback and will endeavour to improve on these ratings in the next year.

> "Four import/export releases and one cargo release were delivered to ADA during the year and deployed to production."

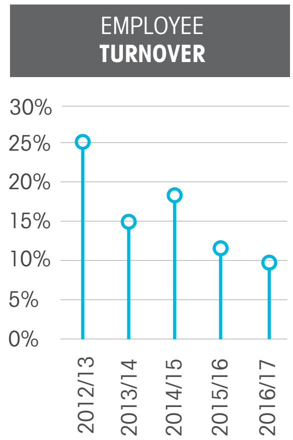
Celebrating Heritage Day:
The Coloured Team

6 CORE OUTCOME 2: QUALITY SOFTWARE DEVELOPMENT CENTRE OF EXCELLENCE

ACTIVITY	MEASURE	ACTUAL ACHIEVEMENT FOR 2015/2016	TARGET 2016/2017	ACHIEVED 2016/2017	COMMENT
Retention of management team and staff	Percentage of staff turnover	12.3%	Less than 16%	Achieved	8.9%

Enabling the company to attract, select, develop and retain talented staff is one of our core and primary accountabilities. The success of our strategy is influenced partly by the ability to retain, motivate, develop and continue to attract employees with the skills and experience to help the business master the challenges faced. Investing in people development is a key priority, which is one of the enablers of our retention strategy.

Interfront has concentrated on the development of all staff and this was experienced through the promotion process. Staff are encouraged to identify their personal individual development plans, with a view to developing their skills further, as well as to retain them. The staff turnover for the year under review was 8.9%, far less than the target of less than 16%. This is also lower than the previous year of 12.3%, which shows consistent improvement. This is attributable to the policy of promoting internally, as well as the proactive steps taken with regard to employee engagement. The table indicates progress and improvement over the past five years.



ACTIVITY	MEASURE	ACTUAL ACHIEVEMENT FOR 2015/2016	TARGET 2016/2017	ACHIEVED 2016/2017	COMMENT
Expand staff complement	Successful appointment	20	Increase staff number by 15	Partly achieved	Net growth of 14

Steps have been taken to ensure that recruitment selects new talent that fits the company culture. This has included:

- encouraging employees to recommend excellent candidates;
- conducting thorough assessments of candidates résumés and qualifications; and
- careful screening and interviewing of prospective candidates.

Resources in the IT industry are under increasing pressure and it has been a challenge to achieve the target of increasing the staff number by fifteen (net growth), mainly due to the market shortage of certain disciplines. Interfront has also been circumspect regarding the pace of recruitment due to the timing of the project resourcing. Orders have not increased to the expected level as quickly as was anticipated and provision has been made for short-term contracting rather than the appointment of permanent staff. Our staff complement has increased from 98 to 112 at the end of the financial year.

STAFF MOVEMENT FOR THE YEAR	
No. of new appointments	23
No. of EE appointments	19
No. of resignations	9
No. of current vacancies (2016/2017)	8

EMPLOYMENT AND VACANCIES AT 31 MARCH 2017					
	2015/2016	2016/2017			% of overall vacancies
Level	No of employees	No of employees	Approved posts	Vacancies	
Non-executive directors	4	4	4	0	0
Top management EXCO	3	3	3	0	0
Senior management	8	9	10	1	10%
Professional qualified	51	58	63	5	7.9%
Skilled	24	27	29	2	6.9%
Semi-skilled	6	8	8	0	0
Unskilled	2	3	3	0	0
TOTAL	98	112	120	8	6.7%

Bursars

ACTIVITY	MEASURE	ACTUAL ACHIEVEMENT FOR 2015/2016	TARGET 2016/2017	ACHIEVED 2016/2017	COMMENT
Maintain Skills Development Programme	Successful appointment of graduates & bursars	Not applicable	10 Bursars 5 Graduates	Partly achieved	7 Bursars 6 Graduates

Interfront established a Bursary Programme whereby suitably qualified students are offered bursaries and in turn will form part of Interfront's Graduate Recruitment and Development Programme once their studies are completed.

Three candidates, who formed part of the Bursary Programme, successfully completed their studies in 2015 and joined the Graduate Recruitment and Development Programme in 2016. They have since been appointed in permanent positions and are making a positive and noticeable contribution to the company. Below is the progression of the Bursary Programme since its inception in 2013:

NUMBER OF BURSARS APPOINTED	
2014/2015	3
2015/2016	5
2016/2017	7

BURSARS APPOINTED

GRADUATES APPOINTED

Graduate Interns

The Graduate Recruitment and Development Programme has been in place for four years. The quality of the graduate candidates for 2016/2017 was of a high calibre, which made it possible to appoint more than the target.

Current Interfront graduate interns

GRADUATE RECRUITMENT AND DEVELOPMENT PROGRAMME	
Period	Placed in the business
2013/14	1
2014/15	1
2015/16	7
2016/17	6

Audits

ACTIVITY	MEASURE	ACTUAL ACHIEVEMENT FOR 2015/2016	TARGET 2016/2017	ACHIEVED 2016/2017	COMMENT
Establish and support effective governance	Unqualified Audit Report	Achieved	Unqualified Audit Report	Achieved	2015/2016 financial year

Interfront received a Certificate of Excellence for a clean audit opinion from the AGSA for the 2015/2016 financial year and obtained a clean audit for the 2016/17 financial year.

Mario Cronje and Merciful Sundlana

7 LINKING PERFORMANCE WITH BUDGETS

	2015/2016			2016/2017		
Objective	Budget Expenditure	Actual Expenditure	(Over)/Under	Budget Expenditure	Actual Expenditure	(Over)/Under
Become a strategic and preferred partner to existing clients (2015/2016) Quality Software Development and Support (2016/2017)	83 625 322	66 604 942	17 020 380	108 390 187	76 736 564	31 653 623
Maintain a sustainable, financially self-sufficient organisation (2015/2016) Maintain a software development Centre of Excellence (COE) (2016/2017)	17 379 106	13 841 912	3 537 194	27 097 547	19 184 141	7 913 406
Establish a diversified customer base (2015/2016)	3 861 850	3 075 842	786 008	N.A.	N.A.	N.A.

Linking Performance with Budgets

	2015/2016			2016/2017		
Source of revenue	Budget	Actual amount collected*	(Over)/Under	Budget	Actual amount received*	(Over)/Under
SARS	91 415 514	84 145 848	7 269 666	152 663 793	96 164 150	56 499 643
Luxembourg (ADA)	7 854 000	8 894 635	(1 040 635)	9 600 000	9 927 736	(327 736)

* Amounts due and received

Revenue Collection

In the year under review it was envisaged that external contractors would assist with the SARS projects and generate revenue to the amount of some R50 million. Contracting was due to commence at the start of the 2016/2017 financial year. However, due to approval delays, the external contractors only started in September 2016, which resulted in lower than expected revenue from SARS.

The amount collected for Luxembourg is higher as a result of exchange rate differences.

In order to remain on target with regard to revenue collection, Interfront regularly engaged with its customers to ensure the necessary approvals were obtained.

Interfront has effective controls in place to ensure billable hours are invoiced, while invoices are issued within ten days of month-end, supported by comprehensive supporting documentation.

Financial Manager:
Michael Nolan

“Interfront has effective controls in place to ensure billable hours are invoiced.”

PART C
Governance

1 OVERVIEW

A commitment by Interfront to good governance ensures that the correct checks and balances are in place, thus promoting a culture of honesty, integrity and accountability.

In addition to legislative requirements based on enabling legislation and the Companies Act, corporate governance is applied through the precepts of the PFMA, Treasury Regulations and instructions, as well as the principles contained in the King III Report on Corporate Governance.

The King Committee published the King IV Report on Corporate Governance for South Africa 2016 (King IV) on 1 November 2016. King IV is effective in respect of financial years commencing on or after 1 April 2017 and replaces King III in its entirety. Specific disclosure recommendations are included under each principle of the King IV Code; these recommendations are intended as guidance and a starting point for disclosure on the particular principle. Interfront is in the process of finalising a compliance matrix to ensure compliance.

The Executive and the Accounting Authority are responsible for corporate governance, which are defined for the purposes of the King IV Report as:

"The exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes:

- ethical culture;
- good performance;
- effective control; and
- legitimacy."

In response to and in preparation for the onset of the King IV Report on Corporate Governance, Interfront updated its Board's terms of reference, which were subsequently adopted by the Interfront Board at its meeting held on 24 November 2016.

GOVERNANCE OUTCOMES

ETHICAL CULTURE

GOOD PERFORMANCE

EFFECTIVE CONTROL

LEGITIMACY

Governance and SCM Team

2 HIGHLIGHTS

Visit by Mr. Tom Moyane, the Commissioner of SARS to Interfront (second from the left)

- Increased focus on IT role and governance by the appointment of a full-time Information and Communications Technology (ICT) Manager.
- Visit by Mr. Tom Moyane, the Commissioner of SARS to Interfront.
- Managing risk proactively and succeeding in reducing staff turnover.
- Expanding the Executive Committee with the appointment of an Executive: Relationship Management and Executive: Talent.
- Certificate of Excellence for a clean audit opinion from the AGSA.

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 exercising oversight powers.

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.

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

4 THE INTERFRONT BOARD

The Board of Directors is Interfront's Accounting Authority. The Board constitutes a fundamental base for the application of corporate governance principles within Interfront. The Board must provide Interfront with strategic direction, has absolute responsibility for its performance and is fully accountable.

The duties of the Board include but are not limited to the following:

- to provide effective leadership based on an ethical foundation in the best interests of all its stakeholders;
- to serve as a focal point and custodian of corporate governance;

- to ensure that reports issued by Interfront enable stakeholders to make informed assessments of Interfront's performance;
- to govern technology and information in a way that supports Interfront in setting and achieving its strategic objectives;
- to adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of Interfront; and
- to appreciate Interfront's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development, all being inseparable elements of the value creation process.

Terms of Reference

As recommended by King IV, the terms of reference of the Board set out its responsibilities, which include the following:

- assume collective responsibility for steering and setting the direction of Interfront, approving policy and planning, overseeing and monitoring the implementation and execution thereof by management and ensuring accountability for Interfront's performance;
- exercise ongoing oversight of the implementation of strategy and operational plans by management against agreed performance measures and targets;
- direct Interfront in such a way that it does not adversely affect the natural environment, society or future generations;
- identify and monitor key risks and ensure an effective system of internal control to manage risk within acceptable parameters; and
- assume responsibility for the governance of technology and information by setting the direction as to how technology and information should be approached and addressed within Interfront.

Composition

For the year under review, Interfront had a Board of seven directors and one alternate director. With the resignation of Kosie Louw in January 2017 the number of directors were reduced to six with one alternate director. 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 two directors and one alternate director are non-executive and are employed by the shareholder.

In July 2017 the shareholder filled the two vacancies on the Board with the appointment of Ms Refiloe Mokoena and Ms Mmamathe Makhekhe-Mokhuane as non-executive directors, who are also employees of the shareholder and Mr Tau Mashigo tendered his resignation as alternate director.

All Board appointments are sanctioned by the shareholder, which replaces the need for a nomination committee and other formalities.

All of the directors are South African citizens.

“The Board must provide Interfront with strategic direction, has absolute responsibility for its performance and is fully accountable.”

BOARD COMPOSITION

6 DIRECTORS
1 ALTERNATE DIRECTOR

Interfront Board

Mustaq Enus-Brey (63)
Non-Executive, Independent Chairperson of the Board, Member of the Remuneration, Social and Ethics Committee

QUALIFICATIONS & EXPERIENCE

Mustaq is a founder member and CEO of Brimstone Investment Corporation Ltd. He is a qualified Chartered Accountant and serves as the Chairperson of two JSE-listed companies namely, the Life Healthcare Group Limited and Oceana Fishing Group Limited. He serves as director on a number of boards, including the House of Monatic (Pty) Ltd, AON Re Africa (Pty) Ltd and Brainfin Financial Services (Pty) Ltd.

Matsobane Matlwa (61)
Non-Executive Director, Chairperson of the Finance Committee

QUALIFICATIONS & EXPERIENCE

Matsobane is a qualified Chartered Accountant, holds an MBA from Alabama University in the United States, a Masters of Commerce (Taxation) from the University of North West, Bachelor of Commerce and Hons B.Compt from UNISA. He has also completed a Graduate Diploma in Company Direction from the Graduate Institute of Management & Technology and Executive Programs 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.

Jonas Makwakwa (48)
Non-Executive Director, Member of the Remuneration, Social and Ethics Committee

QUALIFICATIONS & EXPERIENCE

Jonas' qualifications include a B.Com Accounting degree and a diploma in Business Management. He also completed the Global Executive Development Programme with GIBS, studying 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.

"For the year under review, Interfront had a Board of seven directors and one alternate director. With the resignation of Kosie Louw in January 2017 the number of directors were reduced to six with one alternate director."

Graham Randall (65)
Managing Director, Member of the Finance Committee

QUALIFICATIONS & EXPERIENCE

Graham is a Chartered Accountant and spent much of his career at the AGSA. 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 (57)
Executive Director – Operations

QUALIFICATIONS & EXPERIENCE

John obtained his ADV BPM qualification at the University of Cape Town at the end of the 2016 academic year. He started his career in the computer industry in 1983 with ICL supporting mainframe systems in the commercial sector. In 2002, he and some former colleagues founded SincroWave, an independent technology company with a focus on systems integration services. SincroWave merged through a BEE initiative, to form Tsohle Business Solutions. He has built his reputation as a leading project manager through continuous exposure to major IT developments both locally and abroad.

Tau Mashigo (50)
Alternate Director

QUALIFICATIONS & EXPERIENCE

Tau has extensive private sector experience in the IT industry. He started his career with Johannesburg Consolidated Investments (Pty) Ltd, after which he joined Accenture, culminating his career there as Executive Manager with an involvement across markets. He has played a prominent role in listing supplies and consulted across various market sectors. He subsequently joined SITA where he primarily focused on service delivery transformation and cost reduction initiatives. Tau joined SARS in 2017 as the Group Executive: Chief Information Officer and is currently employed as Group Executive: Service Delivery. He also served in non-executive roles on ministerial and governmental advisory committees, as well as the global steering committee for the Commonwealth Connects Program. Tau has extensive academic training, cumulating in the Program on E-commerce with the UNISA school of Business Leadership and the SITA Executive Development Program with GIBS.

Leilanie Janse van Rensburg (35)
Executive Director – Finance, Company Secretary, Member of the Finance Committee

QUALIFICATIONS & EXPERIENCE

Leilanie qualified as a Chartered Accountant in 2008 and has private and public sector experience in accounting and auditing. She has managed various large public sector audits and gained valuable experience in the public sector.

5 BOARD COMMITTEES

Audit and Risk Committee

The Interfront Audit and Risk Committee has been combined with the SARS Audit and Risk Committee. This allows for independent oversight. The Report of the Audit and Risk Committee, as well as its members and details of their attendance of meetings, is set out in Part E: Financial Information.

Refer to Part E for the Report of the Audit and Risk Committee and further details

Finance Committee

Interfront's Finance Committee was established to support the joint SARS/Interfront Audit and Risk Committee and the Interfront Board, regarding oversight of Interfront's financial reporting, the system of internal control, the performance of Interfront's external and internal audit, as well as risk management.

Matsobane Matlwa is the Chairperson of the Finance Committee.

Remuneration, Social and Ethics Committee

The terms of reference of the Remuneration, Social and Ethics Committee sets out the responsibilities of the Committee.

The role and purpose of the Committee is to ensure that:

- Interfront remunerates its personnel, executives and directors fairly and responsibly;
- the disclosure of directors' remuneration is accurate, complete and transparent; and
- Interfront's activities with regard to matters relating to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relations, as well as matters relating to labour and employment, are monitored.

Board and Committee Meeting Attendance

The Terms of Reference of the Board provide that the Board should meet at least four times per financial year. For the financial year under review, five Board meetings were convened.

The Terms of Reference for the Remuneration, Social and Ethics Committee provide that the Committee shall consist of not less than three members and shall hold at least two meetings per financial year. With the resignation of Kosie Louw, the number of Committee members was reduced to two and as a result, only one meeting could be held for the year under review. The Board is satisfied that it has attended to the business of the Committee in the Board meetings.

The Terms of Reference for the Finance Committee, as determined by the Board, provide that this Committee must meet at least twice annually. During the financial year under review, two meetings were convened.

BOARD COMMITTEES

REMUNERATION, SOCIAL & ETHICS COMMITTEE

- Kosie Louw (resigned January 2017)
- Mustaq Enus-Brey
- Jonas Makwakwa

FINANCE COMMITTEE

- Matsobane Matlwa
- Graham Randall
- Leilanie Janse van Rensburg

AUDIT & RISK COMMITTEE

- Sathie Gounden
- Vuyo Kahla (resigned July 2016)
- Mmakgolo Meta Maponya
- Thabiso Gerald Ramasike
- Nonkululeko Gobodo

NAME	DATE APPOINTED	BOARD		REMUNERATION, SOCIAL AND ETHICS COMMITTEE		FINANCE COMMITTEE		AUDIT AND RISK COMMITTEE
		No. attended	No. of meetings	No. attended	No. of meetings	No. attended	No. of meetings	
Mustaq Enus-Brey	18 Oct 2011	4	5	1	1	n/a	n/a	See Audit and Risk Committee Report
Kosie Louw	22 Dec. 2009 Resigned: 31/01/2017	4	5	1	1	n/a	n/a	
Graham Randall	1 June 2011	5	5	1*	1	2	2	
John Robertson	1 Sept 2011	5	5	1*	1	n/a	n/a	
Leilanie Janse van Rensburg	1 Oct 2011	5	5	1*	1	2	2	
Matsobane Matlwa	5 Feb 2015	4	5	n/a	n/a	2	2	
Jonas Makwakwa	5 Feb 2015	2	5	0	1	n/a	n/a	
Tau Mashigo	17 Oct 2016	2	5	n/a	n/a	n/a	n/a	

*attended the meeting as a permanent invitee

Remuneration of Board Members

National Treasury regulates the remuneration level for Interfront's independent, non-executive board and committee 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	2016/17	
Chairperson	R4 699 per day	R587 per hour
Members	R3 493 per day	R437 per hour

Mr Mustaq Enus-Brey, an independent, non-executive director, Chairperson of the Interfront Board and 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 E: Financial Information. No fees or remunerations are payable by Interfront to the non-executive directors who are also employees of the shareholder.

Refer to Part E
for the renumeration paid to the directors

6 RISK MANAGEMENT

In order for Interfront to achieve its objectives, it needs to identify its business risks and consider the management thereof. Therefore, as part of its strategic planning process, Interfront also reviews its risk at the drafting stage of its strategic plan and at least once more during the financial year.

The Interfront Executive Committee, with the assistance of management representatives, is responsible for the formal identification, assessment and management of strategic risks as provided for in Interfront's Risk Management Policy. Interfront is also a member of the newly established SARS Enterprise Risk Management Committee which reviews the risks at an organisational level.

During the period under review, the Interfront risk register has been examined, updated and consolidated into the overall risk matrix of its shareholder. It has been considered and approved by the Interfront Board on 24 November 2016 and was submitted to the Audit and Risk Committee for its consideration on 3 March 2017. Regular updates on how Interfront is progressing with regard to the mitigation of its risk are submitted for review by the Board and the Audit and Risk Committee.

As a second line of defence, risk management forms an important part of the internal and external audit functions.

"The Interfront Executive Committee, with the assistance of management representatives, is responsible for the formal identification, assessment and management of strategic risks as provided for in Interfront's Risk Management Policy."

Xolani Tinzi

The following risks were identified as the top five risks through the year and mitigating actions were directed at reducing the likelihood of their occurrence as well as limiting their impact where possible.

SCORE	RATING
16-25	HIGH (Unacceptable)
10-15	MEDIUM (Unacceptable)
1-9	LOW (Acceptable)

Risk Management

RISK	MITIGATING ACTIONS PERFORMED	LINK TO STRATEGY
Delivery of the NCAP considered inadequate or unsuccessful by SARS	1. Change management process to control scope change. 2. Consistent use of locally developed effort/time/cost calculator. 3. Formal communication of delays and reasons for delays. 4. Effective management of subcontractor's deliveries. 5. Weekly communication with the SARS Project Office re: risks, issues, progress.	Quality Software Development and Support
Loss of key staff/staff retention; appointment rate not meeting project demand	Drive initiatives such as: 1. Engagement strategy and plan for existing staff. 2. Recruitment strategy and plan to augment skills, ramp up skills. Review remuneration structure and promotion policy. 3. Training strategy. 4. Technology renewal strategy. 5. Personal Development Plan.	Maintain a Software Development Centre of Excellence
Successful penetration of company network and servers by cyber criminals: access or loss of critical company data; access to sensitive client data	1. Firewall protection. 2. Intrusion monitoring and reporting tools. 3. External assessment of protection mechanisms. 4. Actively monitor policies and procedure to manage access and protect sensitive information.	Quality Software Development and Support
Inadequate business recovery/continuity in case of disaster	1. Working disaster recovery (DR) site, daily data sync. 2. Daily/weekly/monthly backup cycle and weekly offsite storage.	Quality Software Development and Support
Quality of software delivered to clients deteriorates (Interfront's reputation as delivery partner impacted)	1. Code reviews, enforcement of standards and processes. 2. Maintain quality assurance (QA) processes. 3. Qualification processes as defined in "the SARS-iCBS-QPR-TAA Test Analysis and Automation life cycle process." 4. Qualification ways of working as documented on the testing confluence page. 5. High level of automation for environment preparation. 6. Automated test results and RVTM. 7. Release checklist.	Quality Software Development and Support

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. There were no significant audit findings.

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

8 COMPLIANCE WITH LAWS AND REGULATIONS

As a state-owned entity, Interfront must comply with *inter alia* the provisions of the Companies Act, the PFMA and the Treasury Regulations.

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

Selvie Betchu

9 FRAUD AND CORRUPTION

Interfront adopted a Fraud Prevention Strategy and Plan, which provides for *inter alia* the identification of corruption, fraud and maladministration, how these incidents should be investigated, as well as sanctions to be imposed.

Internal controls have been implemented to prevent and detect fraud and corruption, for example, the segregation of duties and various levels of oversight. Interfront has also established a dedicated Supply Chain Complaints email and phone number which is published on our website and monitored by the Financial Director, Managing Director and the Manager: Corporate Services & SCM.

> “Internal controls have been implemented to prevent and detect fraud and corruption.”

Interfront's Recruitment and Selection Policy provides for *inter alia* the screening of potential employees from both a criminal and credit point of view.

Interfront's Gift Policy also prohibits Interfront employees from using their official capacity to obtain gifts, favours, gratuities or benefits for themselves, their families or friends in the course of their duties and measures have been put in place to manage any form of conflict of interest that may arise as a result of the acceptance of these benefits.

All deviations from normal procurement procedures (emergency procurement or in the case of sole supplier), as well as tenders awarded by Interfront are tabled for noting by the Board.

10 MINIMISING CONFLICT OF INTEREST

Interfront's Conflict of Interest policy provides that Interfront employees should at all times avoid situations where their private interest interferes, or has the potential to interfere with their ability to discharge their duties as Interfront employees.

All employees are required annually to declare their private interests, as well as those of their partners, spouses and dependent children. The declarations are reviewed to determine whether a possible conflict exists and taken up as may be appropriate.

The requirement to annually declare their private interest also extends to Interfront's non-executive directors.

11 CODE OF CONDUCT

Interfront's Code of Conduct expresses the set of values and behaviour expected of Interfront staff, to ensure that Interfront staff conduct themselves in an appropriate and ethical manner.

Interfront's values are contained in Part A: General Information. Value workshops are conducted with new employees to ensure that all staff understand and uphold Interfront values.

Refer to Part A
for Interfront's values

Interfront bases its organisational relationships, business processes and conduct on these values.

Our values encompass a zero tolerance for corruption and are focused on optimising our human capital and material resources to deliver quality service to all those engaged in legitimate economic activity in and with South Africa.

"Our values encompass a zero tolerance for corruption and are focused on optimising our human capital and material resources 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 values and the appropriate conduct expected of Interfront staff under certain circumstances; and
- additional specific standards of conduct that must be followed by 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 member may be recognised or known to be an Interfront employee.

12 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

Interfront Health and Safety Committee

Interfront's Health and Safety Committee was established to ensure that Interfront complies with its moral and legal obligation to safeguard and protect staff and visitors against injury or disease, as well as risks to health and safety within Interfront.

The purpose of the Health and Safety Committee is to ensure that:

- Interfront complies with general safety regulations and the provisions of the Occupational Health and Safety Act;
- Interfront's safety, health and environmental performance continually improves;
- dialogue with stakeholders about safety, health and environmental performance is promoted; and
- a proactive stance on environmental matters is taken.

Health and Safety Consultants are engaged to conduct information sessions with staff on Health and Safety matters within the workplace.

The Health and Safety Committee published its first quarterly newsletter with the focus being the water crisis currently experienced within the Western Cape and how each staff member can contribute to saving water.

13 ICT GOVERNANCE

One of the organisational highlights has been the appointment of a full-time ICT Manager who is mainly focused on managing Interfront's IT infrastructure and the governance related thereto. One of our top identified risks, with a high inherent rating of 16, is the successful penetration of our company network and servers by cyber criminals. Interfront, under the leadership of the newly appointed ICT Manager, undertook a number of mitigating actions as stated in our section on risk and detailed below.

Newly appointed ICT Manager: Kurt Plaatjes

The Information Systems Management Committee (ISMC)

The ISMC was established to report on ICT governance and compliance. Its terms of reference provide that the Committee must *inter alia* report on and be responsible for the following:

- respond to developments in the ICT environment (technological, regulatory, standards and best practices) that may impact ICT governance;
- compile and maintain ICT strategies and annual plans for Interfront;
- approve new and changed procedures, plans and standards, etc.;
- consult and advise on the acquisition and procurement of ICT assets and external services;
- identify and manage information security risks and review security incidents;
- establish rules and criteria for granting users access to Interfront information assets to ensure confidentiality of information;
- attain compliance with selected governance frameworks and mechanisms and demonstrate achievement, to the extent required and agreed within Interfront;
- review and approve critical/high impact configuration changes, including the adequacy of software licences; and
- DevOps governance tasks:
    - support automation of the software delivery processes to the fullest extent possible;
    - ensure common applications and standardised environments across multiple projects; and
    - manage the "service agreement" with ICT.

ICT Team

Interfront has adopted the provisions in the King III Report on Corporate Governance and ITIL v3 in the ICT Governance and Compliance Charter, as a governance framework, bearing in mind its main objective to support the operations and strategic direction of Interfront.

Two members of the ISMC attended a national ICT conference on Governance, Risk and Compliance (GRC). The ICT Department in conjunction with the ISMC Committee are currently in the process of reviewing the ICT Governance and Compliance Charter to align same with the provisions as contained in the King IV Report on Corporate Governance and ISO38500.

Mitigating our ICT Risk

During the year under review, a perimeter network and Software Development Life Cycle (SDLC) audit was conducted. The purpose of the perimeter security audit was to identify any weaknesses in Interfront's public facing IT systems, which included an audit of the SDLC, as well as associated security measures, controls and procedures.

The ICT Department implemented steps to manage risk identified by the service provider in its report on Interfront's perimeter security audit which was finalised at the end of March 2017.

The final report on the SDLC security audit, which included a source code review, is expected. Ongoing perimeter scans are done using a security auditing tool hosted at our DR site. These reports are reviewed on a weekly basis.

“The ICT Department implemented steps to manage risk identified by the perimeter security audit which was finalised at the end of March 2017.”

14 SUSTAINABILITY

Interfront's approach to sustainability is based on a holistic view of Human Capital, Prosperity and the Planet.

The primary goals of sustainability as developed by the United Nations Conference on Sustainable Development in 2012 contain a list of 17 items which included, among others:

Human Capital

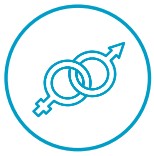
- ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all; and
- achieving gender equality and empower all women and girls.

Annually all staff are required to complete a Personal Development Plan (PDP). The PDP requires each staff member to do some introspection in order to identify their short- and long-term career goals, which is supported by a Personal Skills Development Plan. The Personal Skills Development Plan is divided into two sections, one being technical skills and the other soft skills. The PDP is reviewed annually and updated by the staff member concerned and his or her line manager, in order to measure the progress made and what training is still required. All training aligned with a staff member's role and responsibilities and/or future roles and responsibilities are paid for by Interfront. A report on staff training can be found in Part D: Human Capital.

Interfront's Bursary and Graduate Recruitment and Development Programme are well established, with the permanent appointment of all of its interns during the year under review.

HUMAN CAPITAL GOALS

QUALITY EDUCATION



GENDER EQUALITY

Refer to Part D
for a report on staff training

Social Committee celebrating Valentines Day

Phila Tshaka

In the 2016 Update of Women in Tech it is reported that in 2015, women held only 25% of all computing occupations, with even fewer in software development, technology leadership, or the other kinds of key roles that have a significant influence on future innovation. Interfront's female representation has shown a steady increase from twenty-nine in the 2014/2015 financial year to forty-four as at the end of March 2017, with the majority of the appointments being made within the Operations Department at technical level.

Prosperity

- sustainable economic growth while promoting jobs and stronger economies; and
- building an effective, accountable and inclusive institution.

One of our significant risks is the loss of key staff with an inherent rating of 20. Staff retention practices have managed to reduce staff turnover from an all-time high of 25% in the 2012/2013 financial year to 8.9% in the period under review, which is well below the 16% target. Staff are fairly remunerated and contributions made by individuals are recognised and awarded in the form of annual bonus payments, which are based on performance.

Interfront's 2016/2017-2020/2021 Strategic Plan provides that Interfront will maintain a software centre of excellence, the focus being on developing the skills of IT graduates for successful application in SARS and other government institutions. It is envisaged that Interfront will recruit thirty graduates over the next three years to train and develop in order to ensure sustainable human development, contributing to the economic growth of not only Interfront, but also its shareholder and other institutions, thus supporting economic growth and skills development.

PROSPERITY GOALS

ECONOMIC GROWTH

EFFECTIVENESS

ACCOUNTABILITY

INCLUSIVITY

It gives us great pleasure to report that Interfront, yet again, received a Certificate of Excellence from the AGSA at its annual awards ceremony for achieving a clean audit opinion for the 2015/2016 financial year. A clean audit opinion was also achieved for the year under review and the report of the AGSA can be found in Part E: Financial Information. Interfront prides itself on being an effective, accountable and inclusive institution.

PLANET GOALS

IMPROVED WATER MANAGEMENT

SUSTAINABILITY

Planet

- ensure availability and sustainable management of water; and
- ensure sustainable consumption and production patterns.

To support the above-mentioned goals, Interfront strives to reduce our paper footprint by automating systems to reduce the need for paper. Waste products that are recyclable, such as plastic and paper, are recycled.

Redundant IT hardware is recycled through a certified third party, supported by documented proof thereof. With the assistance of the Health and Safety Committee, as previously reported, attention has been drawn to the scarcity of water resources in the Western Cape and staff are encouraged to use these resources sparingly.

15 SOCIAL RESPONSIBILITY

A senior member of Interfront's staff has been identified to engage with schools and learning institutions within our geographical area, to identify the IT needs of these institutions. Once laptops/desktops have reached the end of their useful life, the hard drives are disposed of and replaced and the laptops/desktops are donated to the institution or school as identified.

Interfront's Social Committee drives initiatives such as Slipper Day, in aid of the Reach for a Dream Foundation, Heritage Week, which is reported on in Part D: Human Capital and Sport days, which are staff funded. All initiatives are well supported.

Celebrating Heritage Day: The Bapedi Team

16 COMPANY SECRETARY

The role and responsibilities of the Company Secretary include the following:

- to make directors aware of all laws and regulations relevant to Interfront;
- to schedule Board and Committee meetings;
- to ensure that the directors and management operate within an authority framework approved by the Board;
- to take responsibility for the preparation of all or parts of the Annual Report and ensure that statutory deadlines are met;
- to act in good faith, avoid any conflicts of interest and ensure that appropriate guidance is given to the Board in all matters relating thereto;
- to ensure compliance with all the statutory provisions of the Companies Act; and
- to ensure compliance with the Memorandum of Incorporation.

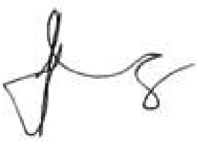
For the year under review, the function of the Company Secretary was fulfilled by the Financial Director. However, in line with the provisions of the King IV recommendations, the Interfront Board appointed a Company Secretary who is not a member of the Board in July 2017.

Leilanie Janse van Rensburg.
Resigned as Company Sectretary
on 13 July 2017

Madelein Pepperell.
Appointed as the Company
Secretary on 13 July 2017

Declaration by the Company Secretary

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



L.L. Janse van Rensburg
Company Secretary
Resigned: 13 July 2017
31 July 2017

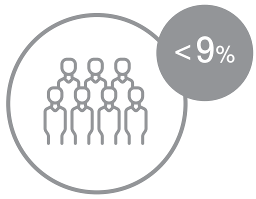
M. Pepperell
Company Secretary
Appointed: 13 July 2017
31 July 2017

PART D
Human Capital

Overview
Highlights
Human Capital Strategic Objectives
Transformation and Employment Equity
Remuneration
Training Costs
Reasons for Staff Leaving

1 OVERVIEW

At the heart of the HR strategy is the need for a more agile workforce structure to meet the changing needs of the business, with the aim of ensuring sustainable organisational performance. A core staff component remains essential to ensure continuity of key functions for which technical and specialised know-how are required. Interfront is therefore committed to attract and retain top talent and a diverse workforce. This is done by fostering a positive and engaging work environment, ensuring employees are engaged and motivated, while identifying and responding to the changing needs of our clients and diverse staff.



REDUCED STAFF TURNOVER TO BELOW 9%

2 HIGHLIGHTS

- As recognition of their contribution to the iCBS software solution, which went live in August 2013, a special bonus was awarded to existing employees who contributed at the time.
- The promotion and employment process of graduate interns and the appointment of mentors were streamlined.
- The Graduate Recruitment and Development Programme target was exceeded.
- A successful heritage/cultural week where we celebrated our diversity was held.
- Staff turnover was reduced to under 9%.
- EE representation in mid- to senior levels within Interfront was increased.

The Human Capital Team

3 HUMAN CAPITAL STRATEGIC OBJECTIVES

Growing a Centre of Excellence

As part of our people strategy, Interfront supports the development and retention of skilled human capital by offering bursaries and Graduate Recruitment and Development Programme to qualifying candidates, therefore contributing to the economic development of the country. South Africa is faced with a shortage of skills required in the IT industry. Six candidates who completed the Graduate Recruitment and Development Programme were appointed in entry level positions within the business.

The Graduate Recruitment and Development Programme is an ideal initiative to provide for the development and moulding of technical employees. Through it, Interfront is able to attract and retain young employees, growing them from the Graduate Recruitment and Development Programme through to entry, junior then mid-level positions within the company. These programmes assist us in building a pipeline for the future and therefore add value to our talent pool.

2015

7
APPOINTMENTS MADE

CURRENT POSITION
JUNIOR LEVEL

2016

6
APPOINTMENTS MADE

CURRENT POSITION
ENTRY LEVEL

4 TRANSFORMATION AND EMPLOYMENT EQUITY

Interfront's transformational journey is a key strategic initiative aimed at creating an organisation that is diverse and inclusive, while creating equal opportunities for all through the elimination of unfair discrimination in the workplace. We recognise that employment equity (EE) is critical for the achievement of sustainable development, economic growth and equality. During the financial year under review, increased focus was given to transformation, employment equity and statutory compliance in terms of the Employment Equity Act.

In line with the Employment Equity Act statutory requirements and recognising our commitment to equal opportunities and fair employment practices, we embarked on a number of EE initiatives including:

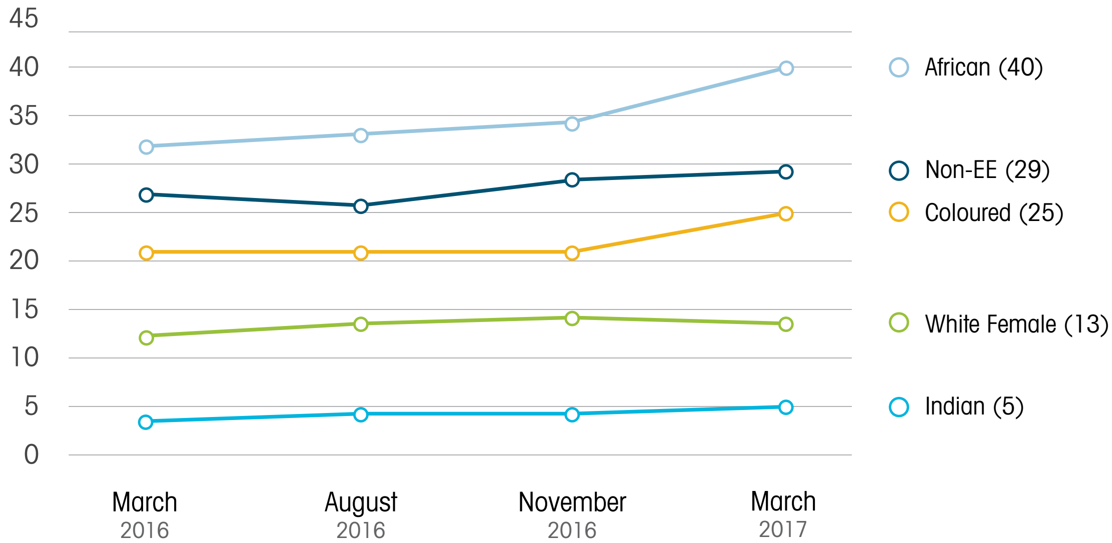
- Employment Equity Act awareness workshops for the employees;
- the establishment of the Employment Equity Consultative Forum, representative of all the categories and occupational levels;
- workforce profile analysis and consultation; and
- celebrating Heritage Day.

Employment Equity Growth

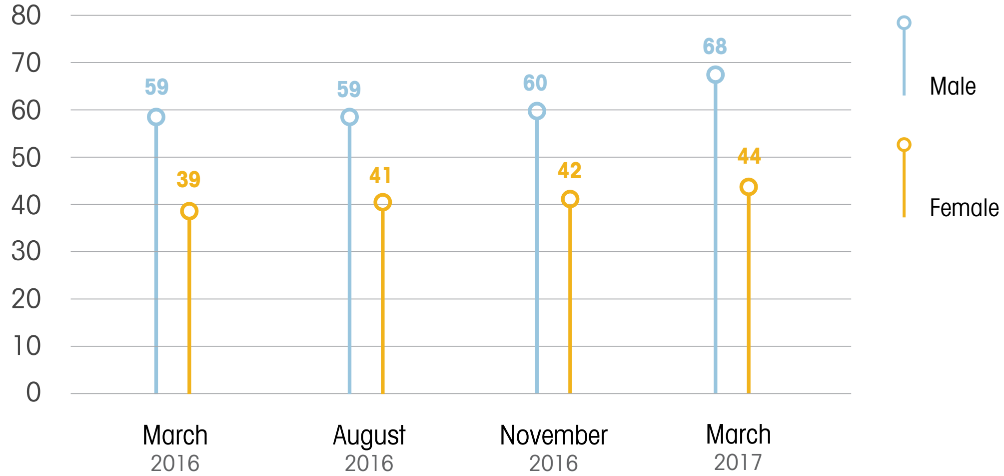
The promotion process presented an opportunity to advance our junior staff to increase EE representation at higher levels. Facing a severe shortage of highly skilled employees in the IT field is posing challenges to attracting a high calibre of professionals, especially in specialist roles. These challenges are escalated by the increasing demand for such scarce skills from the different IT companies and exert more pressure on smaller organisations such as Interfront. Attracting EE candidates from the Coloured and women occupational levels is more challenging.

The EE Growth Chart

The Employment Equity Consultative Forum



Gender growth statistics



5 REMUNERATION

We believe that we pay competitive salaries and our benefits are on par with other blue chip companies. This is determined through the salary benchmark and positioning exercises, which are conducted annually. The exit interviews results indicated that the majority view our remuneration philosophy in a positive light.

This year's remuneration also included a special bonus paid to employees who were involved in the development of the iCBS software solution launched in 2013, which was a major milestone for Interfront and the staff involved. Below is the breakdown of the remuneration and rewards costs for the year under review.

TOTAL PERSONNEL COSTS					
Year	Total Expenditure (R)	Personnel Costs (R)	Personnel Cost as a % of Total Costs	No of Employees (Average)	Average Personnel Costs per Employee * (R)
2016/17	94 779 575	75 061 125	79.2%	103.8	723 132
2015/16	82 524 346	63 575 859	77.0%	90.8	700 175

*Personnel costs include, in addition to salaries, expenses relating to advertising vacancies, relocation expenditure, recruitment fees and external developers costs.

OCCUPATIONAL LEVEL	PERSONNEL EXPENDITURE (R)	% OF PERSONNEL EXP TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES (AVERAGE PER YEAR)	AVERAGE PERSONNEL COST PER EMPLOYEE (R)
Top Management	5 712 668	9.4%	3.3	1 757 744
Senior Management	9 197 568	15.1%	9.9	929 047
Professional qualified	29 770 820	49.0%	37.8	786 963
Skilled	14 297 749	23.5%	40.1	356 730
Semi-Skilled	1 552 551	2.6%	10.0	155 255
Unskilled	263 486	0.4%	2.7	98 684
TOTAL	**60 794 841**	**100%**	**103.7**	**586 087**

OCCUPATIONAL LEVEL	NORMAL PERFORMANCE REWARDS (R)	SPECIAL BONUS * (R)	PERSONNEL EXPENDITURE (R)	% PERFORMANCE REWARDS TO TOTAL PERSONNEL COST
Top Management	842 292	458 486	5 712 668	23%
Senior Management	866 469	597 539	9 197 568	16%
Professional qualified	2 334 649	1 361 112	29 770 820	12%
Skilled	650 157	230 630	14 297 749	6%
Semi-Skilled	23 560	16 954	1 552 551	3%
Unskilled	9 392	17 179	263 486	10%
TOTAL	**4 726 519**	**2 681 900**	**60 794 841**	**12%**

* The Special Bonus was paid in April 2016 but provided for according to the accounting standards in the previous financial year thus reflecting in the financial statements of the 2015/16 financial year.

6 TRAINING COSTS

Training and development is an important pillar in our retention strategy. In the year under review, we have spent over one million rand on training and development. Employees are encouraged to further develop their skills through formal studies at tertiary institutions, as well as other training opportunities identified through their individual personal development plans.

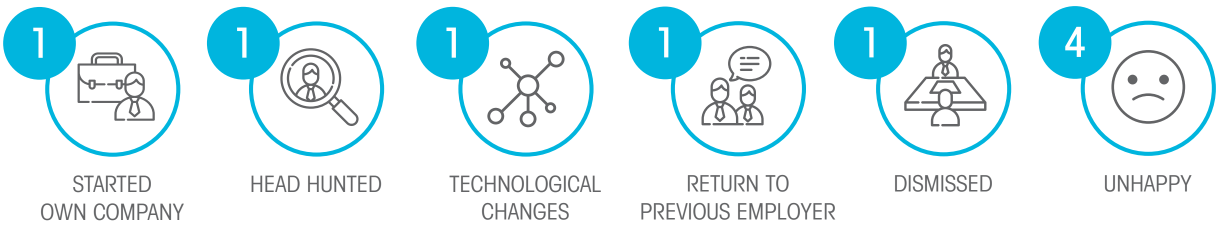
For Interfront to maintain a competitive edge in the marketplace, it is imperative to invest in the training and development of our employees. We focus on providing training to improve the skills of our employees in their present jobs, as well as developing skills for their future roles and responsibilities. Training and development includes tuition reimbursement programmes, technical training, soft skills training, technical workshops and conferences. Below is a table indicating our spend pertaining to training and development.

> “We focus on providing training to improve the skills of our employees in their present jobs, as well as developing skills for their future roles and responsibilities.”

BUSINESS UNIT	PERSONNEL EXPENDITURE (R)	TRAINING EXPENDITURE (R)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO. OF EMPLOYEES AT END YEAR
Operations	51 159 424	440 418	0.86%	91
Corporate	9 635 416	69 872	0.73%	17
TOTAL	**60 794 841**	**510 290**	**0.84%**	**108**
Bursaries		349 496	0.57%	7
Graduate interns		54 055	0.09%	6
Professional memberships		20 816	0.03%	6
Formal study assistance		277 809	0.46%	9
GRAND TOTAL	**60 794 841**	**1 212 466**	**1.99%**	

7 REASONS FOR STAFF LEAVING

In the past year, we had one disciplinary hearing which resulted in a dismissal. Various reasons have been provided by ex-employees below:



PART E

Financial Information

- Statement of Responsibility for the Annual Financial Statements
- Report by the Board of Directors
- Report of the Audit Committee
- Financial Report
- Audit report
- Board's Responsibilities and Approval
- Annual Financial Statements

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 of Interfront for the financial year ended 31 March 2017.

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

The 2016/2017 annual financial statements for the year ended 31 March 2017 have been audited by the external auditors and their report is presented on page 64.

The annual financial statements of Interfront set out on page 71 to page 98 have been approved.

Graham Randall
Managing Director
31 July 2017

Mustaq Enus-Brey
Chairperson of the Board
31 July 2017

Xolelwa Mzili

2 REPORT BY THE BOARD OF DIRECTORS

The Board submits its report for the year ended 31 March 2017.

Incorporation

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

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 its software solutions to enable marketing thereof globally, while operating 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 require any further comment. The net surplus of the entity was R9 544 873 (2016: R9 421 862), after taxation of R5 807 999 (2016: R3 070 416).

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.

TECHI at work

Eugene Osei-Bonsu

Financial Statements

The preparation and fair presentation of Interfront's annual financial statements is the responsibility of the directors.

In the opinion of the directors, the annual financial statements fairly present the financial position of Interfront as at 31 March 2017 and the results of its operations and cash flow information for the year then ended.

> "In the opinion of the directors, the annual financial statements fairly present the financial position of Interfront as at 31 March 2017 and the results of its operations and cash flow information for the year then ended."

Subsequent Events

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

Accounting Policies

The annual financial statements are prepared in accordance with the effective standards of GRAP, as issued by the Accounting Standards Board and prescribed by the framework developed by National Treasury. More detail on the accounting policies can be found on page 75 of the annual financial statements.

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 way of an interest-free shareholder loan that has no fixed term of repayment.

Distributions to Owners

No dividends were declared or paid during the year.

Board

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

Secretary

The Company Secretary of the entity was L.L. Janse van Rensburg until 13 July 2017. Although she is also a member of the Interfront Board, the Board is confident that her independence is not diluted. To further enhance corporate governance, the role of the Company Secretary was separated and Madelein Pepperell was appointed as the Company Secretary on 13 July 2017.

> "The Board is committed to business integrity, transparency and professionalism in all its activities."

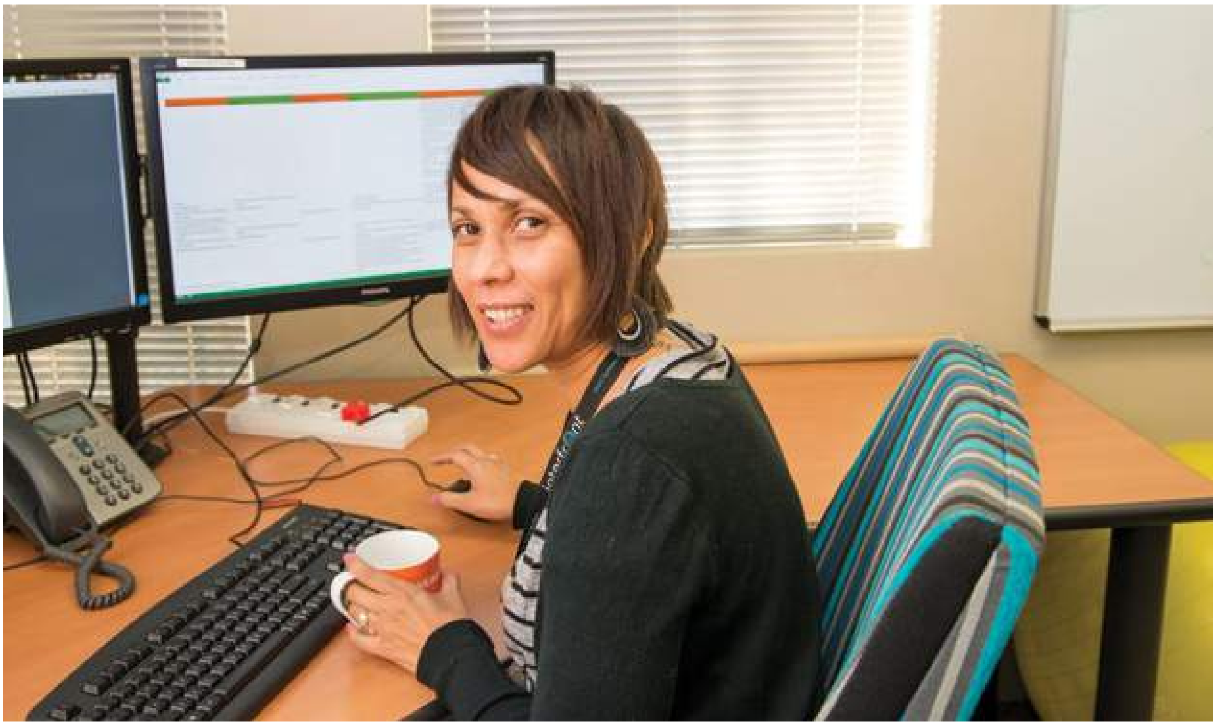
Corporate Governance

General

The Board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Board supports the highest standards of corporate governance and the ongoing development of best practice. Interfront adheres to the statutory duties and responsibilities set out in the Companies Act and the PFMA. In addition, Interfront is guided on best practices by the King III Report. Interfront has substantially applied the King III principles and practices. Detailed disclosure on governance can be found in Part C: Governance.

Refer to Part C for a detailed disclosure on governance

Debra Wales



Board of Directors

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication, both internally and externally by the entity; and
- is of a unitary structure comprising:
  - a non-executive independent director as Chairperson;
  - non-executive directors, employed by the shareholder; and
  - executive directors.

Chairperson and Managing Director

The Chairperson is a non-executive and independent director (as defined by King III). The roles of Chairperson and Managing Director are separate, with responsibilities being divided between them in such a manner that no individual has unfettered powers of discretion.

Remuneration

The remuneration of the Managing Director, the Financial Director and the Director of Operations, who are the only three executive directors of the entity, was determined by the controlling entity upon appointment and the Board will determine the increase in remuneration within limits.

Internal Audit

As permitted by the Public Finance Management Act, 2003, the entity has outsourced its internal audit function to SARS.

Controlling Entity

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

Auditors

In line with the requirements of the Public Audit Act of South Africa, 2004 (Act No.25 of 2004) (PAA) and paragraph 84(3) (b) of the new Companies Act 2008, the AGSA will continue in office for the next financial period.

BOARD COMPOSITION

6 DIRECTORS
1 ALTERNATE DIRECTOR

> "The Board acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication."

3 REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2017 in terms of Treasury Regulations 3.1.10 whereby the Audit and Risk Committee is required to review, among others, on the effectiveness of the internal controls, the effectiveness of the internal audit function, as well as its own evaluation of the annual financial statements.

Audit and Risk Committee Members and Attendance

The Audit and Risk Committee operates in terms of approved written terms of reference, which deal 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 and Risk Committee members is such that all Treasury Regulations and Companies Act requirements are met in terms of financial literacy and independence. The Audit and Risk Committee consisted of two external members for the period April 2016 to July 2016, as Mr Vuyo Kahla completed his term as member on 22 July 2016. For the period August 2016 to March 2017, the Audit and Risk committee consisted of four external members.

Audit and Risk Committee Attendance

AUDIT COMMITTEE MEMBERS	MEETING DATES					
	20 JUNE 2016	22 JULY 2016	23 SEP 2016	25 NOV 2016	01 MAR 2017	03 MAR 2017
Vuyo Kahla: Executive Vice President: Advisory & Assurance and Company Secretary Sasol Limited; Bachelor of Arts & LLB (Rhodes University)	✓	✓ (Term Ended)				
Sathie Gounden: B. Compt. (Unisa); Higher Diploma in Accounting (University of Durban-Westville); Chartered Accountant (SA); Certificate in Forensic Accounting & Fraud Examination (University of Pretoria); Chartered Director (SA); Executive Leadership Development Institute Programme (Harvard Business School); Certificate of Mediator Accreditation (Conflict Dynamics); Business School Registered Auditor	✓	✓	✓	✓	✓	✓
Mmakgolo Meta Maponya: BCom Accounting (Wits); BCom Honours (UKZN) CA (SA); Financial Services Board Regulatory; Examinations: RE1, RE3, RE5			✗	✓	✓	✗

Thabiso Gerald Ramasike: Chief Executive: Tuleka Group (Formerly Gerald Group); BCom (UJ); CAIB (SA) – (Institute of Bankers of SA); Global International Executive Development Programme – (Rotman) (School of Management, Canada)			✓	✓	✓	✓
Nonkululeko Gobodo: Chief Executive: Nkululeko Leadership Consulting; B.Compt (UNISA); Chartered Accountant CA(SA); Non-Executive Director: Mercedes Benz SA, PPC LTD, Clicks Group LTD			✓	×	✓	✓

Audit and Risk Committee Responsibilities

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 51(1) (a) (ii) and 76 (4) (d) of the PFMA, Treasury Regulation 27.1 and the Companies Act. The Audit and Risk 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 effectively managed. From the various reports issued by the Internal Audit function, the external Audit Report on the Annual Financial Statements and management letter of the AGSA, it was noted that 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 and Risk 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 and Risk Committee satisfied itself that International Frontier Technologies SOC Limited 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.

> “The system of internal controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed.”

Internal Audit Function

The Committee is satisfied that the Internal Audit had properly discharged its functions and responsibilities in the year under review.

Evaluation of Financial Statements

Sathie Gounden, Chairperson of the Audit and Risk Committee

The Audit and Risk Committee has:

a) reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report with the AGSA, the Financial Director and Managing Director;

b) reviewed the AGSA management letter and management's responses thereto;

c) reviewed the accounting policies; and

d) confirmed that there were no significant adjustments resulting from the audit.

Auditor-General's Report

The Audit and Risk Committee concurs and accepts the AGSA conclusion 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 AGSA.

The Audit and Risk Committee confirms that it has been actively involved throughout the audit process and has been thoroughly appraised of the issues giving rise to the audit opinion.

Sathie Gounden
Chairperson of the Audit and Risk Committee
31 July 2017

4 FINANCIAL REPORT

REVENUE
R110m

EMPLOYEE COST
R75m

AVERAGE STAFF NO
102

EARNINGS BEFORE TAX
R15.3m

Table 1: Extracts from the statement of financial performance 2014-2017

STATEMENT OF FINANCIAL PERFORMANCE	2014	2015	2016	2017
Rendering of services	72 992 515	75 754 006	93 040 483	106 091 887
Loss from exchange transactions	260 403	(311 400)	(35 025)	(127 105)
Interest and other	1 073 704	836 233	2 011 166	4 167 665
Expenditure	(63 332 897)	(70 033 351)	(82 524 346)	(94 779 575)
EBT	10 993 725	6 245 488	12 492 278	15 352 872
EBT Margin	14.79%	8.19%	13.15%	13.94%

Table 2: Extracts from the statement of financial position 2014-2017

STATEMENT OF FINANCIAL POSITION	2014	2015	2016	2017
Total Assets	112 403 209	118 852 815	138 612 988	146 925 436
Total Liabilities	(8 372 372)	(12 580 852)	(24 439 739)	(23 207 320)
Total Net Assets	104 030 837	106 271 963	114 173 249	123 718 116

Background

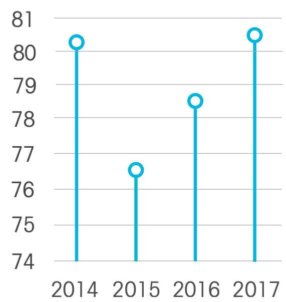
As a schedule 3A public entity, Interfront continues to pursue sustainability and service delivery to our customers, rather than profit. Interfront's revenue consists of two main streams, software support services and software development services. The revenue model is to sell professional software development service on a time and material basis, mainly covering costs with a small mark-up to support future strategic goals and sustainability. Software support is billed at a fixed price, taking into consideration the estimated effort together with the associated risk. Interfront's staff continues to be the main asset and main revenue driver.

REVENUE SPLIT

General Results Overview

For the year under review Interfront achieved earnings before tax (EBT) of R15.3million, a 22.9% increase compared to the prior year. The EBT margin increased to 13.9% (2016: 13.1%). These concrete results are the outcome of combined efforts from staff and management. The annual recoverability rate increased to 80.6% (2016: 78.4%), an effort that is in line with the rate achieved in 2014 when a significant part of the development for the SARS went live and overtime hours were abnormally high, indicating the dedication of staff to achieve the objectives of the customers with NCAP deadlines being the main driver of current development efforts.

RECOVERABILITY %



Angelique Appollis

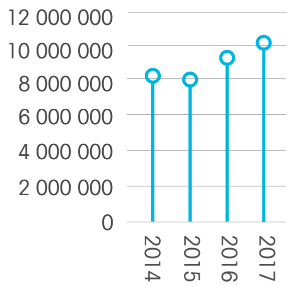
Interfront continues to be cost conscious and supports the cost containment drive of National Treasury. This is evident in the marginal increase in expenditure, other than depreciation and staff cost, of only 2% in real terms. The increase is a result of the increased variable cost attributable to an increased average staff number (100.7: 2017 vs. 90.8:2016). The increased staff number, together with inflation, increased employee cost by 18.07%.

Total revenue and services revenue increased by 15.9% and 14.03% respectively. The impact of the increased need for development services that started in the previous year due to the NCAP has continued into the current financial year. Further increases are expected for the next financial year, after which activity levels are likely to decline and normalise.

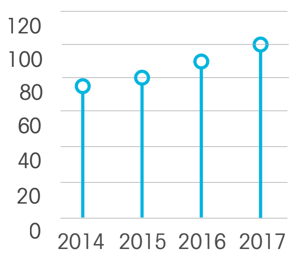
The gross margin (based on services revenue less employee cost) decreased marginally to 29.3% (2016: 31.7%) due to value-added services provided to Interfront's customers to continually nurture and enhance relationships.

The impact of the timing difference between the tax treatment and accounting treatment of intellectual property, giving rise to the deferred tax liability, reached its peak in the prior period and has started to reverse in the current financial year. This will continue over the next six years of the expected useful life. The impact is evident in the increased normal tax expense for the current year reflected in note 21 to the financial statements. As a result of the increased tax expense, the after tax return on equity remained stable at 10.31% (2016: 10.18%). Earnings before tax percentage increase marginally to 13.9% (2016: 13.1%). Net earnings remained steady at R9.5 million (2016: R9.4 million). Net assets increased by 8.4% to R127.6 million (2016: R118 million).

EXPENSE OTHER THAN STAFF COST & DEPRECIATION



AVERAGE STAFF NUMBER



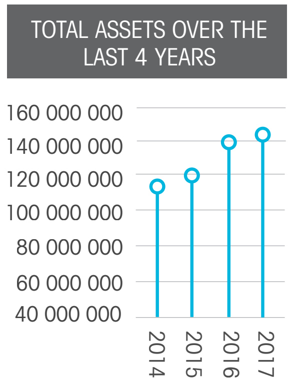
Increase in cost (other than staff expenses and depreciation) has been limited in line with inflation over the last four years, while staff numbers grew from 77 to 101.

Liquidity and Capital Resources

Interfront's cash flow position remains stable. The cash balance has increased to provide for a six-month working capital buffer, planned projects to mitigate future business risks, as well as supporting future objectives. The decrease in net cash flows from operating activities is mainly the result of the abnormal increase in net cash flows from operating activities in the previous year, due to the clearing of the abnormally high trade debtor's balance of 2015.

The development of modules, divided into sprints, provide for measurable customer deliverables at six- to eight-week intervals. Billing takes place on acceptance. This results in some cyclical variance in invoicing and, as a result, our Value Added Tax (VAT) payable has declined by 67.6% compared to the prior year.

There is no significant change to the non-current liabilities of the company of which the only material item is the deferred tax liability. Current liabilities decreased by 10.21%, mainly because of the smaller VAT payable amount.



Foreign Exchange

Interfront continues to earn a small portion of revenue from their European customer. Due to the limited risk currently associated with foreign exchange (forex) transactions, which comprise only 9% of total revenue, Interfront does not hedge against future exchange fluctuations.

TECHI's doing what they do best

5 AUDIT REPORT

Interfront is pleased to note that their continued efforts have once again resulted in a clean audit report.

Report of the Auditor-General to the International Frontier Technologies SOC Ltd

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the International Frontier Technologies SOC Ltd (Interfront) set out on pages 71 to 98, which comprise the statement of financial position as at 31 March 2017, and 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 to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Interfront as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act (PFMA) and the Companies Act.

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Responsibilities of the accounting authority

6. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and 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.

7. In preparing the financial statements, the accounting authority is responsible for assessing Interfront's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the financial statements

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

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

"My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion."

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2017:

OBJECTIVES	PAGES IN THE ANNUAL PERFORMANCE REPORT
Objective 1: Develop iCBS to support the SARS NCAP programme	17 – 20
Objective 2: Provide effective software support for the SARS and ADA	21 – 23

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

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

    - Objective 1: Develop iCBS to support SARS NCAP programme.

    - Objective 2: Provide effective software support for SARS and ADA.

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on page(s) 17 to 23; for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

Report on audit of compliance with legislation

Introduction and scope

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

18. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Other information

19. The Interfront accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

> "I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA."

Internal control deficiencies

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

Auditor-General

Auditor-General
Pretoria
31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

Annexure – Auditor-General's responsibility for the audit

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

Financial statements

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

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

"I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements."

Communication with those charged with governance

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

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

6 BOARD'S RESPONSIBILITIES AND APPROVAL

Interfront Board

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

The Board acknowledges that it is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong 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 standard 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 the appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedure and constraints.

The Board is of the opinion, based on the information and explanations given by management, and discussions with both internal and external auditors 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 of 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 pages 64 to 67.

The annual financial statements set out on pages 71 to 98, which has been prepared on the going concern basis, were approved by the Board on 28 July 2017 and were signed on its behalf by:

Graham Randall
Managing Director
31 July 2017

Mustaq Enus-Brey
Chairperson of the Board
31 July 2017

7 ANNUAL FINANCIAL STATEMENTS

Statement of Financial Position as at 31 March 2017

FIGURES IN RAND	NOTE	2017	2016
Assets			
Current Assets			
Current tax receivable	4	468 553	2 221 310
Trade and other receivables	5	12 834 116	23 234 234
Cash and cash equivalents	6	81 429 113	52 933 190
		94 731 782	**78 388 734**
Non-Current Assets			
Property, plant and equipment	7	3 403 412	3 703 820
Intangible assets	8	48 790 242	56 520 434
		52 193 654	**60 224 254**
Total Assets		**146 925 436**	**138 612 988**
Liabilities			
Current Liabilities			
Finance lease obligation	9	34 312	33 941
Trade and other payables	10	7 240 118	7 535 098
VAT payable	11	747 742	2 307 886
Provisions	12	5 420 875	5 095 168
		13 443 047	**14 972 093**
Non-Current Liabilities			
Finance lease obligation	9	59 797	-
Operating lease liability	13	397 481	276 034
Deferred tax	14	9 306 995	9 191 612
		9 764 273	**9 467 646**
Total Liabilities		**23 207 320**	**24 439 739**
Net Assets		**123 718 116**	**114 173 249**
Share capital	16	1	1
Shareholder's loan - equity	17	92 595 410	92 595 410
Accumulated surplus		31 122 705	21 577 838
Total Net Assets		**123 718 116**	**114 173 249**

Statement of Financial Performance

FIGURES IN RAND	NOTE	2017	2016
Revenue			
Rendering of services	18	106 091 887	93 040 483
Loss from exchange transactions		(127 105)	(35 025)
Interest received		4 167 665	2 011 166
Total revenue		**110 132 447**	**95 016 624**
Expenditure			
Employee costs		(75 061 125)	(63 575 858)
Depreciation and amortisation	7&8	(9 424 427)	(9 457 907)
Finance costs	19	(14 930)	(8 643)
Repairs and maintenance		(347 367)	(186 620)
Administrative expenses		(8 949 382)	(8 366 031)
Professional services		(914 542)	(895 172)
Total expenditure		**(94 711 773)**	**(82 490 231)**
		-	-
Operating surplus	22	**15 420 674**	**12 526 393**
Loss on disposal of assets		(67 802)	(34 115)
Surplus before taxation		**15 352 872**	**12 492 278**
Taxation	21	5 807 999	3 070 416
Surplus for the period		**9 544 873**	**9 421 862**

Statement of Changes in Net Assets

FIGURES IN RAND	SHARE CAPITAL	SHAREHOLDER'S LOAN - EQUITY	ACCUMULATED SURPLUS	TOTAL NET ASSETS
Opening balance as previously reported	1	92 595 410	13 676 554	106 271 965
Adjustments				
Prior year adjustments	-	-	(1 520 580)	(1 520 580)
Balance at 01 April 2015 as restated	**1**	**92 595 410**	**12 155 974**	**104 751 385**
Changes in net assets				
Surplus for the year	-	-	9 421 862	9 421 862
Total changes	-	-	9 421 862	9 421 862
Restated balance at 01 April 2016	**1**	**92 595 410**	**21 577 832**	**114 173 243**
Changes in net assets				
Surplus for the year	-	-	9 544 873	9 544 873
Total changes	-	-	9 544 873	9 544 873
Balance at 31 March 2017	**1**	**92 595 410**	**31 122 705**	**123 718 116**
Note(s)	16	17		

Cash Flow Statement

FIGURES IN RAND	NOTE	2017	2016
Cash flows from operating activities			
Receipts			
Rendering of services		116 492 005	108 340 353
Interest received		4 167 665	2 011 166
Foreign exchange loss		(127 105)	(35 025)
		120 532 565	110 316 494
Payments			
Employee cost		(75 061 125)	(63 575 859)
Suppliers		(10 384 808)	(6 856 801)
Finance costs		(7 441)	-
Movement in provisions		325 707	1 179 353
Tax payments / (receipts)	4	(3 939 859)	4 461 716
VAT movement		(1 560 163)	1 699 205
		(90 627 689)	(63 092 386)
Net cash flows from operating activities	23	**29 904 876**	**47 224 108**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 141 130)	(998 351)
Proceeds from sale of property, plant and equipment	7	17 023	30 690
Purchase of other intangible assets	8	(337 521)	(1 645 258)
Net cash flows from investing activities		**(1 461 628)**	**(2 612 919)**
Cash flows from financing activities			
Movement in finance lease and financing charges		52 679	(70 464)
Net increase in cash and cash equivalents		**28 495 927**	**44 540 725**
Cash and cash equivalents at the beginning of the year		52 933 190	8 392 465
Cash and cash equivalents at the end of the period	6	**81 429 117**	**52 933 190**

Accounting Policies

1. Presentation of financial statements

The annual financial statements have been prepared in accordance with the standards of generally recognised accounting practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. 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, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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 assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including projected future revenue forecasts and 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 is included in note 12, Provisions.

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

An impairment loss is recognised in surplus or deficit when there is objective evidence that debtors 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

The entity assesses at each reporting period whether there is any indication that the cash-generating intangible assets may be impaired. This assessment requires management to make assumptions and it is reasonably possible that these assumptions may change, which may then impact our estimations and may then require material adjustment to the carrying value of the intangible asset.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the item can be measured reliably.

Property, plant and equipment is 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.

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

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

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

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

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no future economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the Notes to the Financial Statements (see note 7).

1.3 Intangible assets

An intangible asset is recognised when it is probable that the expected future economic benefits or service potential that is 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.

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

Amortisation is provided to write down the intangible assets with finite useful lives, on a straight line basis, over their estimated useful lives to their residual values as follows:

Item	Depreciation method	Average useful life
Intellectual property rights	Straight line	10 years
IT software	Straight line	3-5 years

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

1.4 Financial instruments

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.

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.

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value; or
- Financial instruments at amortised cost.

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.

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; and
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

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, i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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

1.5 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period.

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 expensed in each period.

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 is recognised as an operating lease asset or liability.

1.7 Impairment of cash-generating assets

Identification

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

1.8 Impairment of non-cash-generating assets

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.

1.9 Share capital / contributed 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.

1.10 Employee benefits

Short-term employee benefits

When an employee has rendered service 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 recognise 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 measures 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, incentive and performance-related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

Post-employment benefits

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 contructive obligation to pay future benefits, which responsiblity is vested with the contributing retirement benefit 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.

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

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.

1.12 Revenue from exchange transactions

Measurement

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

Rendering of services

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

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

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

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 Rands, by applying 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 rate differences arising on the settlement of monetary items or on translating monetary items from initial recognition are recognised in surplus or deficit in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying the foreign currency amount to 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 restated. Refer to note 27 for further detail.

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. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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 financial 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 2017 or later periods:

Standard/ Interpretation:	Effective date:Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2017	Not expected to impact results but may result in additional disclosure

4. Tax paid (refunded)

FIGURES IN RAND	2017	2016
Balance at beginning of the year	2 221 310	7 211 797
Current tax for the year recognised in surplus or deficit	(5 692 616)	(528 771)
Balance at end of the year	(468 553)	(2 221 310)
	(3 939 859)	**4 461 716**

5. Trade and other receivables

Trade debtors	12 074 332	21 824 151
Prepayments	698 259	1 385 224
Deposits	61 525	24 859
	12 834 116	**23 234 234**

Fair value of trade and other receivables		
Trade and other receivables	12 834 116	23 234 234

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

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2017, R 1 789 663 (2016 : R 1 672 956) were past due but not impaired.

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

2 months past due	1 789 663	-
3 months past due	-	1 672 956

6. Cash and cash equivalents

FIGURES IN RAND	2017	2016
Cash and cash equivalents consist of:		
Cash on hand	7 500	7 500
Bank balances	81 421 613	52 925 690
	81 429 113	52 933 190

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

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

7. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold improvements	4 563 086	(4 132 952)	430 134	4 563 086	(3 999 512)	563 574
Furniture and fixtures	925 972	(581 572)	344 400	934 126	(512 310)	421 816
Office equipment - leased	109 788	(18 298)	91 490	153 379	(127 816)	25 563
IT equipment	10 832 466	(8 306 768)	2 525 698	10 281 445	(7 605 429)	2 676 016
Generators	203 544	(193 367)	10 177	203 544	(190 453)	13 091
Security equipment	20 108	(18 595)	1 513	20 108	(16 348)	3 760
Total	16 654 964	(13 251 552)	3 403 412	16 155 688	(12 451 868)	3 703 820

Reconciliation of property, plant and equipment 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold improvements	563 574	-	-	(133 440)	430 134
Furniture and fixtures	421 816	32 327	(2 025)	(107 718)	344 400
Office equipment - leased	25 563	109 788	-	(43 861)	91 490
IT equipment	2 673 824	999 015	(82 800)	(1 064 341)	2 525 698
Generators	13 091	-	-	(2 914)	10 177
Security equipment	3 760	-	-	(2 247)	1 513
	3 701 628	1 141 130	(84 825)	(1 354 521)	3 403 412

Reconciliation of property, plant and equipment 2016

FIGURES IN RAND	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold improvements	697 003	-	-	(133 429)	563 574
Furniture and fixtures	494 239	35 528	(8 780)	(99 171)	421 816
Office equipment - leased	76 689	-	-	(51 126)	25 563
IT equipment	2 963 401	962 823	(56 025)	(1 194 183)	2 676 016
Generators	28 899	-	-	(15 808)	13 091
Security equipment	7 580	-	-	(3 820)	3 760
	4 267 811	**998 351**	**(64 805)**	**(1 497 537)**	**3 703 820**

	2017	2016
Assets subject to finance lease (Net carrying amount)		
Office equipment	91 490	25 563

Other information		
Property, plant and equipment fully depreciated and still in use (Gross carrying amount)		
Property, plant and equipment	390 791	343 917
Fully depreciated assets still in use will systematically be replaced.		

Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
General expenses	347 367	186 620

8. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intellectual property and other rights	73 582 623	(26 644 031)	46 938 592	73 582 623	(19 285 768)	54 296 855
IT software	4 118 740	(2 267 090)	1 851 650	3 781 220	(1 557 641)	2 223 579
Total	77 701 363	(28 911 121)	48 790 242	77 363 843	(20 843 409)	56 520 434

Reconciliation of intangible assets 2017

FIGURES IN RAND	Opening balance	Additions	Amortisation	Total
Intellectual property and other rights	54 296 855	-	(7 358 263)	46 938 592
IT software	2 223 579	337 521	(709 450)	1 851 650
Total	**56 520 434**	**337 521**	**(8 067 713)**	**48 790 242**

Reconciliation of intangible assets 2016

	Opening balance	Additions	Amortisation	Total
Intellectual property and other rights	61 655 117	-	(7 358 262)	54 296 855
IT software	1 180 430	1 645 258	(602 109)	2 223 579
Total	**62 835 547**	**1 645 258**	**(7 960 371)**	**56 520 434**

Impairment

As per GRAP 26, management assesed whether there was any indication that the intangible assets where impaired. None was identified.

9. Finance lease obligation

	2017	2016
Minimum lease payments due		
- within one year	43 758	35 231
- in second to fifth year inclusive	65 637	-
	109 395	35 231
Less: future finance charges	(15 287)	(1 290)
Present value of minimum lease payments	**94 108**	**33 941**
Present value of minimum lease payments due		
- within one year	34 312	33 941
- in second to fifth year inclusive	59 796	-
	94 108	**33 941**
Current liabilities	34 312	-
Non-current liabilities	59 796	33 941
	94 108	**33 941**

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 12% (2016: 10%). Total payments of R52 679 were made during the year for the three machines.

10. Trade and other payables

FIGURES IN RAND	2017	2016
Trade payables	3 358 044	1 028 984
Accrued leave pay	2 303 924	1 559 718
PAYE payable	1 343 090	1 095 395
Other accruals	21 512	2 842 838
Other salary related accruals	213 548	152 526
Revenue billed in advance	-	855 640
	7 240 118	7 535 101

Trade and other payables are carried at original invoice amounts, which approximates fair value due to their short-term nature.

11. VAT payable

VAT payables	747 742	2 307 886

12. Provisions

Reconciliation of provisions 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	5 095 168	5 421 145	(4 742 150)	(353 288)	5 420 875

Reconciliation of provisions 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	3 915 815	5 095 168	(3 916 090)	275	5 095 168

Performance bonuses represent the estimated obligation for the current year.

13. Operating lease

FIGURES IN RAND	2017	2016
Non-current liabilities	(397 481)	(276 034)
Current liabilities	-	-
	(397 481)	**(276 034)**

Operating leases represent rentals payable by the entity for its office premises and rental of office plants. The office lease is for a period of 5 years and expires 31 January 2020. The lease agreement escalates annually with 8%. The plant hire is for a period of 2 years and expires 31 August 2017. The lease agreement escalates annually with 10%.

14. Deferred tax

Deferred tax liability		
Deferred tax	(9 306 995)	(9 191 612)
Deferred tax asset		
Reconciliation of deferred tax liability		
At beginning of year	(9 191 612)	(6 649 966)
Temporary difference on prepayments	112 544	(221 754)
Reversing temporary difference on tangible fixed assets	(177 377)	(104 567)
Movement in provision and accruals	(690 859)	1 099 625
Reversing temporary difference on finance lease	(12 653)	(17 309)
Originating temporary difference on operating lease	34 005	65 523
Temporary difference on intellectual property	618 957	(3 363 164)
	(9 306 995)	**(9 191 612)**

15. 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 Allan Gray Retirement Annuity Fund, which is a defined contribution retirement annuity fund. The entity has no legal or constructive obligation to pay for future benefits. This responsibility is vested with the Allan Gray Retirement Annuity Fund.

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

The total economic entity contribution to such schemes	4 063 601	3 455 319

16. Share capital

FIGURES IN RAND	2017	2016
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 unissued ordinary shares are under the control of the Board in terms of the Memorandum of Incorporation.

Issued		
Ordinary	1	1

Share capital is fully paid and has no restrictions.

17. Shareholder's loan

The loan is unsecured, bears no interest and has no fixed date of repayment.

Loan at the beginning of the year	92 595 410	92 595 410

18. Revenue

Rendering of services: SARS	96 164 150	84 145 848
Rendering of services: Luxembourg	9 927 736	8 894 635
Loss from exchange transactions	(127 105)	(35 025)
Interest received	4 167 665	2 011 166
	110 132 446	**95 016 624**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	106 091 887	93 040 483
Loss from exchange transactions	(127 105)	(35 025)
Interest received	4 167 665	2 011 166
	110 132 447	**95 016 624**

19. Finance costs

FIGURES IN RAND	2017	2016
Finance leases	7 489	8 643
Other	7 441	-
	14 930	**8 643**

20. Auditors' remuneration

External Audit: Fees	561 001	579 518
Internal Audit: Fees	229 830	224 940
Subsistance and Travel: Internal Audit	56 628	42 082
Subsistance and Travel: External Audit	67 084	48 632
	914 543	**895 172**

21. Taxation

Major components of the tax expense		
Current		
Local income tax - current period	5 662 139	528 771
Local income tax - recognised in current tax for prior periods	30 477	-
	5 692 616	**528 771**
Deferred		
Deferred tax movement current year	115 383	2 541 645
	5 807 999	**3 070 416**
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting surplus	15 352 872	12 492 278
Tax at the applicable tax rate of 28% (2016: 28%)	4 298 804	3 497 838
Tax effect of adjustments on taxable income		
Deferred tax effect income	(115 383)	(2 541 646)
Non-deductable expenses	1 478 718	656 318
Under/(over) provision of tax in the prior year	30 477	(1 083 739)
	5 692 616	**528 771**

22. Operating surplus

FIGURES IN RAND	2017	2016
Operating surplus for the period is stated after accounting for the following:		
Loss on disposal of assets	(67 802)	(34 115)
Amortisation on intangible assets	8 067 712	7 960 372
Depreciation on property, plant and equipment	1 356 715	1 497 535

23. Cash generated from operations

Surplus	9 544 873	9 421 862
Adjustments for:		
Depreciation and amortisation	9 424 427	9 457 907
Loss on disposal of assets	67 802	34 115
Finance costs - Finance leases	7 489	8 643
Movements in operating lease assets and liabilities	121 447	234 018
Movements in provisions	325 707	1 179 353
Movement in tax receivable and payable	1 752 757	4 990 487
Annual charge for deferred tax	115 383	2 541 645
Changes in working capital:		
Trade and other receivables	10 400 118	15 299 870
Trade and other payables	(294 983)	2 357 003
VAT	(1 560 144)	1 699 205
	29 904 876	47 224 108

24. Commitments

Authorised operational expenditure		
Already contracted for but not provided for		
• HR related	11 729	62 693
• IT goods and services	858 020	172 108
• Office services	424 650	6 954
• Staff services	211 558	-
• Facilities	155 520	-
	1 661 477	241 755

This committed expenditure relates to HR, IT, staff services, office services and facilities and will be financed by retained surpluses, existing cash resources, funds internally generated, etc.

24. Commitments (continued)

FIGURES IN RAND	2017	2016
Operating leases - as lessee (expense)		
Minimum lease payments due		
• within one year	2 219 094	1 858 780
• in second to fifth year inclusive	4 525 897	5 976 067
	6 744 991	**7 834 847**

Operating lease payments predominantly represent rentals payable by the entity for its office premises.
Refer to note 13 for more detail.

25. Related parties

Relationships	
Controlling entity	South African Revenue Service
Companies in which members of management have significant influence	Tshole Business Solutions (Pty) Ltd (24.5% effective interest) Tatis Africa (Pty) Ltd (17.88% effective interest)
Key members of managment and directors	M.A. Enus-Brey: Chairman of the Board J.J. Louw: Non-Executive Director (resigned 31 January 2017) J.M. Makwakwa: Non-Exective Director M.P. Matlwa: Non-Executive Director G.O. Randall: Managing Director J.M. Robertson: Operations Director L.L. Janse Van Rensburg: Financial Director H.T. Mashigo: Non-Executive Director (alternate Director appointed 20 October 2016 to 3 July 2017) L.J.M. Makhekhe-Mokhuane: Non-Executive Director (appointed 21 June 2017) R. Mokoena: Non-Executive Director (appointed 21 June 2017)
Key members of managment who are employed by the shareholder	J.J. Louw (resigned 31 January 2017) J.M. Makwakwa M.P. Matlwa H.T. Mashigo: Non-Executive Director (alternate Director appointed 20 October 2016 to 3 July 2017) L.J.M. Makhekhe-Mokhuane: Non-Executive Director (appointed 21 June 2017) R. Mokoena: Non-Executive Director (appointed 21 June 2017)

25. Related parties (continued)

FIGURES IN RAND	2017	2016
Related party balances		
Loan accounts - Owing to related parties		
South African Revenue Service	92 595 410	92 595 410
Trade receivables		
South African Revenue Service	9 170 157	21 628 229
Trade payables		
South African Revenue Service	405 799	109 548
Related party transactions		
Rendering of services to related parties		
South African Revenue Service	96 164 150	84 145 848

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

In the ordinary course of business, Interfront enters into various sales and purchases transactions on an arm's-length basis at market rates with 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 is not required in terms of IPSAS 20.

Refer to note 26, Director's emoluments, for disclosure of transactions with directors.

26. Directors' emoluments

FIGURES IN RAND

Executive

2017	Salary	Bonus	Subsistence and travel	Company contributions	Total
J.M. Robertson	2 287 583	294 802	5 944	25 437	2 613 766
G.O. Randall	2 120 382	336 917	23 388	-	2 480 687
L.L. Janse van Rensburg	1 176 463	210 573	20 039	13 084	1 420 159
	5 584 428	**842 292**	**49 371**	**38 521**	**6 514 612**

2016	Salary	Bonus	Subsistence and travel	Company contributions	Total
J.M. Robertson	2 123 274	426 814	43 733	24 182	2 618 003
G.O. Randall	1 989 306	400 705	62 055	-	2 452 066
L.L. Janse van Rensburg	1 057 060	218 672	26 945	11 999	1 314 676
	5 169 640	**1 046 191**	**132 733**	**36 181**	**6 384 745**

Non-executive

2017	Board fees	Committees fees	Subsistence and travel	Total
M.A. Enus-Brey	19 958	874	875	21 707

2016	Board fees	Committees fees	Subsistence and travel	Total
M.A. Enus-Brey	33 286	2 918	1 711	37 915

27. Restatement of prior period figures

	2017	2016

The 33.33% accelerated depreciation rate allowed by SARS on intellectual property was not accounted for in the 2013/14 financial year. This was corrected in the current financial statements and the impact is detailed below.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	2017	2016
Increase in current tax receivable	-	(2 221 310)
Decrease in current tax payable	-	(167 597)
Increase in deferred tax provision	-	3 909 484
Decrease in Accumulated Surplus (increase in prior period tax expense)	-	(1 520 577)

28. 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 disclosed in notes 9 and 10, cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement of financial position.

Currently the entity is geared mainly with a shareholder's loan. To mitigate the risk associated with this type of financing, the loan is interest free and has no fixed term of repayment.

Financial risk management

The entity's activities expose it to a variety of financial, credit and liquidity risks. 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.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is insignificant.

FIGURES IN RAND				
At 31 March 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings - Shareholder's loan	-	-	-	92 595 410
Trade and other payables	7 240 118	-	-	-
Finance lease obligation	43 758	43 758	21 879	-
Operating lease contractual amounts	2 219 094	2 396 618	2 129 279	-
At 31 March 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings - Shareholder's loan	-	-	-	92 595 410
Trade and other payables	7 535 101	-	-	-
Finance lease obligation	35 231	-	-	-
Operating lease contractual amounts	1 858 780	5 976 067	-	-

28. Risk management (continued)

FIGURES IN RAND	2017	2016

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.

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

Financial instrument		
Cash and cash equivalents	81 429 113	52 933 190
Trade and other receivables	12 834 116	23 234 234

Interest rate risk

The entity's interest rate risk arises from amounts held in short-term cash balances. The entity's income and operating cash flows are substantially independent of changes in market interest rates in relation to these balances.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than 1 year	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	No fixed term of repayment
Trade and other receivables - normal credit terms	10.50%	12 834 116	-	-	-	-
Cash in current banking institutions	10.50%	81 429 113	-	-	-	-
Trade and other payables - normal credit terms	10.50%	7 240 118	-	-	-	-
Finance lease obligation	12.00%	43 758	43 758	21 879	-	-
Operating lease obligation	10.50%	2 219 094	2 396 618	2 129 279	-	-
Loan from shareholder	-%	-	-	-	-	92 595 410

Foreign exchange risk

The entity provides services 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.

The entity does not currently hedge foreign exchange fluctuations.

Foreign currency exposure at statement of financial position date		
Current assets		
Trade debtors (EURO)	2 716 619	-
Liabilities		
Revenue billed in advance (EURO)	-	855 640
Exchange rates used for conversion of foreign items were:		
EURO	14.3173	16.8338

29. 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 future.

“We are proud to have achieved a clean audit report.”

Financial Manager: Michael Nolan

30. Events after the reporting date

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 other than that disclosed in note 29.

31. Reconciliation between budget and statement of financial performance

SARS, as principal of its wholly owned subsidiary, incorporates Interfront in its parlimentary and ultimate statutory accountability 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.

32. Other matters

A decision was made in the previous year to incorporate Interfront into SARS. This decision is, however, subject to approval by the Minister of Finance as the Executive Authority as required by section 54(2)(d) of the PFMA. There were no further developments in the current year.

List of Abbreviations / Acronyms

ADA	*Administration des Douanes et Accises*
AGOA	African Growth and Opportunity Act
AGSA	Auditor-General South Africa
CCA	Customs Control Act
CDC	Customs Duty Calculator
Clean Audit	Unqualified audit report with no material findings on reporting on performance objectives or non-compliance with legislation.
COE	Centre of Excellence
CPS	Cargo Processing System
Companies Act	Companies Act. No. 71 of 2008
DPR	Goods Declaration Processing
DPS	Declaration Processing System
DR	Disaster Recovery
DTMC	Digital and Technical Management Committee (SARS)
EBT	Earnings Before Tax
EE	Employment Equity
EME	An Exempted Micro Enterprise in terms of the code of good practice on black economic empowerment issued in terms of the Broad-Based Black Economic Empowerment Act
EU	European Union
EXCO	Executive Committee
FOREX	Foreign Exchange
GIBS	Global Executive Development Programme
GRAP	Generally Recognised Accounting Practice
GRC	Governance, Risk and Compliance
HR	Human Resources
iCBS	Interfront Customs and Border Management Solutions
ICT	Information and Communications Technology
IESBA	International Ethics Standards Board for Accountants
ISA	International Standards on Auditing
ISMC	Information Systems Management Committee
IT	Information Technology
ITTILv3	Information Technology Infrastructure Library
LCM	License and Certificate Management
MPR	Manifest Processing System
NCAP	New Customs Acts Programme
King III	King III Report on Corporate Governance, 2009
PAA	Public Audit Act, No. 25 of 2004
PDP	Personal Development Plan
PFMA	Public Finance Management Act, No. 1 of 1999
PMO	Project Management Office
QPR	Quality Procedure
QA	Quality Assurance
QSE	Qualifying Small Enterprise in terms of the code of good practice on black economic empowerment issued in terms of the Broad-Based Black Economic Empowerment Act
RCG	Reporting of Conveyances and Goods
RLA	Registration Licensing and Accreditation
RTVM	Requirement Verification and Traceability Matrix
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service
SCM	Supply Chain Management

List of Abbreviations / Acronyms (continued)

SDLC	Software Development Life Cycle
SITA	State Information Technology Agency
SLA	Service Level Agreement
SMART	Specific, Measurable, Achievable, Relevant and Time-bound
SMME	Small, Medium and Micro Enterprises
SOC	State-owned Company
TAA	Tax Administration Act
TMS	Tariff Management System
UCC	Union Customs Code
Unisa	University of South Africa
VAT	Value Added Tax

interfront

Smart Systems. Better Borders.

Gleneagles Building
Somerset Links Office Park
De Beers Avenue, Somerset West
Postnet Suite #10, Private Bag X15
Somerset West, 7129, South Africa
T: +27 (0)21 840 3400
F: +27 (0)21 840 3401
www.interfront.com