2017 • 18

ANNUAL REPORT

interfront

Smart Systems. Better Borders.

CONTENTS

PART A

General Information

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

Bankers: ABSA Bank Limited

External Auditors: The Auditor-General of South Africa

Company Secretary

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

2. ABOUT THIS REPORT

Materiality

To ensure that this report is accurate, relevant and consistent, the reporting process is informed by the key material issues impacting on, or impacted by, our business. The responsibility for determining such materiality is ultimately that of the Interfront Board. The process is informed by:

- comprehensive collaboration and input involving Interfront's internal and external stakeholders;
- business and operational priorities;
- key strategic focus areas; and
- detailed and ongoing assessment of risks.

Every effort has been made to align with the integrated reporting requirements of the King IV Report on Corporate Governance.

Assurance

Assurance regarding the contents of this report is achieved through an internal assurance process. Interfront's Executive Management provides assurance that they have implemented, monitored and managed all relevant controls, compliance, governance and reporting requirements. This ensures the reliability and integrity of the information presented in this report. External assurance of our annual financial statements, as well as the reporting against predetermined objectives, is provided by the Auditor-General of South Africa and the audit report can be found in Part E: Financial Information, of this report.

Reporting structure and frameworks

Every effort has been made to align with the integrated reporting requirements of the King IV Report on Corporate Governance. The report also conforms to the standards and requirements of the Companies Act No. 71 of 2008.

3. FOREWORD BY THE CHAIRPERSON

Interfront has built a **sound reputation**. The culture within the company displays its values and promotes the relationships needed to work closely on big project development over a lengthy period. Talent creation and development from within promote personal growth and career prospects, serving to encourage a longer term relationship with staff than may perhaps be expected in the age of the millennials. The 2017/18 financial year has once again seen sound engagement with our stakeholders, accompanied by **solid return**s in all areas.

Interfront is a **microcosm of its parent SARS**, engaging significantly less than 1% of total resources, measured against budget or personnel numbers. Its existence as a separate corporate entity has successfully served to facilitate the migration of IP resources, satisfy the needs of external stakeholders and maintain an environment conducive to creative development, as well as to position the company as a competitive software supplier to SARS.

Being a wholly owned subsidiary of SARS, the Interfront performance and financial results will be **consolidated into the SARS Annual Report**, which in its turn will serve as the vehicle for Parliamentary accountability. Nevertheless, the discipline and focus of applying the governance norms and requirements required by the Companies Act, King IV, National Treasury and others, has proven to be beneficial.

Over the past eight years, Interfront has relinquished a number of its external contractual commitments and has focused exclusively on IT development for SARS, accompanied by maintenance and support of its systems in production. While there is no doubt as to its future as a going concern, there has been ongoing thought as to **the best corporate model going forward**, to serve the interests of its shareholder. This has been the cause of some uncertainty within the company and has also been accompanied by frequent changes to the composition of the Board, which has at times prevented realisation of the quorum required to convene Board subcommittees.

Thought and pragmatism are needed when considering the most **appropriate governance structures** for a small state-owned entity, whose predominant use is that of a special purpose vehicle. The governance structures are currently being reviewed with the assistance of an internal governance audit and it is essential that clear vision and longer term stability be provided in the interests of **maintaining this unique IT resource for SARS** and for South Africa.

Interfront has a strong **ethical culture**. The Board is confident that executive management has assumed full responsibility for the day to day operations and that the company is being managed efficiently and effectively to achieve the approved strategic goals and annual performance plan. This is borne out by the results set out in the body of this report, as well as by the key outcome, which is seen in **the performance of its robust IT** at all of South Africa's borders, without interruption.

May I express my thanks to my fellow Board members, as well as to the management and staff of Interfront, who daily commit to its success.

Mustaq Enus-Brey
31 July 2018

4. OVERVIEW BY THE MANAGING DIRECTOR

It is, as always, a pleasure to write this column for the Interfront Annual Report on behalf of myself as well as the Interfront Executive Committee. Interfront is made up of a special group of people. From the outset, the Board entrenched a leadership culture based on teamwork, through its empowerment of the Interfront Executive Committee to take the key business decisions in the implementation of its strategy and annual performance plan. This group was expanded shortly before the commencement of the current financial year and I believe that the new perspectives that have been contributed have provided added depth to our engagement with our stakeholders.

We now enjoy the benefit of some hindsight. Looking back over the past eight years since incorporation in 2010 and even the period preceding it when development had already been started, the changes have been remarkable. The focus on developing a culture and installing systems has reaped the benefits of a stable and maturing company. Marketing and product development have yielded to an unwavering focus on the core development of the IT customs systems for SARS, together of course with the support and maintenance of these systems, as well as those installed in Luxembourg.

The Interfront brand is a strong one in the international customs community. Its IT systems are robust and reliable. The company has grown incrementally in numbers, mainly to provide maintenance and support for new systems that have been delivered and is assured of continuing work in Luxembourg, as well as an expanded footprint in SARS.

Of course there are challenges. The past year has seen intense competition in the personnel market, predominantly for the development resources on which we depend. However, while the strategies employed to recruit and grow talent from the entry level and promote internal growth and development, as well as create and maintain an ethical environment of values and respect, serve to mitigate this risk, there is still more to do to ensure that we remain attractive in a highly competitive market.

The year has once again delivered a solid performance. Robust product has been delivered on time and to budget. Existing systems have been maintained without failure. Efficiency has been maintained at a productivity measure of some 80%, while financial results have improved further. A large repayment has been made on the shareholder's loan account and a further repayment is projected for the current financial year. The results for the 2017/18 financial year are set out in detail in the accompanying reports and are indicative of an ethical and clean administration. In so doing, as well as in our thought processes, we are taking an increasingly integrated approach.

The years ahead will be determined by the overall direction of the company. Our SARS work continues to grow, while there may be opportunities to supply the system to other parties. New premises are likely to be needed and Interfront will need to continue keeping its edge in a fast changing IT environment. However, the capacity to build and maintain robust IT systems through this valuable asset is of special value within SARS and the public sector, making it imperative that Interfront remain viable as a going concern, in whatever corporate form it exists.

It has been a pleasure and a privilege to have been part of this journey. I do express my thanks and those of the Interfront Executive Committee to our people, as well as to our external stakeholders. One can have no doubt that Interfront will continue to demonstrate its value and in doing so, preserve the future of this resource.

Graham Randall
31 July 2018

5. ABOUT US

Interfront is a wholly owned subsidiary of SARS through which its parliamentary accountability is exercised. The main purpose behind Interfront's creation was to develop an information technology (IT) based solution for the SARS customs modernisation programme and the New Customs Acts Programme (NCAP). Interfront has delivered major systems which it supports and maintains, whilst its own development continues.

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

6. OVERVIEW

Principle 4 of King IV provides that the governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

This overview serves to link the elements through which Interfront's business model evolves into its strategy, which in turn depends on the resources and relationships associated with the various forms of capital; the legitimate and reasonable needs, interests and expectations of material stakeholders; how these are determined and measured, as well as the risks associated therewith. It demonstrates their interconnectivity and inter-dependence.

> Towards the end of the 2015/2016 financial year, the Interfront Board determined that prominence should be strategically afforded to building resources, to create a centre of excellence for IT skills and expertise for Interfront, as well as for SARS.

Strategic Objectives

Towards the end of the 2015/2016 financial year, the Interfront Board determined that prominence should be strategically afforded to building resources, to create a centre of excellence for IT skills and expertise for Interfront, as well as for SARS. The Board approved the revision of the five-year strategic plan that focused the company on two strategic measures, which essentially relate to its internal and external focus and stakeholders.

These strategic objectives are in their turn supported by six activities, which serve as our key performance indicators. The relationship between each of these strategic objectives and performance measures and the elements of the business model is explained in paragraph 7 below. A detailed report on the performance of each, forms the substance of Part B: Performance Report, of this report.

The Interfront strategy contributes at the highest level to the strategic outcomes of each revenue authority, as well as the impact that these may have on the security and income of the state.

Risks Governance

In developing our strategy, Interfront is mindful of the need to identify, assess and manage those risks and uncertainties affected by internal and external events and scenarios that could impede its ability to achieve its strategic objectives. A detailed risk assessment is conducted as part of Interfront's annual strategic planning processes and categorises each risk. The comprehensive risk register is bi-annually reviewed and updated and the effectiveness of mitigating controls is also reviewed. The top five risks are set out in Part C: Governance. However, throughout the report, where appropriate, reference is made to those risks which appear in our comprehensive risk register, but are within Interfront's tolerance or risk acceptance levels and are therefore not reflected in Part C: Governance. This serves to inform the user of the risk landscape and our responses.

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

Refer to Part C
for a report on the top five risks to the company

Business Model

Interfront's Business Model sets out the means by which Interfront creates, delivers and captures value, setting out the components required, the costs involved and the revenue generated in doing so. The elements of the business model are diagrammatically set out below.

Key Activities

Development of customs and border management solutions and providing maintenance and support for operational systems.

Key Resources

Human Resources : the IP vested in our staff
Financial Resources : to attract and retain staff
Developing IT skills that contribute to empowerment within Interfront, SARS and the wider public sector
IT : infrastructure and software

Key Partners

External resources, which provide Interfront with development capacity at peak delivery times.

Distribution Channels

Upload via secure links

Value proposition

Customisation : the NCAP programme is being developed to allow for the implementation of the Customs Control Act and the Customs Duty Act in SARS.
Cost reduction : maintenance of older systems can be expensive.
Risk reduction : tracking of goods in transit from port of departure to delivery, combating illicit trade.
Core Declaration system in ADA (Luxembourg Customs) supports the flexibility required to adapt to regular amendments to policies.

Customer Relations

MSA in place with SARS regulating the development work. Maintenance and support schedule is reviewed and agreed to annually with SARS.

Service level agreement in place with ADA regulating the support and maintenance of the system in operation.

Customer Segments

Revenue Authorities

South African Revenue Service (SARS)

Administration des Douanes et Accises (ADA - Luxembourg Customs)

Cost Structure

Quality Software Development and Support
R88 million

Maintain a Software Development Centre of Excellence
R22 million

Revenue Stream

SARS Development Services
R107 million

SARS Support Services
R19 million

ADA Support Services
R11 million

7. BUSINESS MODEL LINKED TO STRATEGY

Key Activities

STRATEGIC GOAL 1
Quality Software Development and Support

Maintain a strong IT development capacity as the preferred supplier to SARS and augment this with contracted resources where necessary, to meet peak delivery times. Provide ongoing maintenance and support, increasing the support capacity as further systems are delivered.

DEVELOPMENT REVENUE SARS
R107 MILLION

APP TARGET
ACHIEVED

MEDIUM RISK
DELIVERY ON NCAP CONSIDERED INADEQUATE OR UNSUCCESSFUL

Develop iCBS to support SARS 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, known as sprints, which are demonstrated to SARS for acceptance before delivery.

The number of development sprints to be completed and demonstrated to SARS during each financial year is determined in the Annual Performance Plan (APP). Five sprints had to be completed and demonstrated to SARS on NCAP 1, 2 and 3 in the year under review.

Provide effective software support services for SARS and ADA

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

Service levels to SARS are measured monthly against agreed contractual levels. Interfront is required to meet or exceed service levels.

ADA customer satisfaction is measured by means of an annual client survey.

SUPPORT REVENUE ADA
R11 MILLION

ADA: APP TARGET
PARTLY ACHIEVED

SUPPORT REVENUE SARS
R19 MILLION

SARS: APP TARGET
ACHIEVED

LOW RISK
ADA SUPPORT CONTRACT NOT BEING RENEWED

Key Resources

STRATEGIC GOAL 2
Maintain a Software Development Centre of Excellence

Grow Interfront as a centre of excellence to develop IT skills so as to contribute to empowerment within Interfront, SARS and the wider public sector. The number of candidates selected annually will increase as project growth allows.

APP TARGET
NOT ACHIEVED

HIGH RISK
LOSS OF KEY STAFF / STAFF RETENTION

Retention of management team and staff

The successful management and retention of human capital is instrumental to the success of Interfront. In implementing our strategy we recognise that there are various risks associated with our business and critical amongst these, is the loss of key staff.

The Annual Performance Plan sets out that the percentage of staff turnover that should be limited to a maximum of 14%.

AVERAGE NUMBER OF EMPLOYEES
110

APP TARGET
NOT ACHIEVED

HIGH RISK
APPOINTMENT RATE OF EXPERIENCED STAFF NOT MEETING PROJECT DEMANDS BY SARS

Maintain and develop a skilled, diverse and engaged workforce

Due to the increased scope of work orders from our main customer and shareholder, SARS, the staff complement has been earmarked to be increased.

The APP provides for a net increase of ten in staff numbers for the year under review, with the staff complement to be maintained at 120 from the 2018/2019 financial year onwards.

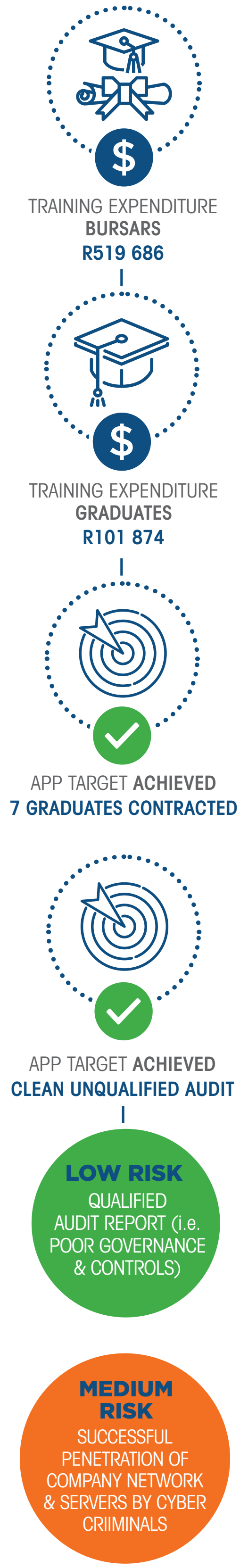
Interfront's ability to achieve the net increase of ten in the staff complement was adversely impacted by the high staff turnover. Operationally, the risk to timely product delivery associated with the loss of staff was mitigated by an increased use of external development services (Key Partners). This ensured that the quality and delivery dates were not compromised.

Key Partners

To assist in achieving milestones on NCAP projects, Interfront continued to outsource selected software development work to external service providers.

2018 FEES EXTERNAL **DEVELOPMENT SERVICES**	2017* FEES EXTERNAL **DEVELOPMENT SERVICES**
R15 155 606	**R6 720 657**
12 MONTHS	8 MONTHS

*The use of external development services commenced late in the 2016/2017 financial year.



Maintain and grow a Centre of Excellence (CoE)

It is foreseen that Interfront will continue to associate more closely with SARS. The company will maintain a strong IT development capacity as the preferred supplier to SARS and serve as a centre of excellence, developing IT skills that contribute to empowerment within its own business, SARS and the wider public sector.

The APP sets out the number of bursars and/or graduates to be recruited annually. It was required that seven graduates be contracted for the year under review.

Establish and support effective governance

The annual target is to achieve an unqualified audit report.

In line with Interfront's commitment to maintaining and promoting good governance, sound financial management and a system of internal control, this measure seeks to test Interfront's compliance with accounting principles, whether the information disclosed in its annual performance report is useful and reliable, as well as its compliance with legislation.

A financially sound company with a good reputation attracts staff of a high calibre, providing job security and growth.

Distribution Channels

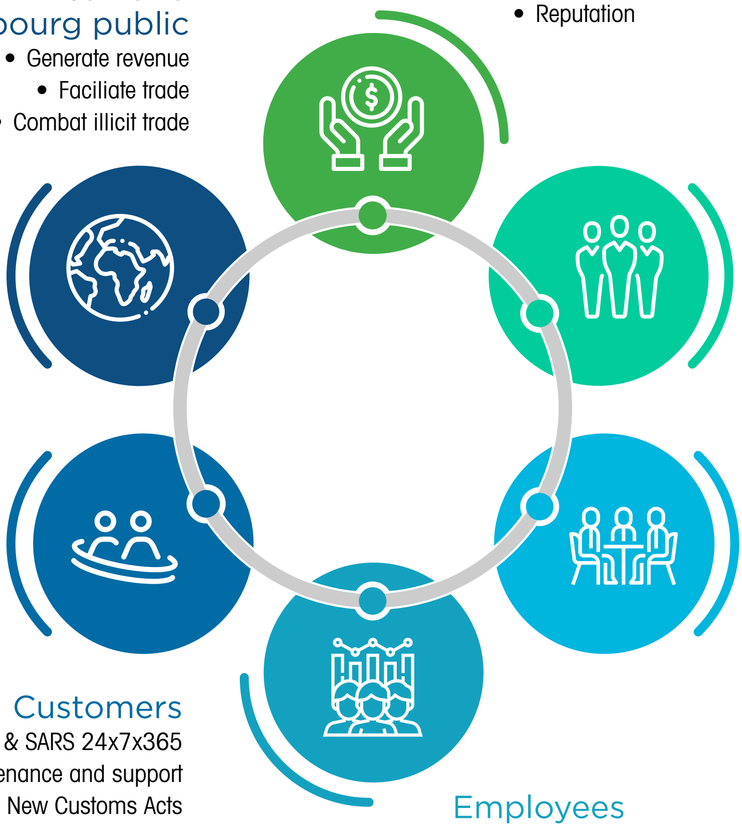
As a development partner of SARS, there is continual focus on the security of Interfront's development and service delivery environments and a number of initiatives which commenced in the previous reporting period, culminated in the early part of the 2017/2018 financial year.

Customer Relations

Our relationship with SARS is regulated by means of a Master Services Agreement (MSA). The MSA sets out how the parties engage with regard to development work, as well as the support and maintenance to be provided for systems in operation.

Interfront has provided support for its systems in operation in ADA through the medium of service agreements, which have been biennially renewed. ADA has indicated its intention to renew the current agreement with effect from 1 January 2019 and to continue to engage Interfront until its' envisaged modernisation programme is fully installed.

8. STAKEHOLDER FRAMEWORK



Shareholder
- Value for money
- Return on investment
- Reputation

South African and Luxembourg public
- Generate revenue
- Faciliate trade
- Combat illicit trade

Interfront Board of Directors
- Ethical leadership
- Corporate governance
- Strategy

Interfront Executive Committee
- Day-to-day management
- Corporate governance
- Implementing strategy and monitoring progress
- Ethical leadership

Customers
- ADA & SARS 24x7x365 maintenance and support
- New Customs Acts development work for SARS

Employees
- Job security
- Development and training
- Driving the achievement of strategic goals
- Personal growth

9. 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).

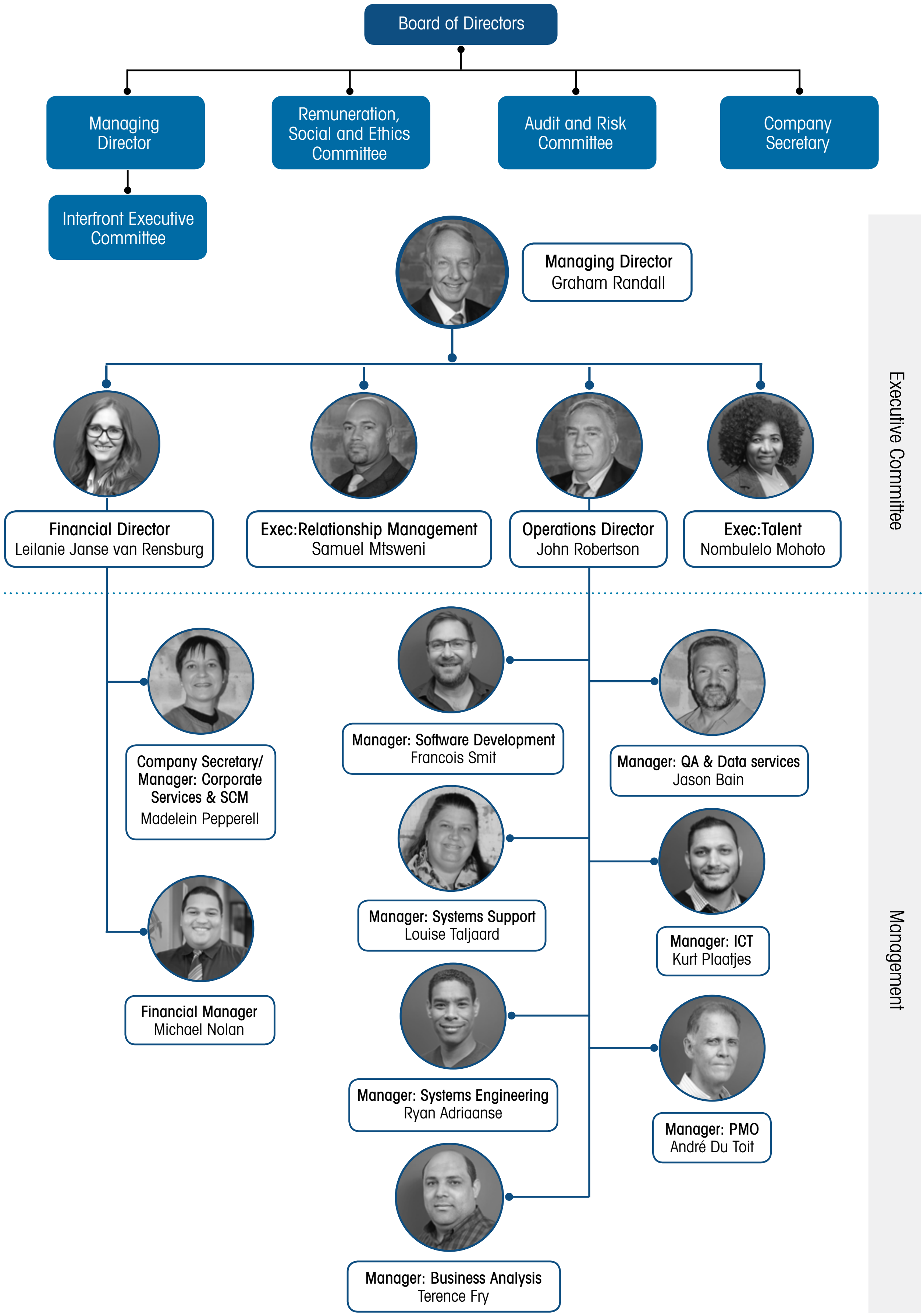
As a state-owned company, Interfront is regulated by the PFMA, the Companies Act, No. 71 of 2008 (Companies Act) and Treasury Regulations.

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

KING IV PRINCIPLE 16

In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

10. ORGANISATIONAL STRUCTURE



11. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of our knowledge and belief, we 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.

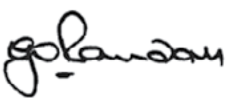
The external auditors are engaged to express an independent opinion on the annual financial statements.

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 2018.

KING IV PRINCIPLE 5

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects

Refer to Part E
for the Annual Financial Statements



Graham Randall
Managing Director
31 July 2018

Mustaq Enus-Brey
Chairperson of the Board
31 July 2018

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 limited assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in clause 17 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

The 2017/2018 financial year has brought about challenges with regard to the high rate of staff turnover of 17.4% as opposed to 8.9% in the previous period, which is ascribed mainly to the aggressive recruitment of IT staff in the Western Cape. However, external resources were contracted in to maintain our development capacity so as to meet SARS demands, which allowed Interfront to retain the quality and level of delivery on NCAP to SARS.

The 2017/2018 financial year has brought about challenges with regard to the high rate of staff turnover of 17.4% as opposed to 8.9% in the previous period.

Organisational Environment

The 2015/2016 Annual Report stated that a decision was made to incorporate Interfront into SARS. This decision was, however, subject to approval by the Minister of Finance as the Executive Authority as required by section 54(2)(d) of the PFMA.

Active engagement has taken place with the shareholder, including a meeting on 12 March 2018 with the Interfront Board to discuss the strategic direction of Interfront. However, a final decision has not yet been made regarding the future of Interfront, or the positioning of the resources within or outside of SARS.

The uncertainty regarding the future of Interfront is noted as a factor contributing to the loss of key staff and increased staff turnover in the risk assessments to date. However, it is expected to be treated as a risk in its own right moving forward and as an emerging risk in the 2018/2019 financial year.

At the Interfront Board meeting held on 12 March 2018, the Board resolved to extend the employment contract of the Managing Director, Mr. Graham Randall to 31 December 2018, to provide for a smooth transition and handover, once a new managing director has been identified and appointed.

Key Policy Developments and Legislative Changes

There have been no significant changes to Interfront's legislative and other mandates, which were not reported on in the previous Annual Report, as set out below.

- The new Preferential Procurement Regulations effective on 1 April 2017.
- King IV effective on 1 April 2017.

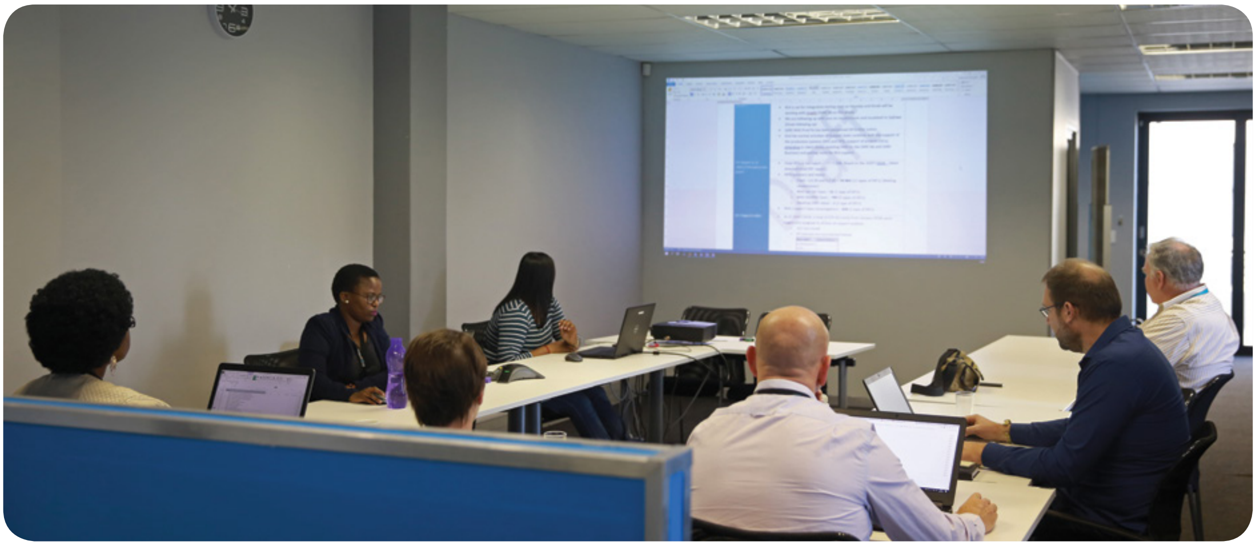
Interfront is currently focused on the assessment of its processes and procedures to ensure compliance with the provisions of the Protection of Personal Information Act, No. 4 of 2013.

Interfront is currently focused on the assessment of its processes and procedures to ensure compliance with the provisions of the Protection of Personal Information Act, No. 4 of 2013. ”

3. OVERVIEW

Measuring Interfront's Performance

Interfront aligns its performance management to the approach followed by SARS and National Treasury with regard to performance planning, monitoring and evaluation. In line with SARS' 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.



4. STRATEGIC OBJECTIVES

Towards the end of the 2015/2016 financial year, the Interfront Board determined that prominence should be strategically afforded 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. The Interfront 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 past two years and for the remaining three years ahead, encompass the following:

Strategic Outcome Orientated Goal 1 : Quality Software Development and Support					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT FOR 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL FOR 2017/2018	COMMENT ON DEVIATIONS
Develop iCBS to support SARS NCAP programme	**Achieved** Eight sprints completed and demonstrated	Five sprints completed and demonstrated to SARS on NCAP phases 1,2 & 3	**Achieved** Five sprints completed and demonstrated	N/A	N/A
Provide effective software support services for SARS and ADA Luxembourg	SARS – **Achieved** ADA – **Partly Achieved**	SARS – Service Level Agreement reports show that service levels are met or exceeded ADA – four out of five satisfaction level scale	SARS – **Achieved** ADA – **Partly Achieved**	SARS – Reports show that service levels have been met or exceeded for the year. An average score of 3 was achieved for 4 questions submitted to ADA	ADA indicated that the system appears to be difficult to adapt to new technology and that documentation could be improved

Strategic Outcome Orientated Goal 2 : Maintain a Software Development Centre of Excellence					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT FOR 2017/2018	DEVIATION FROM PLANNED TARGET TO ACTUAL FOR 2017/2018	COMMENT ON DEVIATIONS
Retention of management team and staff	**Achieved** 8.9%	Less than 14%	**Not Achieved** 17.43%	3.43%	The results improved in quarter four but the target could not be achieved
Expand staff complement	**Partly Achieved** net growth of 14	Increase staff numbers by 10	**Not Achieved** Net growth of 2	8	Results improved in quarter four but the target could not be achieved
Maintain and grow a Centre of Excellence (CoE)	**Partly Achieved** 7 bursars, 6 graduates	7 graduates	**Achieved**	N/A	N/A
Establish and support effective governance	**Achieved**	Unqualified Audit Report	**Achieved** Clean audit opinion for the 2016/2017 financial year	N/A	N/A

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): required for re-registration of all SARS customers.
- **Phase 2** - Reporting of Conveyances and Goods (RCG): required for 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) is the main declaration processing engine and needs to be modified to handle new declaration types, procedure codes and business rules.

Interfront continues to provide ADA with support services for the maintenance and upgrade of the Interfront systems in operation in ADA.

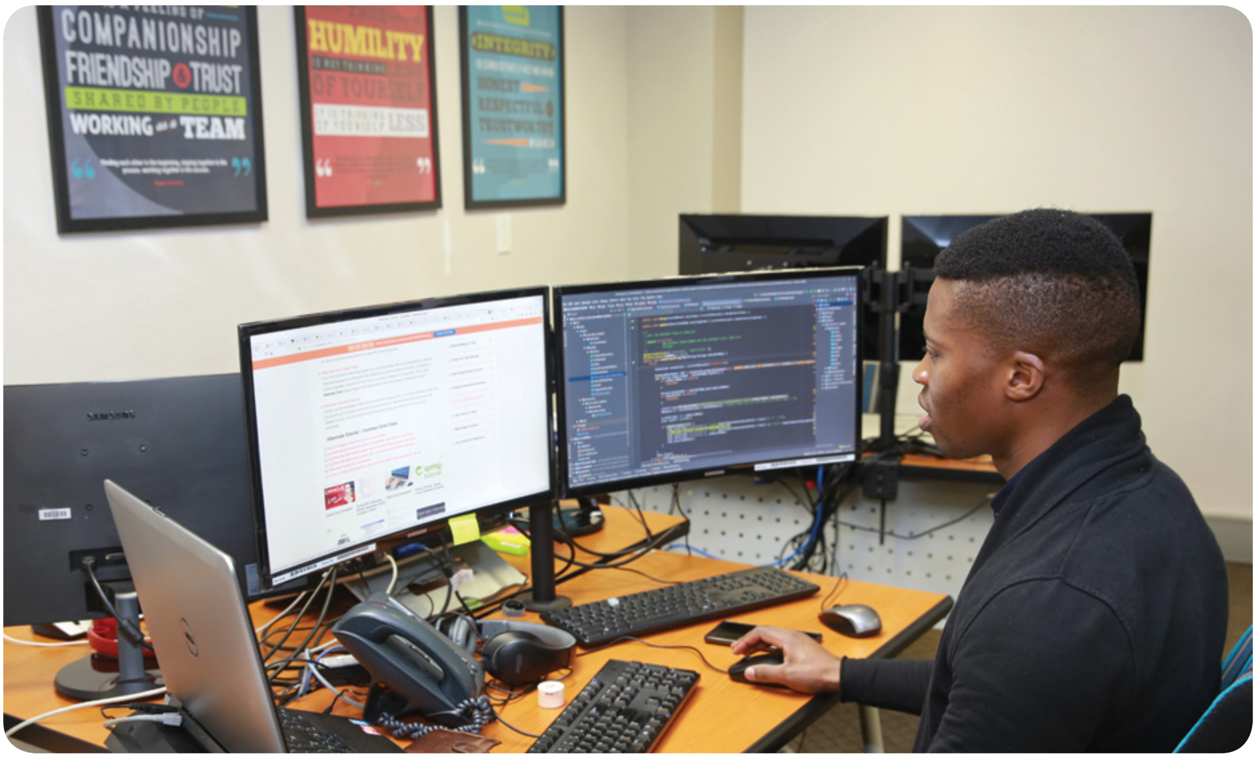
No in-year amendments were made to the 2016/2017-2020/2021 Strategic Plan. Interfront's Annual Performance Plan for the 2018/2019 financial year was approved by the Interfront Board at its meeting held on 12 March 2018.

Interfront continues to provide ADA with support services for the maintenance and upgrade of the Interfront systems in operation in ADA.

5. OPERATIONAL HIGHLIGHTS

- The first phase of Reporting of Conveyances and Goods (RCG) was completed and submitted for SARS implementation in April 2018. This will represent the first major milestone of the New Customs Acts Programme (NCAP) in SARS.
- The iCBS system was adapted to handle the new Sugary Beverages Levy and delivered to SARS on schedule for implementation to comply with new legislation.
- The iCBS system was adapted to handle the VAT increase to 15% and delivered to SARS on schedule for activation on 31 March 2018.
- Five progress milestones were achieved on Phase 1 (RLA) and Phase 2 (RCG) for the SARS NCAP programme by Interfront in this financial year.
- Five iCBS system releases were deployed to production in SARS Customs during the year, containing eleven functional enhancements and various 'bug fixes', as agreed with SARS.
- SARS operational support functioned effectively and consistently exceeded the Service Level Agreement targets for every month of the reporting period.
- Five system releases were deployed to production in ADA, including various enhancements and 'bug fixes' to the current import/export and cargo systems deployed.
- Another twenty-one releases were delivered as part of the upgrade to the import/export system, due for deployment in ADA.

The iCBS system was adapted to handle the VAT increase to 15% and delivered to SARS on schedule for activation on 31 March 2018.



6. CHALLENGES IN OPERATIONS

- The retention of scarce skills remains a significant challenge to Interfront. The market demand for Interfront's core skills remains strong and is likely to grow further. The investment in a meaningful increase in new resources to operate productively within the Interfront process and technology frameworks is a significant one. The higher staff turnover, as well as the delay in filling senior posts this year, placed Interfront's output to SARS under strain.
- The utilisation of external contractors to augment Interfront capacity was increased this year. Considerable effort went into the improvement of the external contractors' integration with Interfront technologies, systems and deliveries.
- For both Phases 1 and 2 of the SARS NCAP programme, Interfront embarked on its first end-user GUI development for SARS. New technologies, processes, standards and skills had to be established within the company and effectively applied to meet the business requirements of SARS.
- The multiple work streams for NCAP and the overlapping of phases for work streams have placed pressure on operations ability to balance delivery and quality. In addition, the additional technical support required by SARS for the various SARS environments, the overlapping of different application versions and systems in these environments and the dependencies/complexity of these systems have placed additional pressure on operational deliverables.
- The availability of the various NCAP phase requirements has led to reworking and shortened timeframes for delivery, both of which have had an impact on functionality and quality.

For both Phases 1 and 2 of the SARS NCAP programme, Interfront embarked on its first end-user GUI development for SARS.

7. OPERATIONS OUTLOOK

- In addition to the NCAP RCG implementation, other systems that are planned to be implemented into SARS production in the new year include NCAP changes to DPS and the RLA systems. This is having a significant impact on the Interfront production support team, which has started expanding its capacity to meet these new challenges.
- The NCAP programme in SARS is planned to be delivered in several phases over a number of years. Interfront will continue to apply approximately 90% of its technical resources to implement further phases of RLA, RCG and DPS in the next year and beyond.
- The maintenance and support contract for the Interfront systems in ADA will be entering a new phase from 2019. Following the publication of new requirements for EU customs systems, ADA has indicated that it will be replacing the Interfront systems over the next few years. A new contract is being negotiated, which will include the managed phasing-out of certain Interfront software modules.

Interfront will continue to apply approximately 90% of its technical resources to implement further phases of RLA, RCG and DPS in the next year and beyond.

8. INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

Cyber Security

- In 2017, the world saw some of the largest ransomware attacks in history with the emergence of large scale victimisation and extortion of organisations through self-propagating crypto worm variants. With businesses reeling from these attacks and some of them paying millions of dollars to unlock encrypted files, the Interfront ICT team embarked on a campaign to harden its security safeguards and reduce exposure to the threat of ransomware.
- The preventative actions by Interfront involved gaining greater understanding of the attack vectors and how security controls are bypassed, as well as raising staff awareness, since one of the primary attack vectors followed by ransomware touches on email networks and human fallibility. Interfront implemented next generation firewalling as one of the security upgrades. Revising our risk management controls is ongoing as we anticipate that new, more sophisticated threats will arise.

Capacity Management

In an organisation like Interfront, infrastructure requirements change rapidly in response to project pressures and developments. Capacity management is an ongoing challenge as Interfront needs to ensure that adequate resources (computing, storage, and network) are available for the development and operational environments. These requirements need to be met while optimally utilising resources at the minimum cost to the organisation. Interfront ICT's approach, to a great extent, is data and trend driven. As technology advances and systems reach their end of useful life, implementing new technology that 'talks' to the organisation's current and future needs is key. Interfront ICT recently completed a network switch upgrade project that scaled up the capabilities of the core, access and server networking infrastructure.

ICT Governance

The addition of third party vendors to the development landscape has resulted in the emergence of various challenges, causing existing processes and controls to be adapted. Interfront's screening processes for on-boarding third parties have also matured and lessons have been learned along the way. A further challenge encountered is the alignment and compliance with global and national legislation regarding the protection of personal information. Interfront ICT is currently involved in a legal compliance review with regard to the protection of personally identifiable information.

9. ADMINISTRATION DES DOUANES ET ACCISES (ADA – LUXEMBOURG CUSTOMS)

- One of the challenges faced by the ADA team is the maintenance of two IETA versions, the current production version (V2) and the technical upgrade version (V3). All changes that are made to the production version also need to be brought through to IETA (Import, Export and Transit) V3, which does not come without risk and has proven to be time consuming.
- The Import Control System (ICS) has started with an environment technology upgrade and some challenges have been experienced, while the automated testing needed streamlining and improvement. In addition, the team had to be upskilled in order to be able to carry out the required data migration tasks required on Oracle DB. The team attended Typescript, Angular 5 and Spring 4 training to ready itself for the challenges ahead.

The Import Control System (ICS) has started with an environment technology upgrade and some challenges have been experienced, while the automated testing needed streamlining and improvement.

10. PERFORMANCE REPORT

Core Outcome 1 :
Quality Software Development and Support

PERFORMANCE INDICATOR	MEASURE	ACTUAL ACHIEVEMENT 2014/2015	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018
Develop iCBS to support SARS NCAP programme	The NCAP programme needs to be delivered in accordance with specified timelines determined by SARS, which stretch over a number of years. Meet the timeframes as set by SARS.	N/A	N/A	**Achieved** eight sprints completed and demonstrated to SARS on the NCAP phases 1 and 2	Five sprints completed and demonstrated to SARS on NCAP phases 1, 2 and 3.	**Achieved** five sprints completed, demonstrated and accepted by SARS
COMMENT ON DEVIATIONS		N/A				

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 is being implemented in three phases. Each of these phases is associated with a software development project in Interfront. Projects are delivered in 'slices' of functionality, called sprints, which are based on SARS approved NCAP Business Plan. Once completed, the sprints are demonstrated to SARS for acceptance before delivery.

For this year, sprints were delivered on Phases 1 (Registration, Licensing and Accreditation - RLA) and 2 (Reporting of Conveyances and Goods - RCG) while Phase 3 (Declaration Processing System - DPS) requirements and design were being finalised for implementation.

Five functional milestones were completed for NCAP Phase 1 and 2 during the year. Each of these milestones was demonstrated to SARS and each was accepted as a progress milestone.

The first NCAP milestone, Reporting of Conveyances and Goods (RCG), was delivered to SARS for implementation in April 2018.

To assist in achieving milestones on the NCAP project, Interfront continued to outsource selected development work to external service providers, previously appointed by a tender process. This made a significant contribution in augmenting the Interfront development capacity in a period of increased staff turnover in the course of the year.

An implementation model was agreed for NCAP Phase 3 and the functional requirements and design for the first release are being finalised. Implementation of the first release is scheduled in two stages, with completion due in the second half of 2018.

ACTUAL EXPENDITURE
FOR STRATEGIC TARGET
R88 MILLION

EXPENDITURE EXTERNAL
DEVELOPMENT SERVICES
R15 155 606

DEVELOPMENT
REVENUE SARS
R107 MILLION

MEDIUM RISK
DELIVERY ON NCAP CONSIDERED INADEQUATE OR UNSUCCESSFUL

Workshops to determine requirements for the next phases of NCAP modules RLA and RCG have begun with SARS. Interfront's 2018/2019 APP provides for the delivery of four functional milestones on NCAP to SARS.

PERFORMANCE INDICATOR	MEASURE	ACTUAL ACHIEVEMENT 2014/2015	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018
Provide effective software support service to SARS	Non-cumulative: To annually meet or exceed SARS Service Levels as per the Support Agreement	N/A	N/A	**Achieved** Met or exceeded service levels for each month of the year	Meet or exceed service levels	**Achieved**
COMMENT ON DEVIATIONS		N/A				

PERFORMANCE INDICATOR	MEASURE	ACTUAL ACHIEVEMENT 2014/2015	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018
Provide effective software support service to ADA	Non-cumulative: Annual survey on the level of quality of software support services four out of five point satisfaction level scale	N/A	N/A	**Partly achieved** An average score of 3.5 was achieved for 4 questions, with 2 scores of 3 and 2 scores of 4	4 out of a 5 point satisfaction level scale	**Partly achieved**
COMMENT ON DEVIATIONS		An average score of 3 was achieved for 4 questions				

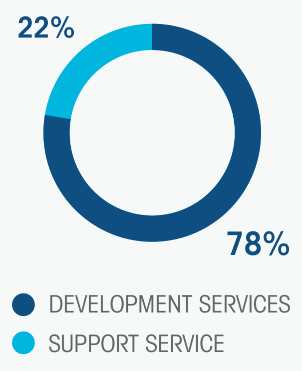
Both clients of Interfront operate national customs systems on a 24 x 7 x 365 basis. The Interfront software is a key component in each of these systems. The support service level provided by Interfront is crucial to their effective operation.

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 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 the operational and executive levels.

Two notable changes were implemented on the iCBS system in production before the end of March 2018 – for compliance with the Sugary Beverages Levy and the increase in VAT.

SARS operational support is functioning effectively and has consistently exceeded the SLA targets. Deployment of new versions of the system into production remains under active monitoring by the Interfront support team and technical leads. In this year, Interfront provided five new releases to SARS that were deployed to production.

REVENUE SPLIT



These have included eleven functional enhancements to the system.

Interfront's systems (import/export and cargo) have been running successfully in ADA for more than ten years. Over time, various enhancements were added to these systems and performance and stability have improved. ADA has a services agreement with Interfront to support these systems.

Interfront performed two site visits to ADA during the year under review. Customs and trader visits were carried out to maintain and establish a regular and effective feedback loop of issues experienced regarding 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 during the year and deployed to production. Upgrades to the base technology of both the Import/Export and Cargo systems have been delivered to ADA in an attempt to increase the lifespan of the product.

The ADA 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 4, which is denoted as 'Good' on the scale. Interfront achieved an average of 3, which is positioned as 'Satisfactory'. Comments related to the Satisfactory (3) scores are that the system appears to have difficulty in adapting to new technology and that documentation could be improved. Interfront is paying attention to this feedback and will endeavour to improve on these ratings in the next year.

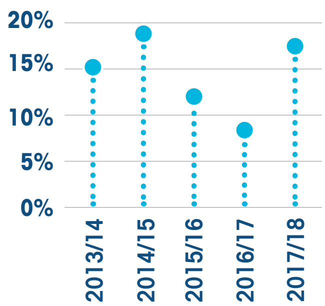
The measures for providing effective software support services to SARS and ADA remain unchanged for the 2018/2019 financial year.

Core Outcome 2 :
Maintain a Software Development Centre of Excellence

PERFORMANCE INDICATOR	MEASURE	ACTUAL ACHIEVEMENT 2014/2015	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018
Retention of management team and staff	Percentage of staff turnover	**Achieved** 18.8%	**Achieved** 12.3%	**Achieved** 8.9%	Less than 14%	17.43%
COMMENT ON DEVIATIONS		Not achieved				

As a small IT company we are often faced with major challenges of competing for limited resources due to the aggressive recruitment of IT staff in the Western Cape. The demand for these services has increased with the financial service sector increasing its internal IT capacity. A further contributing factor is the uncertainty regarding Interfront's independent future as a SOC or being absorbed into SARS. The exit interview analysis report for the year under review indicates that 34% of our voluntary exited employees have been sought after by the financial services sector, while 33% have been head-hunted by the IT industry. We are constantly seeking new methods to reduce employee turnover and improve retention.

EMPLOYEE TURNOVER **STATISTICS**



Methods utilised to reduce turnover include:

- Improving training and development opportunities for employees; in particular, for those in the technical disciplines.
- Constant review and benchmarking of salaries within the Information Technology market.
- Creating opportunities for promotions especially at junior and mid- levels.
- Creating a new initiative "Building a High Performance Culture".
- Promoting and using multiple avenues to attract and retain qualified and competent employees.
- Implementing a formal retention strategy.
- Introducing a new wellness programme.

ACTUAL EXPENDITURE
FOR STRATEGIC TARGET
R22 MILLION

As indicated above, due to the high number of employees that have been head-hunted, the turnover for the year under review is 17,43%, which is higher than our target of less than 14%. This has negatively impacted our growth strategy to a net growth of two.

HIGH RISK
LOSS OF KEY STAFF / STAFF RETENTION

Although we did not meet the target for the year under review, progress and improvements were made over the past five years with 2016/17 revealing the best results. A number of initiatives are being planned and implemented under the "Building a High Performance Culture" drive and we anticipate improved results going forward.

The target for retaining the management team and staff for the upcoming financial year has remained at less than or equal to 14%.

PERFORMANCE INDICATOR	MEASURE	ACTUAL ACHIEVEMENT 2014/2015	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018
Maintain and develop a skilled, diverse and engaged workforce	Expand staff complement, successful appointment and on-boarding	N/A	**Partly achieved** Net growth of 15	**Partly achieved** Net growth of 14	Increase staff number by 10	**Not achieved**
COMMENT ON DEVIATIONS		Net growth of 2. Results improved in quarter four from -5 in quarter three but the target could not be achieved				

As a company we recognise the important role played by the internal staff in recruiting new talent that fits our culture. We have involved the internal staff by making the following opportunities available:

- Encourage internal employees to recommend suitable candidates.
- Empowering staff to review resumés and qualification of potential candidates.
- Encouraging senior staff to identify suitable candidates from the external IT web portal.

This has assisted us with facilitating the training of the new employees because the internal candidates who participated in the selection process find it easy to assist the said new employees.

A new risk, which ranked third on our risk register, emerged during the second quarter of the 2017/2018 financial year. This related to the appointment rate of experienced staff not meeting project demands due to the high turnover in staff and the difficulty in replacing them with suitably experienced staff. At the same time, our second highest risk remained the loss of key staff/staff retention. However, in the fourth quarter, the newly identified risk i.e. the appointment rate of experienced staff not meeting project demands became our highest risk with a residual rating of 16 together with the loss of key staff/staff retention.

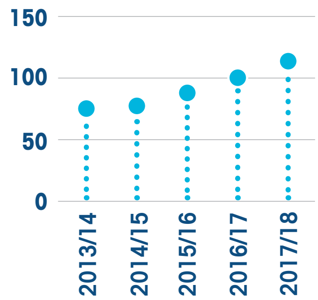
Interfront's objective for the upcoming financial year is to attain a staff complement of 120 and to maintain it for the duration of the upcoming financial year.

Below is a table showing staff movements.

AVERAGE NUMBER OF EMPLOYEES
110

HIGH RISK
APPOINTMENT RATE OF EXPERIENCED STAFF NOT MEETING PROJECT DEMANDS

AVERAGE NUMBER
OF EMPLOYEES



STAFF MOVEMENT FOR THE YEAR	
No. of new appointments	**21**
No. of EE appointments	**17**
No. of resignations	**17**
No. of current vacancies (2017/2018)	**10**
No. of retirees	**2**

EMPLOYMENT AND VACANCIES AT 31 MARCH 2018					
	2016/2017	2017/2018			% 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	9	11	11	0	0
Professional qualified	58	38	44	6	5%
Skilled	27	52	52	0	0
Semi-skilled	8	3	3	0	0
Unskilled	3	3	3	0	0
TOTAL	120	114	120	6	0

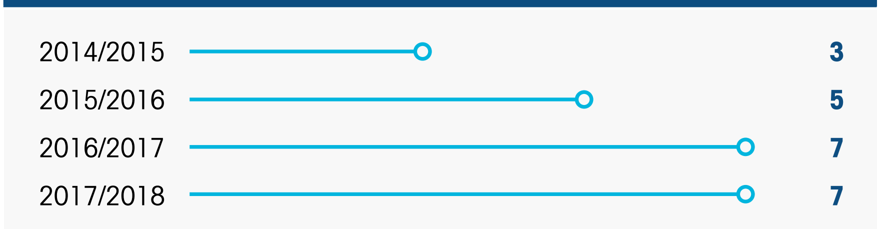
PERFORMANCE INDICATOR	MEASURE	ACTUAL ACHIEVEMENT 2014/2015	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018
Maintain and grow a Centre of Excellence	Successful appointment of graduates	N/A	N/A	**Partly achieved** 7 bursars and 6 graduates	7 graduates	7 graduates
COMMENT ON DEVIATIONS		Achieved				

Graduates are persons who have successfully completed a course of study and training which will provide Interfront with an opportunity to develop and mould them to become Interfront employees. Prospective graduates must meet the criteria as set out in Interfront's Graduate Recruitment and Development Programme.

Ten graduates must be placed in Interfront's Graduate Recruitment and Development Programme for the 2018/2019 financial year.

Bursars are students from designated groups and could be undergraduates and/or postgraduate students who comply with the criteria as set out in Interfront's Bursary Policy, with a focus on scarce and critical skills within the IT sector and Interfront.

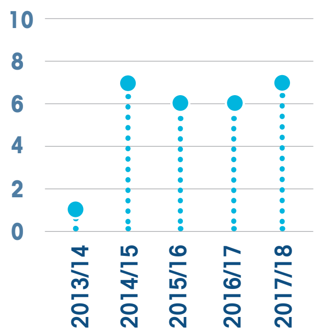
NUMBER OF BURSARS APPOINTED



TRAINING EXPENDITURE
BURSARS
0.73%
OF PERSONNEL

TRAINING EXPENDITURE
GRADUATE INTERNS
0.14%
OF PERSONNEL

GRADUATE INTERNS
PLACED IN BUSINESS



PERFORMANCE INDICATOR	MEASURE	ACTUAL ACHIEVEMENT 2014/2015	ACTUAL ACHIEVEMENT 2015/2016	ACTUAL ACHIEVEMENT 2016/2017	PLANNED TARGET 2017/2018	ACTUAL ACHIEVEMENT 2017/2018
Establish and support effective governance	Unqualified Audit Report	**Achieved**	**Achieved**	**Achieved**	Unqualified Audit Report for the 2016/2017 financial year	Unqualified and clean audit opinion for the 2016/2017 financial year
COMMENT ON DEVIATIONS		Achieved				

Interfront received a clean audit opinion for the 2016/2017 financial year. This means that in addition to a financially unqualified audit opinion, there were no material findings concerning reporting on performance objectives or non-compliance with legislation.

LOW RISK
QUALIFIED AUDIT REPORT (i.e. POOR GOVERNANCE & CONTROLS)

The measure in achieving an unqualified audit report remains unchanged for the upcoming financial year.

Linking Performance with Budgets

	2016/2017			2017/2018		
OBJECTIVE	BUDGET EXPENDITURE	ACTUAL EXPENDITURE	(OVER)/ UNDER	BUDGET EXPENDITURE	ACTUAL EXPENDITURE	(OVER)/ UNDER
Quality Software Development and Support	108 390 187	75 823 660	31 653 623	96 773 472	87 951 670	8 821 802
Maintain a software development Centre of Excellence	27 097 547	18 955 915	7 913 406	24 193 368	21 987 918	2 205 450

	2016/2017			2017/2018		
SOURCE OF REVENUE	BUDGET	ACTUAL AMOUNT COLLECTED*	(OVER)/UNDER	BUDGET	ACTUAL AMOUNT RECEIVED*	(OVER)/UNDER
SARS	152 663 793	96 164 150	56 499 643	133 942 058	125 548 431	8 393 627
Luxembourg (ADA)	9 600 000	9 927 736	(327 736)	10 745 000	11 292 623	(547 623)

The main variances between the budget and actual or the year under review are a direct result of the smaller average number of staff employed than was originally anticipated. There is a direct correlation between the number of staff and revenue, which is a key cost driver in variable operating costs. Some large IT expenditure was deferred to the new financial year. This did not have an impact on the performance of the company or the key deliverables.

The increase in Luxembourg revenue is the result of a weaker Rand.

Interfront has strong controls in place to ensure accurate and complete revenue collection. Invoices are issued on time and overdue debtors are regularly followed up.

Interfront has strong controls in place to ensure accurate and complete revenue collection. Invoices are issued on time and overdue debtors are regularly followed up.

PART C

Governance

Overview
Executive Authority
Interfront Board
Board Committees
Remuneration Philosophy and Rewards Model
Risk Management
The Combined Assurance Model
Compliance with Laws and Regulations
Ethics Management
ICT Governance
Social Responsibility
Health, Safety and Environmental Issues
Company Secretary

1. OVERVIEW

Good corporate governance is vitally important to the success of any business.

Corporate governance entails a commitment by a company's senior management to adhere to behaviour that is universally recognised and accepted as correct and proper. It embraces the adoption and monitoring of sound, effective systems of internal control, the assessment and management of business risks and the definition and implementation of appropriate business procedures.

In striving to achieve and adhere to these principles, Interfront is furthermore the subject of various legislative requirements encapsulated in enabling legislation, the Companies Act, PFMA, Treasury Regulations and instructions, as well as the principles contained in King IV.

Corporate governance entails a commitment by a company's senior management to adhere to behaviour that is universally recognised and accepted as correct and proper.

Governance Highlights

- Certificate of excellence for a clean audit opinion from the AGSA for the 2016/2017 financial year.
- Appointment of two female non-executive directors to the Interfront Board.
- Appointment of a Company Secretary who is not an executive director.
- Clean audit opinion for the 2017/2018 financial year.

BOARD DEMOGRAPHICS
AS AT 31 MARCH 2018

MALE	4
FEMALE	3
BLACK	57%
EXECUTIVE	3
INDEPENDENT	1
NON EXECUTIVE	3

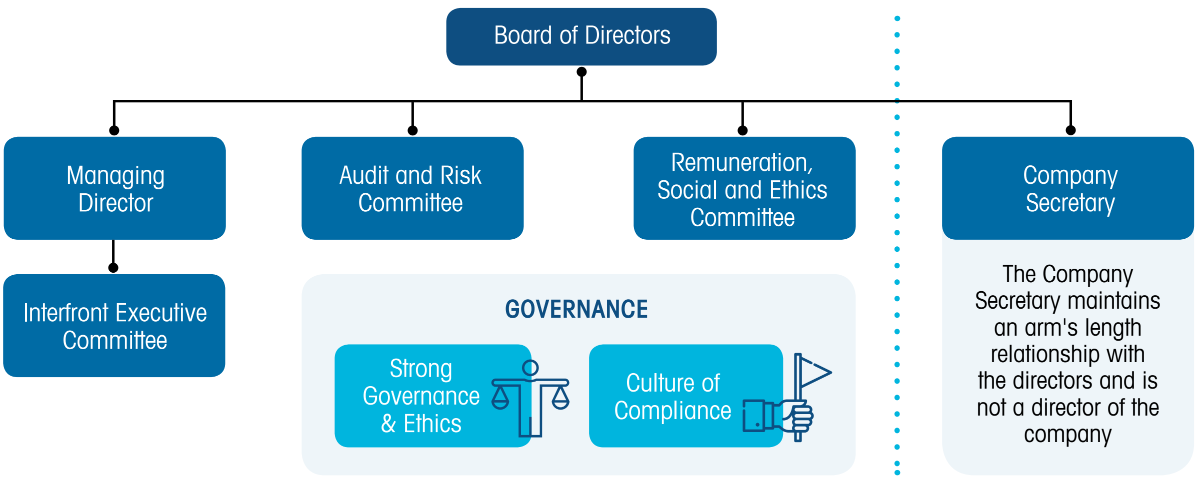
Length of Service (years) as at 31 March 2018

≤ ONE	2 members
THREE	1 member
SIX	4 members

2. EXECUTIVE AUTHORITY

Oversight rests largely on the prescripts of the PFMA, which provides the authority for the Executive Authority to exercise oversight.

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.



3. INTERFRONT BOARD

Composition

Interfront's Memorandum of Incorporation (MOI) provides that the shareholder, by ordinary resolution, shall determine the maximum number of directors it considers appropriate. At the adoption of the MOI it was recorded that Interfront had eight directors.

The appointment of Ms Refiloe Mokoena and Ms Mmamathe Makhekhe-Mokhuane in June 2017 brought legal and additional IT expertise to the Board. The newly appointed members were issued with letters of appointment setting out, inter alia, their duties and responsibilities as non-executive directors and the time commitment required to fulfil their duties as members of the Board or its Committees. An induction session was held on 23 November 2017, where, inter alia, the Interfront strategic plan, budget, financial model, organogram, as well as the terms of reference for the Board and its Committees were tabled and discussed. Their appointments resulted in the representation of females on the Board increasing from one to three.

KING IV PRINCIPLE 7

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The 2017/2018 financial year at Interfront commenced with a Board of six directors and one alternate director. As at 31 March 2018, the Board was comprised of seven directors consisting of an independent, non-executive chairperson, three executive directors and three non-executive directors who were employees of the shareholder.

The non-executive, independent Chairperson and the three executive directors have been the longest serving members of the accounting authority. The 2018/2019 financial year will be the Chairperson's seventh year in office.

The roles of the Chairperson and Managing Director are separate. The role and responsibilities of the Chairperson are contained in the Board's Terms of Reference. No formal agreement is in place as to the number of outside professional appointments the Chairperson can hold as provided for in King IV. However, the Chairperson annually declares the number of outside professional appointments he holds, which is submitted for review by the Board.

The Board Chairperson is a member of the Remuneration, Social and Ethics Committee, but not of the SARS/ Interfront Audit and Risk Committee.

All directors' appointments are sanctioned by the shareholder. It is envisaged that the shareholder will be reviewing the composition of the Interfront Board in the upcoming financial year. This will involve considerations such as the appointment of independent, non-executive directors and a succession plan for the Chairperson of the Interfront Board.

All directors' appointments are sanctioned by the shareholder. It is envisaged that the shareholder will be reviewing the composition of the Interfront Board in the upcoming financial year. ”

The Board Appointments and Delegation of Authority

The Interfront Board, at its meeting of 12 March 2018, resolved to extend the employment contract of the current Managing Director, Mr Graham Randall, until the end of December 2018. This will allow for a smooth transition and handover once a new Managing Director has been appointed.

KING IV PRINCIPLE 10

The governing body should ensure that the appointment of and delegation to management contributes to role clarity and effective exercise of authority and responsibilities.

In July 2017 Ms Madelein Pepperell was appointed as the Company Secretary; she replaced Ms Leilanie Janse van Rensburg, who is also the Financial Director of Interfront. Madelein is a LLB graduate from the University of South Africa and is an Associate Member of the Chartered Secretaries, Southern Africa.

The Board, at its meeting held on 16 May 2017, approved Interfront's amended delegation of authority. The delegation allows for certain matters and powers that are reserved for the board, whilst others are delegated to Interfront's Executive Committee and management as appropriate.

A succession plan was tabled for Board consideration and review at its meeting held on 13 July 2017. The detailed training plan has been established to provide the succession candidates within the Operations Department with training and development so as to allow for a smooth transition, should the need arise.

Due to a number of changes to the composition of the Board and its Committees during the year under review, no formal or self-assessment of the Board, its members or its committees has been undertaken. Once the composition of the Board has been agreed with the shareholder, a formal assessment of its current members will be conducted.

KING IV PRINCIPLE 9

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

Board Responsibilities

The Interfront Board steers and sets the direction, purpose and strategy of Interfront.

The Board approved Interfront's five-year strategic plan at its meeting held on 15 September 2016. The Annual Performance Plan (APP) for the upcoming financial year is tabled annually and before the beginning of the new financial year, for Board approval. The APP contains, inter alia, Interfront's top five risks, as well as the budget and strategic targets, which in some instances are further divided into quarterly targets for the upcoming financial year.

The Board considers quarterly reports on performance against its predetermined objectives as set out in its APP. Interfront's organogram is annually reviewed by Interfront's Executive Committee to determine whether Interfront's establishment can deliver on the targets as set out in its APP. Board approval would be sought if additional resources are required.

Throughout the year financial statements and six month cash flow projections are prepared for Board review and noting. This allows the Board to assess Interfront's general viability, solvency and liquidity and status as a going concern.

The Board is also responsible for setting and approving the performance targets of the executive directors and assessing their performance on an annual basis.

LOW RISK

GOING CONCERN/ CASH FLOW INADEQUATE

KING IV PRINCIPLE 4

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

Board's Terms of Reference

The Board operates in terms of formal terms of reference, which are periodically reviewed. The said terms of reference set out, inter alia, the Board's:

- role and responsibilities;
- proceedings of meetings;
- the number of meetings to be conducted annually;
- the right of access by members;
- timelines with regard to the distribution of documents and minutes; and
- the protocol to be followed in obtaining professional advice.

KING IV PRINCIPLE 6

The governing body should serve as the focal point and custodian of the corporate governance in the organisation.

Interfront Board

Mustaq Enus-Brey (64)

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

Mustaq is a founder member and CEO of Brimstone Investment Corporation Ltd. 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) and Brainfin Financial Services (Pty) Ltd.

Refiloe Makoena (55)

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

Refiloe has a Bachelor of Laws (B.Juris) from the University of Zululand and a Bachelor of Laws (LLB) from the University of KwaZulu Natal.
Refiloe started her career as an attorney in 1990 and worked as an attorney and partner in law firms until she was appointed as the Executive: Corporate Compliance and Regulatory at Telkom Pty Ltd in 2008. Between April 2015 and January 2016 she worked as an Acting Judge of the High Court in Bloemfontein and Johannesburg.
She is a professional member inter alia, of the South African Women Lawyers Association and served in regulatory roles at ICASA and the Broadcasting Complaints Committee of South Africa. At Telkom she established a Compliance and Ethics office. She is currently employed as the Chief Officer: Legal Counsel in SARS.

Mmamathe Makhekhe-Mokhuane (51)

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

Mmamathe has several Information Technology diplomas from a number of Institutions as well as a MBA from the University of North West.
Mmamathe is a seasoned information technology specialist. She started her career as a computer specialist in 1992 and progressed to the role of Director: Networks in the Department of Finance and later became Chief Information Officer of several institutions like the Department of Transport, Department of Communication and the Department of Water and Sanitation. She holds several professional memberships and was appointed by the Minister of Public Service and Administration in consultation with Cabinet as a non-executive member to the Board of Directors of the State Information Technology Agency for a period of three years. She is currently employed by SARS as the Chief Officer: Digital Information Services and Technology.

> The Interfront Board steers and sets the direction, purpose and strategy of Interfront. ”

Graham Randall (66)

Managing Director

Graham qualified as a Chartered Accountant and has 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, inter alia, of the finance portfolio in government and the international audit portfolio, which included the audits of the UN, WHO and UNIDO.

John Robertson (58)

Executive Director – Operations

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.

Leilanie Janse van Rensburg (36)

Executive Director – Finance

Leilanie qualified as a Chartered Accountant in 2008 and has private and public sector experience in accounting and auditing. She has managed various audits including SARS and the Land Bank as well as gaining valuable experience in the public sector. She was appointed to the Interfront Board in October 2011.

Jonas Makwakwa (49)

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

Jonas' qualifications include a BCom Accounting degree and a diploma in Business Management. He also completed the Global Executive Development Programme through 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. Jonas left the services of SARS on 14 March 2018.

4. BOARD COMMITTEES

The terms of reference of the Board committees are reviewed and approved by the Interfront Board. Each Committee's terms of reference contain, inter alia, its purpose and responsibilities, the number of meetings to be conducted annually, its composition, attendance of meetings by permanent invitees or ad-hoc members and voting rights assigned to members and invitees.

KING IV PRINCIPLE 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgment and assist with balance of powers and effective discharge of its duties.

Audit and Risk Committee

The Interfront Audit Committee has been combined with the SARS Audit and Risk Committee as provided for in Treasury Regulations and the Companies Act. This allows for independent oversight.

None of the members of the Audit and Risk Committee are directors of Interfront and are therefore independent. The Audit and Risk Committee as a whole has the necessary financial literacy, skills and experience to discharge its duties effectively and efficiently. The members of the internal audit function attend all committee meetings and the AGSA presents its reports on completion.

Interfront's financial statements are reviewed by the Audit and Risk Committee and approved by the Board. The Interfront Risk Register is tabled at every committee meeting, as is a report on progress made with regard to mitigating actions.

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 he Report of the Audit and Risk Committee

Remuneration, Social and Ethics Committee

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. Following the resignation of Mr Matsobane Matlwa and the suspension of Mr Jonas Makwakwa by SARS, the Committee was reduced to one member. A quorum could not be established and as a result, only one meeting was conducted for the year under review. However, the Board assumed full responsibility for the functions of the Remuneration, Social and Ethics Committee during the time that the said Committee was not functional.

The Board at its meeting of 13 July 2017, appointed Ms Refiloe Mokoena as Chairperson of the Remuneration, Social and Ethics Committee and Ms Mmamathe Makhekhe-Mokhuane as a member. The first meeting of the newly constituted Remuneration, Social and Ethics Committee was held on 12 March 2018.

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The Chairperson of the Board is a member of the Remuneration, Social and Ethics Committee and the sole independent, non-executive director. The remaining members and the Chairperson of the Committee are non-executive directors. The executive directors, as well as Interfront's Executive: Talent are all permanently invited to attend committee meetings.

Interfront Executive Committee

The Interfront Executive Committee comprises the Operations Director, Financial Director, and Executive: Talent, as well as the Executive: Relationship Management under the Chairmanship of the Managing Director.

The terms of reference provide that the Committee meet on a monthly basis; it is responsible for the implementation of Interfront's strategy and APP, taking key business decisions as well as carrying out the day-to-day management.

The Committee sets company-wide policies and procedures, reviews the financial viability of the entity and deals with operational matters requiring its attention.

Interfront Executive Committee

> Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.
>
> *(Sir Adrian Cadbury, UK, Commission Report: Corporate Governance 1992)*

Board and Statutory Committee Meeting Attendance

NAME	DATE APPOINTED/ RESIGNED	BOARD		REMUNERATION, SOCIAL AND ETHICS COMMITTEE		AUDIT AND RISK COMMITTEE
		No. attended	No. of meetings	No. attended	No. of meetings	
Mustaq Enus-Brey	18 Oct 2011	5	5	1	1	See Audit and Risk Committee Report
Refiloe Mokoena	29 June 2017	4	5	1	1	
Mmamathe Makhekhe-Mokhuane	29 June 2017	4	5	1	1	
Graham Randall	1 June 2011	5	5	1*	1	
John Robertson	1 Sep 2011	5	5	1*	1	
Leilanie Janse van Rensburg	1 Oct 2011	5	5	1*	1	
Matsobane Matlwa	6 Feb. 2015 **Resigned** 26 Aug 2017	2	5	0	1	
Tau Mashigo	17 Oct 2016 **Resigned** 4 July 2017	1	5	n/a	n/a	
Jonas Makwakwa	6 Feb 2015	3	5	0	1	

*attended the meeting as a permanent invitee

5. REMUNERATION PHILOSOPHY AND REWARDS MODEL

Interfront's Rewards Policy provides for remuneration programmes that are clear and transparent, designed and administered to align employees' interests with those of all stakeholders and ensure the company's short and long-term success. It is the stated objective of Interfront to provide a level of remuneration which attracts and retains employees of the highest calibre. The aim of the overall philosophy is to ensure that employees are fairly rewarded for their individual contribution to the company's operating and financial performance in line with its strategic and business objectives.

The policy further provides that all remuneration policy directives and practices will be free from unfair discrimination based on race, gender, pregnancy, marital status, family responsibility, ethnicity or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture and language. However, fair distinction based on skills, performance and scarcity factors is applied.

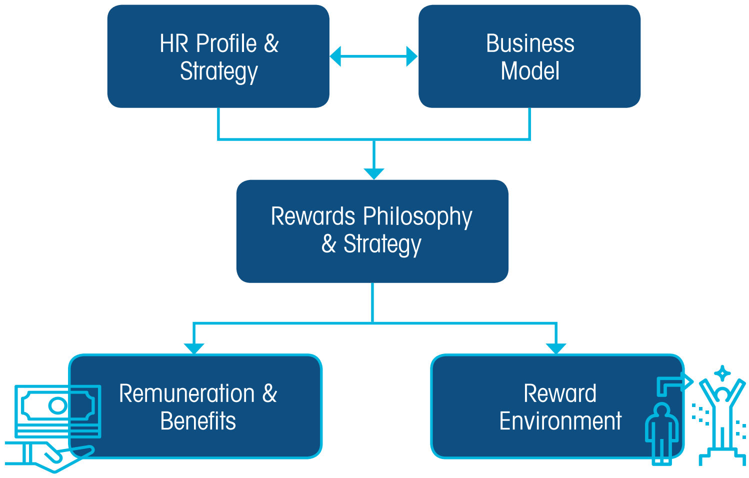
The Interfront Board directed that Interfront's annual bonus payments, increases and positioning are substantially aligned with those of SARS. Annually, salary increases for staff graded 6 and below are aligned with those of the SARS Bargaining Unit employees, effective 1 April. The increases of staff graded 7 and higher are payable on 1 July annually and the percentages are determined by the Minister of Finance for SARS Non-Bargaining Unit employees.

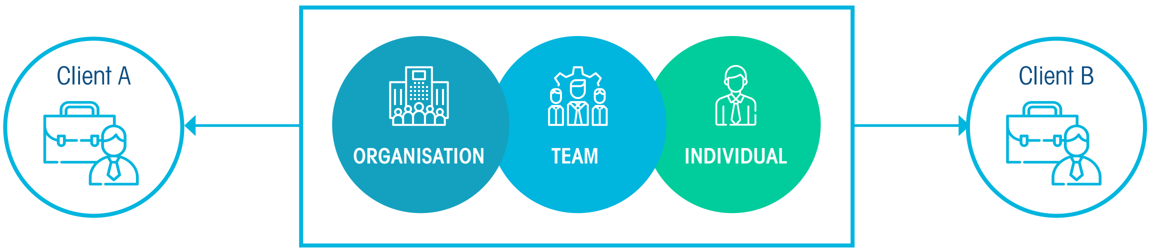
KING IV PRINCIPLE 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term.

The annual positioning adjustment of 1% of the salary cost usually takes place during the second or third quarter of the financial year. A market sample is used to determine which Interfront employees are remunerated below the market and outside of Interfront's remuneration philosophy. The positioning adjustment is then applied to promote alignment.

The Reward Model set out below depicts the elements that constitute Interfront's approach and how they relate to each other.





FIXED	VARIABLE	ORGANISATION	TEAM	INDIVIDUAL
Salary	Short Term Incentives	Purpose	Relationships	Meaningful Work, Role Clarity
Pension, Medical, etc.		Character	Synergy	Employee Relations and Well-being
		Reputation		Technical Challenges and Career Growth
Other Leave, etc.		Company Achievements	Support	Recognition and Fair Rewards

PERFORMANCE MANAGEMENT

TALENT DEVELOPMENT

TALENT ACQUISITION: SELECTION AND ON-BOARDING

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	2017/18	
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, is remunerated both as Chairperson and as a member of a Board sub-committee.

The remuneration paid to the executive directors and to the independent, non-executive director is set out in Part E: Financial Information. No fees or remuneration 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

KING IV PRINCIPLE 11

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

In order for Interfront to achieve its strategic 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 RISK IDENTIFICATION AND REVIEW PROGRESS

Context Setting and Risk Identification

Risks that would impact the achievement of Interfront strategic goals are identified and defined per department by the responsible line manager. The risks may be internal or external.

Risk Analysis and Evaluation

Risks are assessed and rated based on likelihood and impact by Interfront's Executive Committee with the assistance of management representatives as set out in Interfront's Risk Management Policy.

Risk Response

Risks are reviewed and the treatment that would reduce the risks to an acceptable level is agreed and approved. Management may decide to avoid a risk by eliminating it through preventative measures or manage the risks by implementing policies and processes to mitigate the risk.

Risk Reporting and Monitoring

The Audit and Risk Committee, SARS Enterprise Risk Management Committee and the Interfront Board are periodically updated on management's assessment of existing risks, risks reponse and mitigating actions employed to mitigate the risks.

At the inception of the 2017/2018 financial year, Interfront assessed its risk and included details in its APP. At the time, the highest risk was that Interfront's delivery on NCAP could be considered inadequate or unsuccessful by SARS; with the second highest risk being the loss of key staff, staff retention and the appointment rate of staff not meeting project demand.

During the second quarter of the 2017/2018 financial year, with the high turnover in staff and difficulty in replacing them with experienced staff, a new risk that ranked third on our risk register was added: the appointment rate of experienced staff not meeting project demands.

In the last quarter of the 2017/2018 financial year, the newly identified risk, i.e. the appointment rate of experienced staff not meeting project demands together with the risk stemming from loss of key staff /staff non-retention, became our highest risk with a residual rating of sixteen in both instances. The high rate of staff turnover and the difficulty of replacing them with experienced staff resulted in Interfront not achieving two of its strategic objectives for the 2017/2018 financial year: growing the staff complement by ten and achieving a staff turnover of less than 14%.

The high rate of staff turnover and the difficulty of replacing them with experienced staff resulted in Interfront not achieving two of its strategic objectives for the 2017/2018 financial year: growing the staff complement by ten and achieving a staff turnover of less than 14%. ”

Top Five Risks as at 31 March 2018

RISK	RISK TYPE	LINK TO STRATEGY
Appointment rate of experienced staff not meeting SARS' project demands	**Internal - People Risk** Risk associated with the inherent human frailties, inadequacies in human capital and management of human resources, policies and processes resulting in the inability to attract, recruit, manage, motivate, develop and retain competent resources, negatively impacting objectives.	Maintain a Software Development Centre of Excellence
Loss of key staff / staff retention.	**Internal - People Risk** Risk associated with the inherent human frailties, inadequacies in human capital and management of human resources, policies and processes resulting in the inability to attract, recruit, manage, motivate, develop and retain competent resources negatively impacting objectives.	Maintain a Software Development Centre of Excellence
Delivery on NCAP considered inadequate or unsuccessful	**Internal - Operational Risk** Failure to execute and deliver on business strategic objectives	Quality Software Development and Support
Inadequate business recovery/continuity in case of disaster	**Internal Risk - Strategic Execution Risk / Operational Risk** Failure to execute and deliver on business strategic objectives.	Quality Software Development and Support
Successful penetration of company network and servers by cyber criminals	**Internal - Information Technology Risk** Potential loss arising from defects in technology, loss of service, data loss and theft, illegal or unauthorised access to data and/or use of technology.	Quality Software Development and Support

In order to enhance our risk management processes Interfront developed a Risk Management Governance Framework and Enterprise Risk Management Methodology that will be adopted and implemented during the 2018/2019 financial year.

7. THE COMBINED ASSURANCE MODEL

The King III report on corporate governance introduced the combined assurance model as a recommended governance practice. King IV expanded on this concept but does not prescribe the design of the model, thus making allowance for the governing body to exercise its own judgment in this regard.

The Interfront combined assurance model consists of the following elements:

1 **1st Line of Defence** Interfront Management Oversight	2 **2nd Line of Defence** Management of risk and compliance. Interfront Board and Board Committees
3 **3rd Line of Defence** Internal Audit	4 **4th Line of Defence** Independent External Assurance

The Board recognises its responsibilities to ensure effective and adequate internal controls and therefore appointed SARS' Internal Audit to provide assurance in this regard. A representative of Internal Audit attends all of the Audit and Risk Committee meetings and tables the Interfront internal audit plan, as well as the final internal audit report for the Committee's review and input.

The members of Internal Audit reviewed and provided the Interfront Board and the Audit and Risk Committee with an opinion on the internal controls around and within Interfront processes.

As provided for in the PFMA, the Auditor-General of South Africa is the independent external assurance provider whose report is included in Part E: Financial Information, of this report. The AGSA meets with the Audit and Risk Committee to present its audit plan, as well as to present their findings once the audit has been concluded.

In line with the Interfront commitment to maintaining and promoting good governance, an unqualified audit opinion is annually included as one of Interfront's performance measures. With the exception of one year, Interfront has not only received an unqualified audit opinion but indeed a clean audit opinion since its incorporation.

KING IV PRINCIPLE 15

The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports.

LOW RISK
QUALIFIED AUDIT REPORT (i.e. POOR GOVERNANCE & CONTROLS)

Refer to Part E
for the Auditor-General report

8. COMPLIANCE WITH LAWS AND REGULATIONS

Historically, compliance with the Companies Act, PFMA, Treasury regulations, procurement guidelines and instructions, as well as the King Reports were measured by means of compliance checklists.

However, a Compliance Management Framework was drafted towards the end of the 2017/2018 financial year and is currently being reviewed and updated to provide for more formalised and managed monitoring. The plan contains an annual compliance plan, a compliance risk assessment and a monitoring plan to provide for a more formalised and staggered approach to compliance monitoring.

KING IV PRINCIPLE 13

The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in such a way that it supports the organisation being ethical and a good corporate citizen.

LOW RISK

NON-COMPLIANCE WITH COMPANY RELATED LEGISLATION AND REGULATIONS AND REGULAR CHANGES THERETO

9. ETHICS MANAGEMENT

Fraud and Corruption

Interfront adopted a Fraud Prevention Policy in conjunction with a Fraud Prevention Strategy, which provides for, inter alia, the detecting and investigating of corruption, maladministration and/or fraud. In addition the Supply Chain Management hotline and a Whistleblowing Policy were adopted in November 2017.

In the financial year under review, Interfront's internal controls have not identified any incidents or matters relating to fraud, corruption, maladministration or bribery that must be reported to the accounting authority, the AGSA, the National Treasury, or that require disclosure in this report; neither have we become aware by any other means, of such issues:

- No incidents of fraud, corruption of maladministration were reported as provided for in the Fraud Prevention Strategy.
- No incidents were reported on the SCM hotline.
- No incidents were reported as provided for in Interfront's Whistleblowing Policy.
- None were identified by internal or external audit.

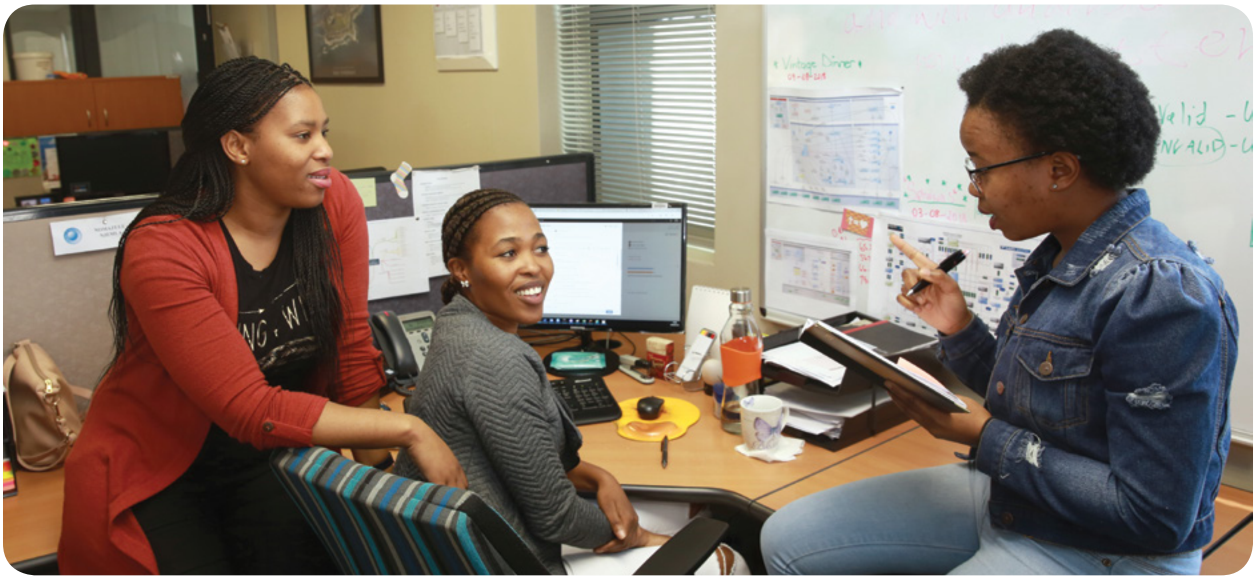
Procurement deviations, as well as all tenders awarded by Interfront are tabled for Board review.

KING IV PRINCIPLE 2

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

LOW RISK

FRAUD OCCURS IN THE COMPANY



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.

Interfront requires that all employees annually declare their private interests. The declaration extends to the interests of their partners, spouses and dependent children.

The declarations are reviewed to determine if a possible conflict exists and any such conflict is reported to Interfront's Executive Committee. If a possible conflict of interest is identified, the Interfront employee is engaged in order to explain the circumstances related to the possible conflict.

All interests declared by staff were tabled for Board review and a copy thereof provided to Interfront's Procurement Department.

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

KING IV PRINCIPLE 1
The governing body should lead ethically and effectively.

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 of this report. Prospective employees are emailed a copy of Interfront's Code of Conduct together with the Conditions of Service Policy and are required to acknowledge receipt and their understanding of the content thereof, before commencing duties at Interfront.

Value workshops are conducted with new employees to ensure that they understand and uphold Interfront values.

Interfront bases its organisational relationships, business processes and conduct on these values. The Code of Conduct makes provision for disciplinary action to be instituted against employees should the code be breached.

LOW RISK
COMPANY CONFIDENTIALITY IS BREACHED BY EMPLOYEES OR ASSOCIATES

Refer to Part A
for Interfront's values

10. ICT GOVERNANCE

The Interfront ICT Department remains dedicated to the implementation of proven standards and best practices as prescribed in the ICT governance charter. The ICT team also continuously strives to improve its existing practices relating to ICT compliance and risk mitigation.

The Interfront Information Systems Management Committee (ISMC) has been instrumental in providing support for the managing of information security risks as well as reviewing security controls. The ISMC was key in facilitating compliance when third party vendors were included in the ICT landscape.

Software license compliance reviews are conducted by Interfront and remedial action is taken where required. Interfront also completed a license audit initiated by a major software vendor. Confirmation was received that Interfront had deployed all installed software in accordance with the vendors prescribed terms and conditions. A second license review, which commenced early in 2018, by another major software vendor, is currently in its final stages.

Since Interfront encourages a culture of compliance, two members of the ICT team attended an annual IT Governance, Risk and Compliance (GRC) conference where some key insights were workshopped. IT GRC professionals from various industries presented current trends, as well as legal developments and changes taking place both locally and abroad, relating to the IT GRC landscape. Industry challenges and legal updates with regard to ICT GRC were shared with Interfront's Executive Committee.

Interfront is currently reassessing its IT law compliance posture to ensure it complies with provisions relating to data privacy/protection of personal information that are currently in the global spotlight.

LOW RISK
USE OF UNLICENSED SOFTWARE

KING IV PRINCIPLE 12

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

ICT Governance: the year under review

The Interfront ICT department has successfully upgraded the perimeter network security capabilities with the implementation of next generation firewall technologies to further improve quality of service, security and reliability. Keeping ahead of security threats is always challenging because cybersecurity threats evolve as rapidly as the internet grows. Attacks are becoming more sophisticated with businesses falling victim to well-coordinated attacks, such as ransomware.

Interfront has raised awareness amongst the staff with regard to cyber security threats as it understands the important role staff play in its cyber security strategy.

In addition, security on the internal network infrastructure is also subject to ongoing review and improvements. The threat of cybercrime, as well as a working disaster recovery and business continuity plan, are included in our Risk Register, while ongoing monitoring and improvements are reported on for review by the Audit and Risk Committee, as well as the Interfront Board.

MEDIUM RISK
SUCCESSFUL PENETRATION OF COMPANY NETWORK AND SERVERS BY CYBER CRIMINALS

MEDIUM RISK
INADEQUATE BUSINESS RECOVERY/ CONTINUITY IN CASE OF DISASTER

11. SOCIAL RESPONSIBILITY

Computers that are written off in terms of Interfront's Tangible Asset Management Policy by Interfront's ICT Department are donated to educational institutions. The hard drives of these computers are replaced at Interfront's cost.

Interfront's Social Committee drives initiatives such as Slipper Day in aid of the Reach for a Dream Foundation; these initiatives are well supported by staff. With the continued drought in the Western Cape, changes were effected to our facilities to reduce water usage and create awareness in this regard.

KING IV PRINCIPLE 3

Ensure that the organisation is and is seen to be a responsible corporate citizen.

12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

Interfront's Health and Safety Committee was established to ensure that Interfront complies with its moral and legal obligation to safeguard and protect its staff and visitors against injury or diseases 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 provisions of the Occupational Health and Safety Act;
- Interfront's safety, health and environmental performance are continually improved;
- dialogue is promoted with stakeholders about safety, health and environmental performance; and
- Interfront takes a proactive stance on environmental matters.

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

The Health and Safety Committee publishes newsletters with the focus on health and safety matters that may affect employees. During the 2017/2018 financial year, a great deal of focus was placed on the Listeriosis outbreak.

LOW RISK

BREACH IN BUILDING SECURITY, LOSS OF PHYSICAL ASSETS

Health & Safety Committee

13. COMPANY SECRETARY

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

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

Declaration by the Company Secretary

I, the undersigned Madelein Pepperell, 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 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.

M. Pepperell
Company Secretary

PART D

Human Capital Management

1. OVERVIEW

At the heart of the Interfront business proposition and its engagement with all its stakeholders lies the intellectual property (IP) and the creativity vested in its talent pool. Hence, the reader will be aware that reporting on this aspect is to be found in every part of this annual report in the content to which it relates.

By way of summarising, the needs of a technically diverse, but closely knit team whose members are focused on the long term development and support of complex projects, requires an environment carefully framed to suit its needs. Continuity and corporate memory need to be balanced with the individual growth and aspirations of staff.

Interfront has succeeded in providing for largely uninterrupted continuity amongst senior staff, together with a stable and stimulating environment for all its people. The extent to which this identity can be preserved and nurtured may well be a determining factor in the future success of the company and the stability of its products.

While a read of the annual report as a whole will be needed to gain an informed perspective of all the personnel challenges Interfront has faced together with its responses, this part serves to summarise some of the highlights and to communicate the important employment equity, employee development and statistical information not already included elsewhere. The highlights include the following:

- An employee wellness programme was launched.
- Interfront has maintained and retained a stable senior management team.
- Interfront reached its targets with both the bursary and the graduate internship programmes.
- A new technical graduate internship programme was implemented.
- A new improved group on-boarding programme was implemented.
- Internal opportunities for promotion and personal growth have been created.
- Internal study assistance has been encouraged and the number of participants making use of study assistance has increased from 7 to 17, from the 2017 to the 2018 academic year.
- A Training and Development Committee was established.
- A diverse senior management team with 72.7% EE representation is in place.

At the heart of the Interfront business proposition and its engagement with all its stakeholders lies the intellectual property (IP) and the creativity vested in its talent pool.

Training and Development Committee

2. BURSARY PROGRAMME

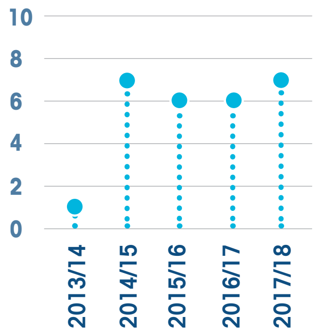
Interfront has established a long term initiative to create a future pipeline through bursaries offered to students pursuing a career in IT. The programme selects students at tertiary institutions studying towards a degree/diploma in information technology. On successful completion of their studies, the students are accepted onto a graduate internship programme. For the past four years, this process has been successful and has given preference to students from the designated groups. The table below records the steady growth made in the past four years.

INTERFRONT BURSARS			
2014/15	2015/16	2016/17	2017/18
3	5	7	7

3. GRADUATE INTERNSHIP PROGRAMME

Successful Interfront bursars are augmented with additional IT graduates to participate in a one year graduate internship programme. This is intended to develop students from intern through various stages to prepare them for appointment into junior level positions. Depending on the needs of the company and the availability of suitable posts, graduate interns are then placed within the Operations Division or may become available to the broader IT industry. The programme provides for structured practical exposure to the various IT disciplines, focusing on the critical IT skills needed by the company

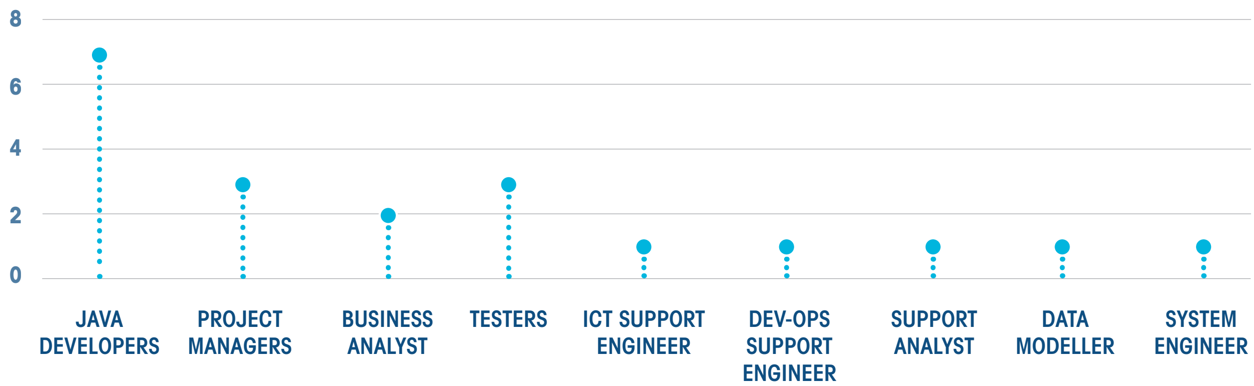
GRADUATE INTERNS **PLACED IN BUSINESS**



Graduate Internship Programme Successes

Since the 2014/15 financial year, a total of twenty seven graduates have been contracted. Seven are currently still engaged in the graduate programme which lasts until January 2019, whilst the remaining twenty have all been placed in the business as follows:

POSITIONS FILLED BY **GRADUATE INTERNS**



Some of these juniors have already grown to mid-level positions and are all making a valuable contribution to the company.

The Interfront graduate internship programme has proven to be of great benefit to the participants. While developing scarce skills for the IT industry, it has also shaped the careers of these millennials and added value to the economy of the country.

Interfront graduate internship programme participants

Interfront bursars

4. HUMAN CAPITAL OBJECTIVES

Transformation and Employment Equity

The Human Capital Department in conjunction with the Employment Equity Consultative Forum (EECF) have been the driving force in creating an environment that is diverse and inclusive while generating equal opportunities for all, through the elimination of unfair discrimination in the workplace. Consultation with the EECF has facilitated the development and maintenance of the following Employment Equity Act (EEA) compliance documents, which comprehensively set out the company numerical goals and targets:

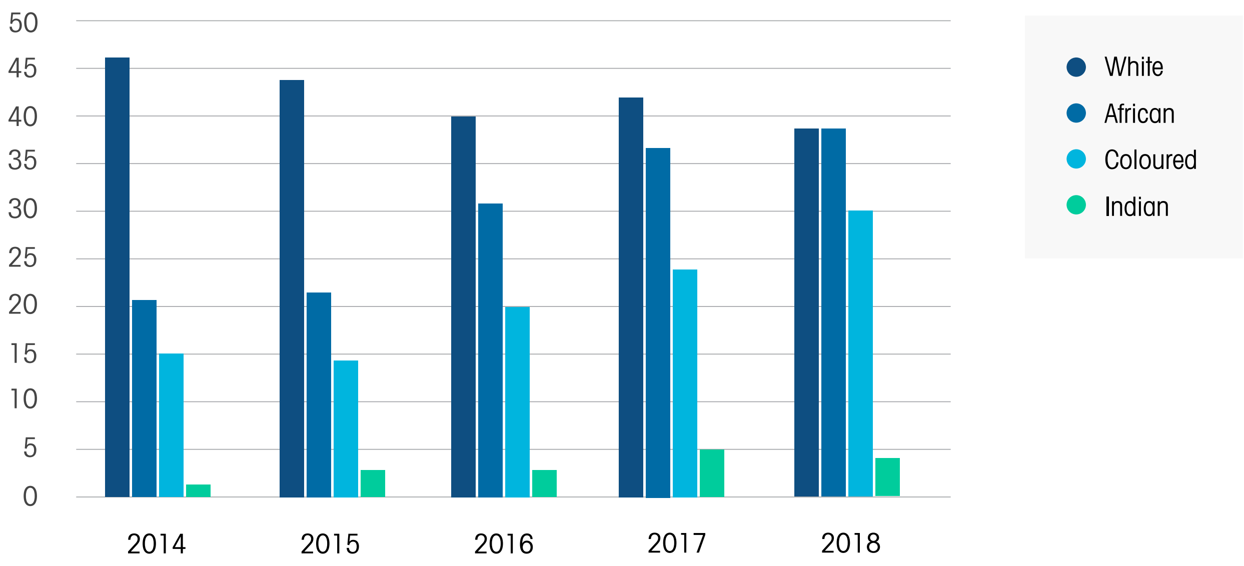
Building a diverse workforce within our staff is a key priority. ”

- Interfront employment equity five year plan with numerical goals and targets;
- barrier analysis;
- analysis of the workforce profile according to occupational categories;
- workforce profile analysis and consultation; and
- annual employment equity report.

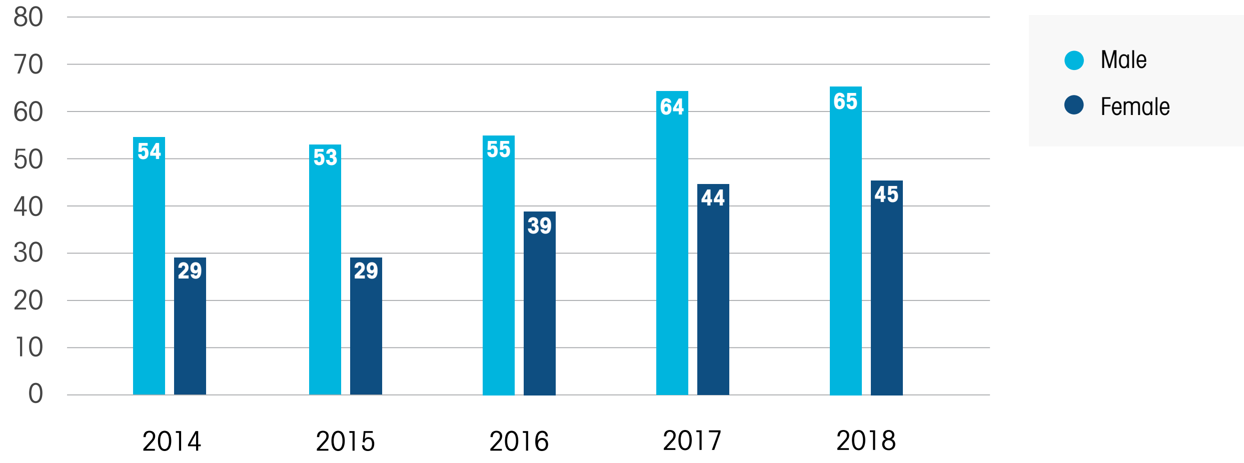
Employment Equity Growth

Building a diverse workforce within our staff is a key priority. During the year under review, a milestone was reached when we achieved our target in the management occupational category. Out of eleven senior managers, eight are now from the designated groups. This can be partly attributed to internal development and promotion. The most pressing current challenge is attracting female employees, although this is a general trend in the IT sector.

Five Year EE Growth Comparison



Five Year Gender Comparison



5. REMUNERATION

Analysis of the exit interviews over the last five years has consistently demonstrated that Interfront salaries and benefits are on a par with the market, since none of the exiting employees have raised this as a concern. This is attributed to the wages and salary benchmark and the salary positioning exercises we conduct annually. The remuneration report in Part C: Governance, provides further detail with regard to our remuneration principles.

Refer to Part C
for further detail with regard to our remuneration principles.

OCCUPATIONAL LEVEL	PERFORMANCE REWARDS (R)	PERSONNEL EXPENDITURE (R)	% PERFORMANCE REWARDS TO TOTAL PERSONNEL COST
Top Management	1 093 889	71 032 670	1.54%
Senior Management	1 229 009		1.73%
Professional Qualified	2 412 795		3.40%
Skilled Technical	928 310		1.31%
Semi-Skilled	27 139		0.04%
Unskilled	10 160		0.01%
TOTAL	5 701 302		8.03%

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)
2017/18	109 939 588	75 446 654	68.63%	110.4	683 394
2016/17	94 779 575	68 340 468	79.2%	103.8	658 386
2015/16	82 524 346	63 575 859	77%	90.8	700 175
2014/15	70 033 351	53 027 764	75.7%	80.7	657 097
2013/14	63 332 987	48 187 997	76.1%	77	625 818

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

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	7 175 330	10.1%	3.3	2 174 342
Senior Management	10 675 179	15.03%	10.1	1 056 948
Professional Qualified	31 889 533	44.89%	37.8	843 638
Skilled Technical	20 089 878	28.28%	52.3	384 128
Semi-Skilled	916 119	1.29%	4.1	223 444
Unskilled	286 631	0.40%	2.8	102 368
TOTAL	71 032 670	100%	110.4	643 412

Senior vacancies have recently been reduced from sixteen to six.

6. TRAINING COSTS

Training and development is a key pillar of our retention strategy and has accounted for expenditure of more than one million Rands in the 2017/18 financial year. To solidify our commitment to training and development, a Training and Development Committee has been established to streamline training and development practices and policies. A training and development strategy which governs all types of training and development was also established. The training plan encompasses the following:

- Company-driven training and development initiatives.
- Formal studies at tertiary institutions whereby the employees are encouraged and financially supported to further their studies in line with company objectives.
- Training emanating from personal development plans as needs identified through the performance management system.

> To solidify our commitment to training and development, a Training and Development Committee has been established to streamline training and development practices and policies. ”

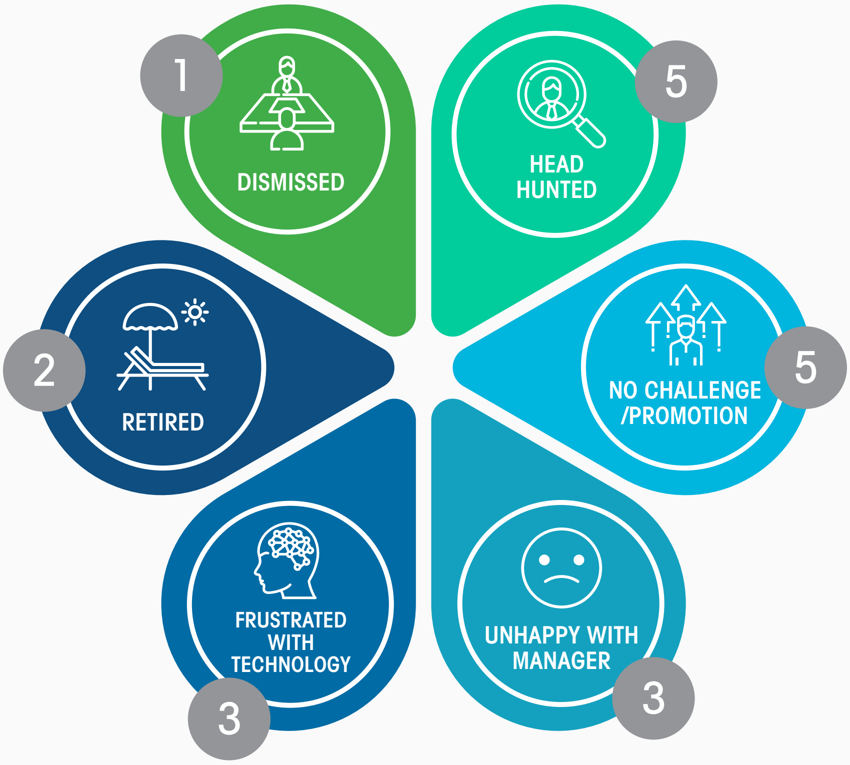
In order to maintain a competitive edge in the marketplace, it is imperative that we invest in the training and development of our employees. We focus on providing training to our employees in line with the requirements of their present jobs as well as developing skills for their future roles and responsibilities. Below is a table indicating the training and development spend.

BUSINESS UNIT	PERSONNEL EXPENDITURE (R)	TRAINING EXPENDITURE (R)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO. OF EMPLOYEES AT END YEAR
Staff Training		445 800	0.63%	110
Bursaries		519 686	0.73%	8
Graduate Interns		101 874	0.14%	7
Interfront Professional Membership		18 582	0.03%	4
Staff Formal Study Assistance		494 686	0.7%	12
GRAND TOTAL	71 032 670	1 580 627	2.23%	

Reasons provided for natural attrition

For the year under review, staff turnover has been volatile. An analysis of the exit interviews has provided the following feedback.

BROAD REASONS FOR LEAVING



EE Consultative Forum

PART E

Financial Information

Statement of Responsibility for the Annual Financial Statements
Report by the Board of Directors
Report of the Audit & Risk Committee
Financial Report
Audit Report
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.

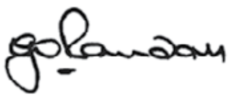
The Board is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

In my opinion, the financial statements fairly reflect the operations of Interfront for the financial year ended 31 March 2018.

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

The 2017/2018 annual financial statements for the year ended 31 March 2018 have been audited by the external auditors and their report is presented on page 70.

The annual financial statements of Interfront set out on pages 75 to 99 have been approved.



Graham Randall
Managing Director
31 July 2018

Mustaq Enus-Brey
Chairperson of the Board
31 July 2018

The Interfront Board

2. REPORT BY THE BOARD OF DIRECTORS

The Board herewith submits its report for the year ended 31 March 2018.

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 activities:

(1) to hold, invest in and develop customs and border management software solutions for use by border control and revenue agencies around the globe; and

(2) 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 R23 172 276 (2017: R10 367 271), after taxation of R9 902 180 (2017: R4 985 601).

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.

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.

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 2018 and the results of its operations and cash flow information for the year then ended.

> 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.

Subsequent Events

The Board is not aware of any matter or circumstance arising since the end of the financial year that materially impacted on 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 79 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's loan that has no fixed term of repayment.

Distributions to Owners

No dividends were declared or paid during the year. Interfront made a repayment of R40 million on the shareholder's loan.

Board

Details of the Board members can be found under Part C: Governance on pages 34 - 37.

Refer to Part C
for details of the
Board members

Secretary

Ms Madelein Pepperell was appointed as the Company Secretary on 13 July 2017. This role was previously filled by the Financial Director, Ms LL Janse van Rensburg. The change enhanced the company's governance and is in line with King IV recommendations.

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. The entity confirms and acknowledges its responsibility for compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2016. The board discuss management's responsibilities in this respect and monitor the entity's compliance with the Code. The salient features of the entity's adoption of the Code can be found under the Governance section of this report.

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.

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 the Code). 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.

Other

Non-executive directors have access to all members of management of the entity. Details of the board members and their meeting attendance are disclosed in the Governance section of this report.

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.

Staff representatives of the Staff Management Forum

3. REPORT OF THE AUDIT & RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2018. The Audit and Risk Committee is required to report on, amongst others, the effectiveness of the internal controls, the evaluation of the internal audit function, as well as its evaluation of the annual financial statements.

> The composition of the Audit and Risk Committee members is such that all the requirements of the terms of reference are met in terms of financial literacy and independence.

Audit and Risk Committee Members and Attendance

The composition of the Audit and Risk Committee members is such that all the requirements of the terms of reference are met in terms of financial literacy and independence. The Audit and Risk Committee consisted of four external members for the period April 2017 to October 2017. Ms Nonkululeko Gobodo resigned on 31 October 2017. For the period November 2017 to March 2018 the Audit and Risk Committee consisted of three external members.

AUDIT COMMITTEE MEMBERS	MEETING DATES			
	26 MAY 2017	28 JULY 2017	02 NOV 2017	24 NOV 2017
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 & NABA) Certificate of Mediator Accreditation (Conflict Dynamics)	✓	✓	✓	✓
Mmakgolo Meta Maponya: B Com Accounting (Wits) B Com Honours (UKZN) Chartered Accountant (SA) Financial Services Board Regulatory Examinations: RE1, RE3, RE5	✗	✓	✓	✗
Thabiso Gerald Ramasike: B Comm (UJ) CAIB (SA) – (Institute of Bankers of SA) Global International Executive Development Programme – (Rotmann School of Management, Canada)	✓	✓	✓	✓
Nonkululeko Gobodo: B Compt (UNISA) Chartered Accountant (SA)	✓	✓	Resigned on 1 November 2017	

Audit and Risk Committee Responsibilities

The Audit and Risk Committee reports that it has complied with its responsibilities arising from the PFMA and Treasury Regulations. The Committee has regulated its affairs in compliance with its Terms of Reference and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

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

In line with the PFMA and the King IV Report on Corporate Governance, the Internal Audit function provided the 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 of the controls and processes.

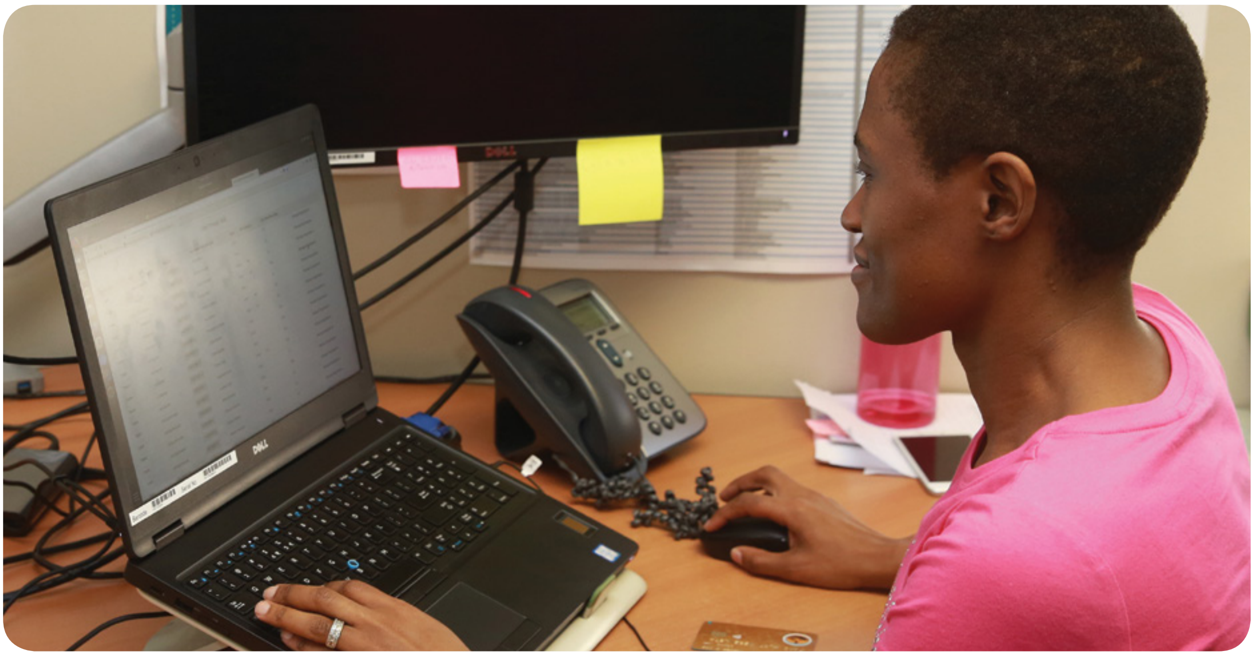
In line with the PFMA and the King IV Report on Corporate Governance, the Internal Audit function provided the Committee and management with assurance that the internal controls are appropriate and effective. ”

Internal Audit Function

The Committee is satisfied that Internal Audit has properly discharged its functions and responsibilities in the year under review. The capacity of Internal Audit has been enhanced through the restructuring of the Internal Audit department by the employment of additional personnel.

Enterprise Risk Management (ERM)

The Audit and Risk Committee is satisfied with the scope and direction taken by management to ensure the development and implementation of an appropriate risk management approach, consistent with needs and aspirations of the organisation and designed to strengthen decision making capabilities at all levels of the organisation.



Evaluation of Financial Statements

The Audit and Risk Committee has:

a) reviewed and discussed the audited Annual Financial Statements to be included in the annual report with the Auditor-General for approval by the Accounting Authority;

b) reviewed the Auditor-General's management letters and management's responses thereto;

c) reviewed Interfront's accounting policies; and

d) reviewed significant adjustments resulting from the audit, if any. None were reported.

Auditor General's Report

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

Sathie Gounden
Chairperson of the Audit and Risk Committee

4. FINANCIAL REPORT

Highlights

CLEAN ADMINISTRATION

ADMINISTRATION COST BELOW INFLATION
FOR 5 YEARS

PAYMENT ON THE SHAREHOLDERS LOAN
R40 MILLION

INCREASE IN NET SURPLUS TO
R23.2 MILLION

Foreword

Since incorporation, Interfront has steadily grown to become an efficient and stable IT company. While there has been measured growth in the staff complement to support the demands of our customers, fixed costs have remained constant. This has led to higher returns on investment, specifically during the current year under review, which will provide for pressing needs such as accommodation and senior technical staff, which will in turn temper the results moving forward.

Five Year Financial Review

Table 1: Extracts from the statement of financial performance 2014-2018

STATEMENT OF FINANCIAL PERFORMANCE	2014	2015	2016	2017	2018
Rendering of services	72 992 515	75 754 006	93 040 483	106 091 887	136 841 054
(Loss)/profit from exchange transactions	260 403	(311 400)	(35 025)	(127 105)	225 992
Interest and other	1 073 704	836 233	2 011 166	4 167 665	5 946 998
Expenditure	(63 332 897)	(70 033 351)	(82 524 346)	(94 779 575)	(109 939 588)
EBT	**10 993 725**	**6 245 488**	**12 492 278**	**15 352 872**	**33 074 456**
EAT	**2 300 100**	**7 412 191**	**9 421 862**	**10 367 271**	**23 172 276**
EBT Margin	**14.79%**	**8.19%**	**13.15%**	**13.94%**	**23.13%**

Table 2: Extracts from the statement of financial position 2014-2018

STATEMENT OF FINANCIAL POSITION	2014	2015	2016	2017	2018
Total Assets	112 403 209	118 852 815	138 612 988	146 925 436	128 787 821
Total Liabilities	(8 372 372)	(12 580 852)	(24 439 739)	(22 384 922)	(21 075 031)
Total Net Assets	**104 030 837**	**106 271 963**	**114 173 249**	**124 540 514**	**107 712 790**
Shareholders Loan as Equity	**92 711 836**	**92 595 410**	**92 595 410**	**92 595 410**	**52 595 410**
Return on Equity	**2.5%**	**8.0%**	**10.2%**	**11.2%**	**44.1%**

Financial Overview

The financial results of the company are excellent at face value; showing for example, earnings before tax of R33 million (2016/17 R15.4 million) with a net surplus of R23.2 million (2016/17 R10.4 million), set against high operational efficiency, with recovery levels consistent at 80%.

The significant improvement is attributable to continuing growth in operational output against a static and in fact, declining overhead cost. However, this is not sustainable and the current lack of suitable accommodation is counterproductive and will return the results to an expected earning's margin of some 14% as soon as suitable accommodation can be sourced and support can accordingly be strengthened.

> The significant improvement is attributable to continuing growth in operational output against a static and in fact, declining overhead cost.

Furthermore, it needs to be noted that the Interfront revenue model is based on time and material to cover its costs over the longer term, in order to provide the best value for money for SARS.

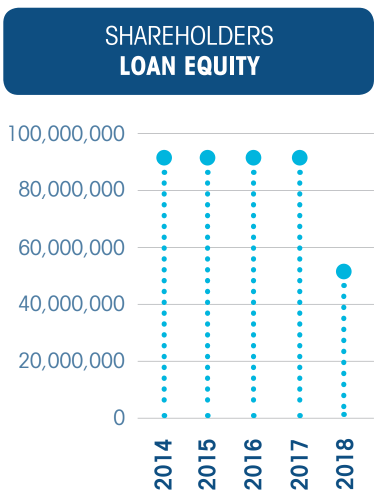
Unlike its parent, which relies on an annual grant, Interfront is required to be self-funding. This in its turn necessitates longer term financial planning to allow for working capital, loan repayments and cash resources for future capital expenditure.

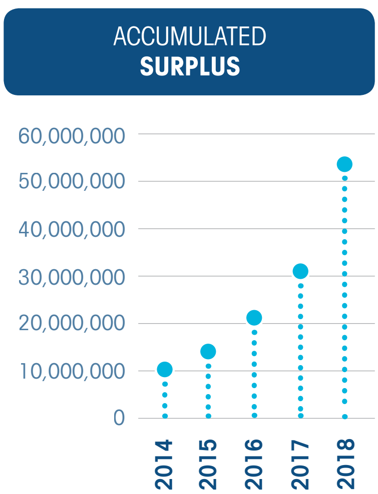
During the year under review, a repayment of R40million has been made on the shareholder loan which has reduced the outstanding balance by 43.2% and the net asset value by 13.5% to R107.7 million (2016/17 R124.5 million).

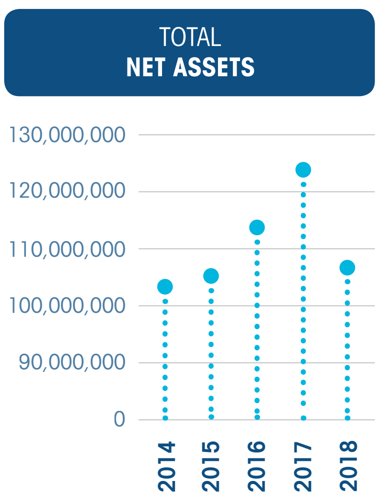
Depending on the future strategic direction of the shareholder and the Interfront Board, it may be prudent to invest in research and product development, which would enable the company to better serve SARS and South Africa and to contribute more intensively to the training and development of IT professionals.

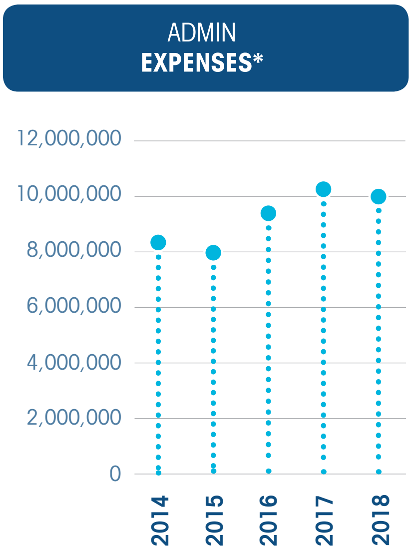
All available evidence, supported by internal and external audits of finance and performance, points to a clean and ethical administration with no indication of fraud or misconduct.

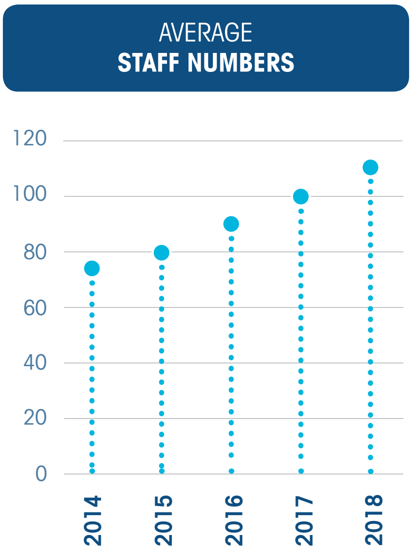
The trends mentioned above can be supported by selected five year results as indicated below.











> Increase in admin cost has been limited to below inflation over the last five years, while average staff numbers grew from 77 to 110.4

*Expenses other than employee cost, external development services and non-cash expenditure, depreciation and amortisation.

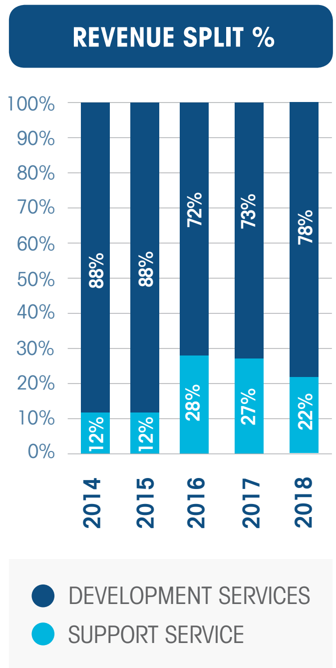
Cost containment continues to be one of our main priorities as we continue to support the cost containment drive of National Treasury. The decrease in administrative expenditure by 5% in nominal terms and 11% in real terms is evidence of this.

Average employee cost decreased in real terms against a 10.4% overall increase, which is attributable to the growth in the average number of staff. The material contributing factor is the relative reduction in the number of senior staff, while junior staff numbers increased. This is not sustainable in the long run, and average employee costs are expected to rise above inflation when this anomaly is corrected over the next two years.

Rendering of services grew by 29% as a result of inflation together with an increase in the demand for development services. The increased demand as a result of the NCAP project is expected to contribute until 2023, after which activity levels may decline or normalise.

Total net assets have shown a steady increase over the past four years, with a significant decrease in the current year due to a repayment on the shareholder's loan that is classified as equity.

In conclusion, Interfront is reporting its best financial results to date, demonstrating a sound financial position and is strategically positioned to achieve its financial long-term objective of providing the best value for money in IT development and support for SARS on a self-financing basis.



5. AUDIT REPORT

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of International Frontier Technologies SOC LTD (Interfront) set out on pages 75 to 99, which comprise the statement of financial position as at 31 March 2018, 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 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (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 this auditor's report.

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

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

Other matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedule

7. The supplementary information set out on pages 67 to 69 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion on it.

Incorporation of Interfront into the South African Revenue Service (Sars)

8. A decision was made to incorporate Interfront into Sars, subject to approval by the minister of Finance.

Responsibilities of the accounting authority for the financial statements

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

10. 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.

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.

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

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

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

Report on the audit of the annual performance report

Introduction and scope

13. 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.

14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators / 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.

15. 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 2018:

OBJECTIVES	PAGES IN THE ANNUAL PERFORMANCE REPORT
Objective 1: Quality software development and support	25 – 27

16. 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.

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objective:

    - Objective 1– Quality software development and support

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents.

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. Refer to the annual performance report on page 25 for information on the achievement of planned targets for the year and explanations for the under- or overachievement of a number of targets.

Report on the audit of compliance with legislation

Introduction and scope

20. 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.

21. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

22. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' 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 and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

23. 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.

24. 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, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

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

Auditor-General

Auditor-General
Pretoria
31 July 2018

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 this 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 use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority, in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the public entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern;
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

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

6. ANNUAL FINANCIAL STATEMENTS

Statement of Financial Position for the year ended 31 March 2018

FIGURES IN RAND	NOTE	2018	2017 RESTATED
Assets			
Current Assets			
Current tax receivable		825 991	468 553
Trade and other receivables	5	15 830 276	12 834 116
Cash and cash equivalents	6	66 992 616	81 429 113
		83 648 883	**94 731 782**
Non-Current Assets			
Property, plant and equipment	7	3 415 717	3 403 412
Intangible assets	8	41 723 221	48 790 242
		45 138 938	**52 193 654**
Total Assets		**128 787 821**	**146 925 436**
Liabilities			
Current Liabilities			
Finance lease obligation	9	38 663	34 312
Trade and other payables	10	6 629 362	7 240 118
VAT payable	11	1 288 880	747 742
Provisions	12	5 751 687	5 420 875
		13 708 592	**13 443 047**
Non-Current Liabilities			
Finance lease obligation	9	21 133	59 797
Operating lease liability	13	398 067	397 481
Deferred tax	14	6 947 239	8 484 597
		7 366 439	**8 941 875**
Total Liabilities		**21 075 031**	**22 384 922**
Net Assets		**107 712 790**	**124 540 514**
Share capital	16	1	1
Shareholder's loan - equity	17	52 595 410	92 595 410
Accumulated surplus		55 117 379	31 945 103
Total Net Assets		**107 712 790**	**124 540 514**

Statement of Financial Performance for the year ended 31 March 2018

FIGURES IN RAND	NOTE	2018	2017 RESTATED
Revenue			
Revenue from exchange transactions			
Rendering of services		136 841 054	106 091 887
Profit/(Loss) from exchange transactions		225 992	(127 105)
Interest received - investment		5 946 998	4 167 665
Total revenue from exchange transactions	18	**143 014 044**	**110 132 447**
Expenditure			
Employee costs		(75 446 654)	(68 340 468)
External development services	19	(15 155 606)	(6 720 657)
Depreciation and amortisation		(9 423 686)	(9 424 427)
Finance costs	20	(9 447)	(14 930)
Loss on disposal of assets and liabilities		(7 333)	(67 802)
Administrative expenses		(8 833 632)	(9 296 749)
Professional services		(1 063 230)	(914 542)
Total expenditure		**(109 939 588)**	**(94 779 575)**
Surplus before taxation		33 074 456	15 352 872
Taxation	22	(9 902 180)	(4 985 601)
Surplus for the period		23 172 276	10 367 271

Statement of Changes in Net Assets for the year ended 31 March 2018

FIGURES IN RAND	SHARE CAPITAL	SHAREHOLDER'S LOAN - EQUITY	ACCUMULATED SURPLUS	TOTAL NET ASSETS
Balance at 01 April 2016	1	92 595 410	21 577 832	114 173 243
Changes in net assets				
Surplus for the year	-	-	10 367 271	10 367 271
Total changes	-	-	10 367 271	10 367 271
Opening balance as previously reported	1	92 595 410	32 767 501	125 362 912
Adjustments				
Prior year adjustments	-	-	(822 398)	(822 398)
Restated balance at 01 April 2017	1	92 595 410	31 945 103	124 540 514
Changes in net assets				
Surplus for the year	-	-	23 172 276	23 172 276
Payment of shareholder's loan	-	(40 000 000)	-	(40 000 000)
Total changes	-	(40 000 000)	23 172 276	(16 827 724)
Balance at 31 March 2018	1	52 595 410	55 117 379	107 712 790
Note(s)	16	17		

Cash Flow Statement for the year ended 31 March 2018

FIGURES IN RAND	NOTE	2018	2017 RESTATED
Cash flows from operating activities			
Receipts			
Rendering of services		133 847 746	116 492 005
Interest received		5 946 998	4 167 665
Foreign exchange profit/(loss)		225 992	(127 105)
		140 020 736	120 532 565
Payments			
Employee costs		(90 602 260)	(75 061 125)
Suppliers		(10 509 888)	(10 384 808)
Finance costs		-	(7 441)
Movement in provisions		330 812	325 707
Tax (payments)/receipts	4	(11 796 975)	(3 939 859)
VAT movement		541 138	(1 560 163)
		(112 037 173)	(90 627 689)
Net cash flows from operating activities	24	27 983 563	29 904 876
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1 296 882)	(1 141 130)
Proceeds from sale of property, plant and equipment	7	-	17 019
Purchase of other intangible assets	8	(1 079 421)	(337 521)
Net cash flows from investing activities		(2 376 303)	(1 461 632)
Cash flows from financing activities			
Finance lease payments		(43 757)	52 679
Payment of shareholder's loan		(40 000 000)	-
Net cash flows from investing activities		(40 043 757)	52 679
Net increase/(decrease) in cash and cash equivalents		(14 436 497)	28 495 923
Cash and cash equivalents at the beginning of the year		81 429 113	52 933 190
Cash and cash equivalents at the end of the period	6	66 992 616	81 429 113

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 otherwise specified. 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.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management 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 entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The recoverable amounts of cash-generating assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key 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 are initially measured at cost.

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

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

At each reporting date the entity assesses whether there is any indication that the entity's 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 further economic benefits or service potential expected from the use of the asset.

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

The 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 are attributable to the asset will flow to the entity and the cost or fair value of the asset can be measured reliably.

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

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

Amortisation is provided to write down the intangible assets 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 (class 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 (class 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 initially measures a financial asset and financial liability at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

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

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

Impairment and uncollectibility of financial assets

At the end of each reporting period the entity assesses 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, waived or expires.

Presentation

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position only 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 simultaneously settle the liability.

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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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 28 for further detail.

1.16 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.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

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 2018 or later periods:

Standard/ Interpretation:	Effective date:Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2019	Not expected to impact results but may result in additional disclosure

4. Tax paid

FIGURES IN RAND	2018	2017
Balance at beginning of the year	468 553	2 221 310
Current tax for the year recognised in surplus or deficit	(11 439 537)	(5 692 616)
Balance at end of the year	(825 991)	(468 553)
	(11 796 975)	**(3 939 859)**

5. Trade and other receivables

Trade debtors	15 029 665	12 074 332
Prepayments	733 333	698 259
Deposits	61 225	61 525
Sundry receivables	6 053	-
	15 830 276	**12 834 116**

Fair value of trade and other receivables		
Trade and other receivables	15 830 276	12 834 116
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 2018, there were no amounts past due (2017:R 1,789,663 was past due but not impaired).

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

2 months past due	-	1 789 663

6. Cash and cash equivalents

FIGURES IN RAND	2018	2017
Cash and cash equivalents consist of:		
Cash on hand	3 743	7 500
Bank balances	14 346 193	81 421 613
Short-term deposits	52 642 680	-
	66 992 616	81 429 113

7. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold improvements	4 563 086	(4 266 392)	296 694	4 563 086	(4 132 952)	430 134
Furniture and fixtures	1 044 243	(699 263)	344 980	925 972	(581 572)	344 400
Office equipment - leased	109 788	(54 894)	54 894	109 788	(18 298)	91 490
IT equipment	11 991 077	(9 283 183)	2 707 894	10 832 466	(8 306 768)	2 525 698
Generators	203 544	(193 367)	10 177	203 544	(193 367)	10 177
Security equipment	20 108	(19 030)	1 078	20 108	(18 595)	1 513
Total	**17 931 846**	**(14 516 129)**	**3 415 717**	**16 654 964**	**(13 251 552)**	**3 403 412**

Reconciliation of property, plant and equipment 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold improvements	430 134	-	-	(133 440)	296 694
Furniture and fixtures	344 400	118 271	-	(117 691)	344 980
Office equipment - leased	91 490	-	-	(36 596)	54 894
IT equipment	2 525 698	1 178 611	(7 333)	(989 082)	2 707 894
Generators	10 177	-	-	-	10 177
Security equipment	1 513	-	-	(435)	1 078
	3 403 412	1 296 882	(7 333)	(1 277 244)	3 415 717

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

FIGURES IN RAND	2018	2017
Assets subject to finance lease (Net carrying amount)		
Office equipment	54 894	91 490

Other information		
Property, plant and equipment fully depreciated and still in use (Gross carrying amount)		
Property, plant and equipment	469 462	390 791

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		
Repairs and Maintenance	495 514	347 367

Impairment

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

8. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Intellectual property and other rights	73 582 623	(34 002 293)	39 580 330	73 582 623	(26 644 031)	46 938 592
IT software	5 198 161	(3 055 270)	2 142 891	4 118 740	(2 267 090)	1 851 650
Total	**78 780 784**	**(37 057 563)**	**41 723 221**	**77 701 363**	**(28 911 121)**	**48 790 242**

Reconciliation of intangible assets 2018

	Opening balance	Additions	Amortisation	Total
Intellectual property and other rights	46 938 592	-	(7 358 262)	39 580 330
IT software	1 851 650	1 079 421	(788 180)	2 142 891
Total	**48 790 242**	**1 079 421**	**(8 146 442)**	**41 723 221**

Reconciliation of intangible assets 2017

	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**

Impairment

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

9. Finance lease obligation

FIGURES IN RAND	2018	2017
Minimum lease payments due		
- within one year	43 758	43 758
- in second to fifth year inclusive	21 879	65 637
	65 637	109 395
Less: future finance charges	(5 841)	(15 287)
Present value of minimum lease payments	**59 796**	**94 108**
Present value of minimum lease payments due		
- within one year	38 663	34 312
- in second to fifth year inclusive	21 133	59 796
	59 796	**94 108**
Non-current liabilities	21 133	59 797
Current liabilities	38 663	34 312
	59 796	**94 109**

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% (2017: 12%). Total payments of R43 757 were made during the year for the three machines.

10. Trade and other payables

	2018	2017
Trade payables	2 147 090	3 358 044
Accrued leave pay	2 146 939	2 303 924
PAYE payable	1 493 322	1 343 090
Other accruals	660 065	21 512
Other salary related accruals	181 946	213 548
	6 629 362	**7 240 118**

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

11. VAT payable

VAT payable	1 288 880	747 742

12. Provisions

FIGURES IN RAND

Reconciliation of provisions 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	5 420 875	5 751 687	(5 701 301)	280 426	5 751 687

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

Performance bonuses represent the estimated obligation for the current year.

13. Operating lease

	2018	2017
Non-current liabilities	(398 067)	(397 481)
Current liabilities	-	-
	(398 067)	**(397 481)**

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 on 31 January 2020. The lease agreement escalates annually by 8%.

14. Deferred tax

Deferred tax liability		
Deferred tax	(6 947 239)	(8 484 597)
Deferred tax asset		
Reconciliation of deferred tax liability		
At beginning of year	(8 484 597)	(9 191 612)
Temporary difference on prepayments	161 701	112 544
Reversing temporary difference on tangible fixed assets	(105 269)	(177 377)
Movement in provision and accruals	48 672	(690 859)
Reversing temporary difference on finance lease	(9 607)	(12 653)
(Reversing) / Originating temporary difference on operating lease	505	34 005
Temporary difference on intellectual property	1 441 356	1 441 355
	(6 947 239)	**(8 484 597)**

15. Employee benefit obligations

FIGURES IN RAND	2018	2017
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 vests with Allan Gray Retirement Annuity Fund.

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

The total economic entity contribution to such schemes	4 708 402	4 063 601

16. Share capital

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

999 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. An amount of R40 million was paid on the shareholder loan in the current financial year.

Loan at the end of the financial year	52 595 410	92 595 410

18. Revenue

Rendering of services: SARS	125 548 431	96 164 150
Rendering of services: Luxembourg	11 292 623	9 927 736
Profit/(Loss) from exchange transactions	225 992	(127 105)
Interest received	5 946 998	4 167 665
	143 014 044	**110 132 446**
The amounts included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	136 841 054	106 091 887
Profit/(Loss) from exchange transactions	225 992	(127 105)
Interest received	5 946 998	4 167 665
	143 014 044	**110 132 447**

19. External development services

Due to an increase in the vacancy rate during the year under review, the need for external development services, that augment our internal development capacity, has increased. This necessitated the need to show this cost separately on the face of the statement of financial performance. The split has been made retrospectively.

20. Finance costs

FIGURES IN RAND	2018	2017
Finance leases	9 447	7 489
Other	-	7 441
	9 447	**14 930**

21. Auditors' remuneration

External Audit: Fees	499 025	561 001
Internal Audit: Fees	325 674	229 830
Subsistence and Travel: Internal Audit	92 931	56 628
Subsistence and Travel: External Audit	145 600	67 084
	1 063 230	**914 543**

22. Taxation

Major components of the tax expense		
Current		
Local income tax - current period	11 454 526	5 662 139
Local income tax - recognised in current tax for prior periods	(14 989)	30 477
	11 439 537	**5 692 616**
Deferred		
Deferred tax movement current year	(1 537 357)	(707 015)
	9 902 180	**4 985 601**
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting surplus	33 074 456	15 352 872
Tax at the applicable tax rate of 28% (2017: 28%)	9 260 848	4 298 804
Tax effect of adjustments on taxable income		
Deferred tax effect income	1 537 357	707 014
Non-deductable expenses	656 321	656 321
Under/(over) provision of tax in the prior year	(14 989)	30 477
	11 439 537	**5 692 616**

23. Operating surplus

FIGURES IN RAND	2018	2017
Operating surplus / (deficit) for the year is stated after accounting for the following:		
Loss on disposal of assets	(7 333)	(67 802)
Amortisation on intangible assets	8 146 442	8 067 712
Depreciation on property, plant and equipment	1 277 244	1 356 715

24. Cash generated from operations

Surplus	23 172 276	10 367 271
Adjustments for:		
Depreciation and amortisation	9 423 686	9 424 427
Loss on disposal of assets	7 333	67 802
Finance costs - Finance leases	9 447	7 489
Movements in operating lease assets and liabilities	582	121 447
Movements in provisions	330 812	325 707
Movement in tax receivable and payable	(357 438)	1 752 757
Annual charge for deferred tax	(1 537 357)	(707 015)
Deferred revenue movement	-	-
Changes in working capital:		
Trade and other receivables	(2 996 160)	9 544 478
Trade and other payables	(610 756)	560 657
VAT	541 138	(1 560 144)
	27 983 563	**29 904 876**

25. Commitments

Authorised operational expenditure		
Already contracted for but not provided for		
• HR related	-	11 729
• IT goods and services	13 832	858 020
• Office services	155 735	424 650
• Staff services	-	211 558
• Facilities	59 562	155 520
	229 129	**1 661 477**

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 and so forth.

25. Commitments (continued)

FIGURES IN RAND	2018	2017
Operating leases - as lessee (expense)		
Minimum lease payments due		
• within one year	2 396 618	2 219 094
• in second to fifth year inclusive	2 129 279	4 525 897
	4 525 897	**6 744 991**

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

26. 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 management and directors	M.A. Enus -Brey: Chairman of the Board M.P. Matlwa: Non-Executive Director (resigned effective 26 Aug 2017) G.O. Randall: Managing Director J.M. Robertson: Operations Director L.L. Janse Van Rensburg: Financial Director L.J.M. Makhekhe-Mokhuane: Non-Executive Director (appointed 29 June 2017) R. Moekoena: Non-Executive Director (appointed 29 June 2017) J.M. Makwakwa: Non-Executive Director H.T. Mashigo (resigned effective 4 July 2017)
Key members of managment who are employed by the shareholder	M.P. Matlwa (resigned effective 26 Aug 2017) L.J.M. Makhekhe-Mokhuane (appointed 29 June 2017) R. Moekoena (appointed 29 June 2017) J.M Makwakwa H.T. Mashigo (resigned effective 4 July 2017)

26. Related parties (continued)

FIGURES IN RAND	2018	2017
Related party balances		
Loan accounts - Owing (to) by related parties		
South African Revenue Service	52 595 410	92 595 410

The loan account represents the shareholders loan and is considered an item of equity with no fixed repayment terms. The consideration provided at settlement of the loan will be cash payments made.

Trade receivables		
South African Revenue Service	13 456 276	9 170 157

The trade receivables with the shareholder represents amount receivable for services rendered at arm's length transactions.

Trade payables		
South African Revenue Service	-	405 799

The trade payable represents amounts paid to SARS for amounts paid on our behalf for travelling costs and also internal audit services performed at arms length value.

Related party transactions		
Rendering of services to related parties		
South African Revenue Service	125 548 431	96 164 150

27. Directors' emoluments

Executive

2018	Emoluments	Annual Bonus	Subsistence and travel	Company contributions	Total
J.M. Robertson	2 425 383	446 518	9 680	27 431	2 909 012
G.O. Randall	2 256 592	412 037	22 070	-	2 690 699
L.L. Janse van Rensburg	1 378 042	235 334	15 446	15 586	1 644 408
	6 060 017	**1 093 889**	**47 196**	**43 017**	**7 244 119**

2017	Emoluments	Annual 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**

Non-executive

2018	Board fees	Committees fees	Subsistence and travel	Total
M.A. Enus-Brey	19 961	1 174	5 862	26 997

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

No fees or remuneration are payable by Interfront to the non-executive directors who are also employees of the shareholder.

28. Prior-year adjustments

FIGURES IN RAND		

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position - 2017	Note	As previously reported	Correction of error	Restated
Deferred tax	14	9 306 995	(822 398)	8 484 597
Accumulated surplus		31 122 705	822 398	31 945 103
		40 429 700	-	40 429 700

Statement of financial performance - 2017	Note	As previously reported	Correction of error	Restated
Taxation	22	5 807 999	(822 398)	4 985 601

Errors

It was identified that the permanent difference and temporary difference on the intellectual property asset in the deferred taxation calculation was mistakenly switched. This resulted in the deferred taxation showing a larger liability. This was corrected with the effects on the financial statement's line items indicated above.

29. 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 6, and equity as disclosed in the statement of financial position.

Currently the entity is geared mainly with a shareholders loan. To mitigate the risk associated with this type of financing, the loan is interest free 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 are equal to their carrying balances as the impact of discounting is insignificant.

29. Risk management (continued)

FIGURES IN RAND				
At 31 March 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	No fixed term of repayment
Borrowings - Shareholder's loan	-	-	-	52 595 410
Trade and other payables	6 629 362	-	-	-
Finance lease obligation	43 758	21 879	-	-
Operating lease contractual amounts	2 396 618	2 129 279	-	-
At 31 March 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	No fixed term of repayment
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	2 396 616	2 129 279	-

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 year end were as follows:

	2018	2017
Financial instrument		
Cash and cash equivalents	66 992 616	81 429 113
Trade and other receivables	15 830 276	12 834 116

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 a 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%	15 830 276	-	-	-	-
Cash in current banking institutions	10.50%	66 992 616	-	-	-	-
Trade and other payables - normal credit terms	10.50%	6 629 362	-	-	-	-
Finance lease obligation	12.00%	43 758	21 879	-	-	-
Operating lease obligation	10.50%	2 396 618	2 129 279	-	-	-
Loan from shareholder	-%	-	-	-	-	52 595 410

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)	1 815 060	2 716 619
Exchange rates used for conversion of foreign items were:		
EURO	14.5205	14.3173

30. 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.

31. Events after the reporting date

Interfront is not aware of any matters or circumstances arising since the end of the financial period that could impact materially on the financial state of the entity other than that disclosed.

32. Reconciliation between budget and statement of financial performance

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

33. Other matter

A decision was made 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 financial year.

List of Abbreviations / Acronyms

ADA	*Administration des Douanes et Accises*
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
BPM	Business Process Management
Clean Audit	Unqualified audit report with no material findings on reporting on performance objectives or non-compliance with legislation
CoE	Centre of Excellence
Companies Act	Companies Act, No. 71 of 2008
DPS	Declaration Processing System
EBT	Earnings Before Tax
EE	Employment Equity
EEA	Employment Equity Act, No. 55 of 1998
EECF	Employment Equity Consultative Forum
ERMC	Enterprise Risk Management Committee
EU	European Union
EXCO	Executive Committee
FOREX	Foreign Exchange
GIBS	Global Executive Development Programme
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
iCBS	Interfront Customs and Border Management Solutions
ICT	Information and Communications Technology
ISMC	Information Systems Management Committee
IT	Information Technology
LCM	License and Certificate Management
MPR	Manifest Processing System
NCAP	New Customs Acts Programme
King IV	King IV Report on Corporate Governance, 2017
PAA	Public Audit Act, No. 25 of 2004
PFMA	Public Finance Management Act, No. 1 of 1999
PMO	Project Management Office
QA	Quality Assurance
RCG	Reporting of Conveyances and Goods
RLA	Registration Licensing and Accreditation
SARS	South African Revenue Service
SCM	Supply Chain Management
SLA	Service Level Agreement
SOC	State Owned Company
VAT	Value Added Tax

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