interfront

Smart Systems. Better Borders.

2019 Annual Report

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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 (AGSA)

COMPANY SECRETARY

M Pepperell
LL.B graduate and Associate of the
Chartered Secretaries of Southern Africa

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.

Assurance

Assurance regarding the contents of this report is achieved through an internal assurance process. Interfront's Board and Executive Committee (EXCO) 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 (AGSA) and the audit report can be found in Part E: Financial Information.

Reporting structure and frameworks

Every effort has been made to align with the integrated reporting requirements of the King IV Report on Corporate Governance (King Report). As a Schedule 3A state-owned company (SOC), the report is also aligned to the requirements of the Public Finance Management Act, No. 1 of 1999 (PFMA), the Companies Act, No. 71 of 2008 (Companies Act) and Treasury Regulations.

3. FOREWORD BY THE CHAIRPERSON

Interfront has entered its tenth year of operations as a unique corporate subsidiary of the South African Revenue Service (SARS), primarily tasked with developing and supporting the core South African Customs Information Technology (IT) system.

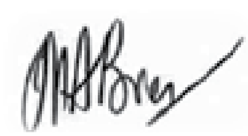
The stability of our primary asset, the collective intellectual capital, is core to big project development, together with the specialised legacy of the customs environment. The benefits of this initiative are borne out by the seamless operation of this major system on which SARS and South Africa depend, on a 24x7x365 basis.

Interfront will continue to fulfil its mandate to SARS and to function as a going concern. It may be opportune to build on this platform, look at new projects and benefit from the experience and lateral thinking that might be harnessed through the appointment of additional, independent non-executive directors.

While there will always be challenges to face; we pride ourselves in the delivery and maintenance of clean audit reports, sound finances, good governance and robust software delivery. The collective contribution of the team to these deliverables should never be taken for granted.

Interfront may be small in the national context, but the impact of efficient and secure customs collections and border control to South Africa should not be underestimated. Interfront plays a significant, if silent role in this and I would like to express my sincere thanks to the Shareholder, my fellow board members, management and all the staff of Interfront who have made this possible.

> *Interfront may be small in the national context, but the impact of efficient and secure customs collections and border control to South Africa should not be underestimated.*



Mustaq Brey

31 July 2019

4. OVERVIEW BY THE MANAGING DIRECTOR

Interfront has experienced another solid year as a SOC. While its public accountability takes place largely through the vehicle of SARS, it does enjoy a measure of independence. This annual report provides significant detail and insights into its operations and results. In these few lines, I will endeavour to sketch a high level overview of the status of the SOC and some of its prospects.

At the heart of its company ethos, as with many of us as individuals, lies its dual strategic objectives that on the one hand, refer to its working life, income generation and product delivery, while on the other hand, they concern its internal health, values, ethics and aspirations as a corporate. Neither can exist without the other if the big team, large project and long term product delivery environment, which is in the nature of building and supporting customs IT systems, is to succeed.

Our core intellectual property (IP) is vested in our team. The employment environment in which we operate has become more competitive, with high levels of demand for professional staff from a limited national pool, being experienced. Especially active has been the financial sector and the secondary impact from this recruiting drive. Staff turnover spiked in the first half of the financial year, but after taking focused action, it normalised in the second half. On a positive note, 42% of staff have five years of service or more with turnover being skewed to the millennials, who are growing through the phases from bursars to interns, entry level technical staff and later, progressing to mid-level, seniors and team leaders.

Our staff need flexibility and are often called on to stand in at unconventional hours. I am personally grateful to them, all of whom I hold in the highest regard.

The impact of high staff turnover on operations is felt in the resource delay in recruiting, the considerable investment in new staff before they become fully functional, as well as the training and mentoring demands placed on the production time of experienced staff. Mitigating actions have included the use of external resources as the need dictated, together with a close watch on quality.

The software delivery environment is complicated by often-changing specifications in new system development. Various role players such as legal, business, IT and trade continually engage with one another, while the World Customs Organization (WCO) is also constantly expanding its requirements. These expectations exist against a background of working legacy systems, which cannot be interrupted. At times, it is natural for pressure to be felt, especially when changes give rise to additional work, time and cost.

The financial resources of government are strained and budgetary limitations are expected going forward. Improved efficiencies will be required and in all likelihood, there will be increased competition for work. This may mean a move from the current time and material billing model for development, to a revised revenue model.

Financially, Interfront operates as a fully self-funded going concern without an annual grant from the National Treasury. Surpluses have also been earned over a number of years from sources outside of government, which are reflected in company reserves. Continued operation as a responsible SOC presupposes the

> *Interfront is a very special place to work. We have consciously created an environment suited to the nature of the work we do.*

maintenance of working capital, investment in research and development, the refurbishment of premises, as well as the repayment of loans in addition to the direct costs, mainly incurred through salaries. Interfront has maintained its mark-up unchanged for many years and has achieved sound results through efficient and economical management. It is pleasing to note ongoing and consistent progress.

Interfront is a very special place to work. We have consciously created an environment suited to the nature of the work we do. There is strong team spirit, as well as employee engagement. Few companies can have been as privileged to have had an environment free from petty theft and an honesty tuck shop which delivers a steady stream of funds to the social club to keep our spirits up with regular fun loving events.

Our staff need flexibility and are often called on to stand in at unconventional hours. I am personally grateful to them, all of whom I hold in the highest regard.

Finally, I will leave you, the reader, to examine our detailed performance and financial results, but wish to thank the Board and the Shareholder, as well as my EXCO, for the support and guidance they have provided, thus enabling delivery of these results as a company.

Graham Randall

31 July 2019

5. 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 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.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human capital information and the financial affairs of the SOC for the financial year ended 31 March 2019.

Graham Randall

Managing Director
31 July 2019

Mustaq Brey

Chairperson of the Board
31 July 2019

6. ABOUT US

Interfront is a wholly owned subsidiary of SARS. The main purpose behind the creation of Interfront was to develop an 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 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

OUR MISSION

We deliver smart solutions, creating better borders

OUR VISION

The best partner in border solutions

Strategic Objectives

The strategic objectives for the year under review remained unchanged from the previous reporting period; namely:

- Quality Software Development and Support; and
- Maintain a Software Development Centre of Excellence.

These strategic objectives are in their turn supported by six activities, which serve as our key performance indicators. **A detailed report on the performance of each forms the substance of Part B: Performance Report.**

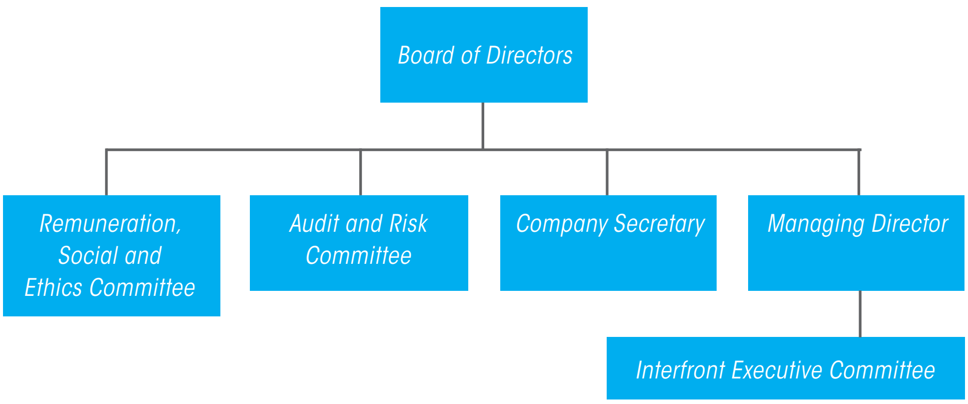
"These strategic objectives are in their turn supported by six activities, which serve as our key performance indicators."

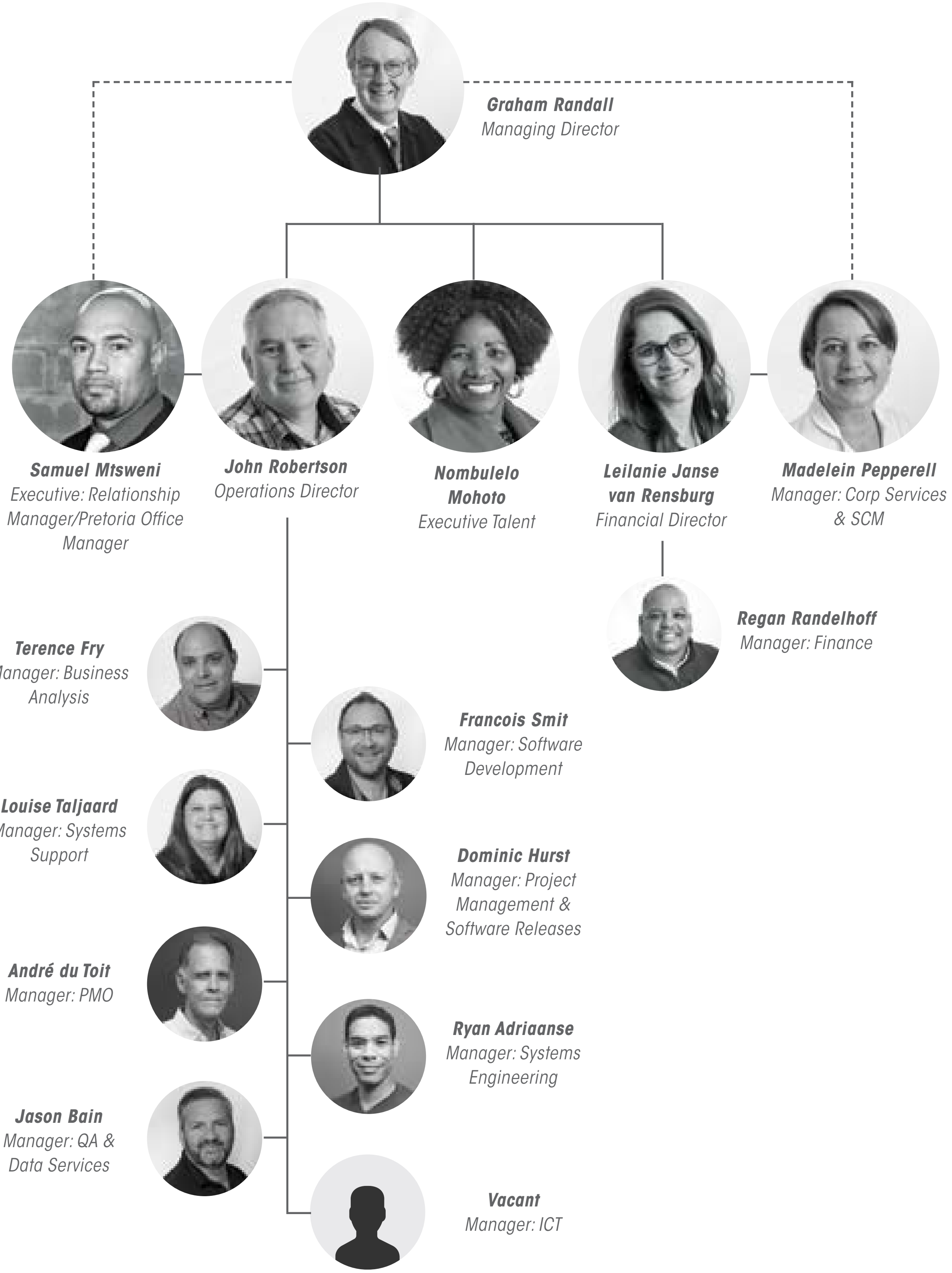
7. LEGISLATIVE AND OTHER MANDATES

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 PFMA.

As a SOC, Interfront is regulated by the PFMA, the Companies Act and the Treasury Regulations. Interfront was primarily incorporated to develop and support customs and border management solutions for SARS.

8. ORGANISATIONAL STRUCTURE




Graham Randall
Managing Director
Samuel Mtsweni
Executive: Relationship Manager/Pretoria Office Manager
John Robertson
Operations Director
Nombulelo Mohoto
Executive Talent
Leilanie Janse van Rensburg
Financial Director
Madelein Pepperell
Manager: Corp Services & SCM
Regan Randelhoff
Manager: Finance
Terence Fry
Manager: Business Analysis
Francois Smit
Manager: Software Development
Louise Taljaard
Manager: Systems Support
Dominic Hurst
Manager: Project Management & Software Releases
André du Toit
Manager: PMO
Ryan Adriaanse
Manager: Systems Engineering
Jason Bain
Manager: QA & Data Services
Vacant
Manager: ICT

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 16 in the Report to Management and contains no material findings. The Report of the AGSA is included in Part E: Financial Information.

2. SITUATIONAL ANALYSIS

Service Delivery Environment

The service delivery environment has essentially been stable during the past financial year. While the customer base remains unchanged, Interfront continues to focus on the modernisation of customs and to support its products which are in operation.

The external IT environment has been competitive with regard to competition for staff. Higher staff turnover results in further pressures as new staff frequently require lengthy lead times before becoming fully productive, while the loss of a particular skill may also exert pressure on other components of the production process and affect quality. This in its turn may compound the pressure on resources as testing and bug fixing become more intensive.

Financially, government resources are increasingly strained and competition for the available resources continues to put pressure on production efficiencies, against the urgency of the overall need to modernise customs systems and in so doing, defend revenue streams.

Interfront enjoys the benefit of a stable core of professional expertise and deeply rooted IP. Its internal systems are strong and it has been well able to maintain its value within this environment. The reader will find comprehensive detail on all these matters in the bulk of this report.

"Interfront enjoys the benefit of a stable core of professional expertise and deeply rooted IP. Its internal systems are strong and it has been well able to maintain its value within this environment."

Organisational Environment

While the organisational environment has remained unchanged with regard to most structural and contractual arrangements, Interfront is increasingly focused on sustainability and the respective capitals, such as financial, intellectual, manufactured, human, social and relationship, as well as natural.

Interfront has two counterparties with regard to its product. Contractually, the Marketing Agreement with Tatis International (Pty) Ltd., which was effective from 22 January 2010, lapsed on 22 January 2018. Certain provisions of the Sale of Business continues. The reseller agreement with Accenture remains in force until 22 January 2020, although it has been inactive in the past financial year.

Interfront continues to support its two customers SARS and Administration des Douanes et Accises (ADA-Luxembourg) and expects to do so for the foreseeable future. Interfront is a valuable resource. The most appropriate corporate form, whether it's current form, absorption into SARS or some other approach, is under consideration. However, the intellectual capital housed in the centre of excellence is a valuable one and can play a key role in the modernisation and maintenance of systems.

Included for the first time, is a dedicated reference to sustainability in Part C: Governance.

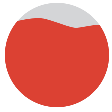
LOW RISK

Legal threats relating to the VAR/SOB agreements

MEDIUM RISK

The incorporation of Interfront into SARS may disrupt the Interfront development unit and NCAP deliverables

At a board level, the company functions with eight directors, as was the case at the time that the Memorandum of Incorporation (MOI) was finalised. Attendance has not always allowed for the functioning of the Remuneration, Social and Ethics Committee, but its functions were assumed by the Board in the past financial year.



HIGH RISK
Board Composition

Key Policy Developments and Legislative Changes

Interfront functions within the public sector environment and in accordance with the overall policy determined by the Shareholder. The company provides professional IT services, remunerates its staff at competitive rates and is not unionised.

The legislative framework for public sector accountability has been a stable one with little change and Interfront has continued its focus on full compliance. Labour legislation is closely monitored and has seen the most change during the past year; for example, with regard to the National Minimum Wage Act, No. 9 of 2018, effective 1 January 2019; amendments to the Basic Conditions of Employment Act, No. 95 of 1997 and the Labour Relations Act, No. 66 of 1995, as amended. While these changes concern matters such as minimum wages and collective bargaining, which do not impact on Interfront at present, the Labour Laws Amendment Act, No. 10 of 2018 does introduce certain new forms of leave, which will be provided for by the company and will become operational once the effective date is announced.

Developments at a global level have been on the safeguarding, integrity and confidentiality of information. The introduction of the Protection of Personal Information Act, No. 4 of 2013 (POPIA) in South Africa places an onerous responsibility on the custodians of information. Interfront has compiled a strategy to address the requirements, introduced a Retention of Records Policy and reviewed its service level agreements with recruitment agencies. The actions are being closely monitored and are expected to require attention for some time to come.

LOW RISK
Company confidentiality is breached by employees or associates

Interfront continues to systematically introduce new policies and to review and amend existing policies. The 2018/19 financial year has seen the introduction of an overall Policy on Policies to provide a structure for policy development in all areas of the company. Where possible, Interfront aligns with the policies of SARS and references are made in Part D: Human Capital, to changes, such as those affecting the conditions of service.

Operationally, there has been stability in the environment accountability arrangements remain largely unchanged, as do the overall strategic objectives and the revenue model.

3. OVERVIEW

Interfront became fully operational in 2010 when the Sale of Business Agreement (SOB) was finalised and aligned its performance management to the approach followed by SARS and National Treasury with regard to performance planning, monitoring and evaluation.

Strategic Objectives

The first strategic plan for the company contained five strategic objectives. These provided for: the development and maintenance of a customs solution for SARS; supporting ADA; responding to requests for a customs solution from South Africa's neighbouring countries; building a sustainable, financially self-sufficient organisation and supporting targeted sales of a customs solution to selected global markets through dedicated resellers.

Interfront continues to stand by these original objectives. However, over a number of years, as mentioned earlier, the Board has refined these objectives to the two overarching strategic outcome orientated goals that we have today, namely:

- Quality Software Development and Support, and
- Maintain a Software Development Centre of Excellence

These goals, together with their underlying performance targets and indicators, have turned Interfront from its turbulent first years. While initially, a deficit was reported, today it has become the stable SOC that we see with a strong production and financial record.

No in-year amendments were made to the 2016/17-2020/21 Strategic Plan, while the Annual Performance Plan (APP) for the 2018/19 financial year was approved by the Interfront Board at its meeting held on 12 March 2018.

Risk Governance

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, as is the effectiveness of mitigating controls. The top five risks are set out in Part C: Governance. However, throughout the report, reference is made to those risks that 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.

The top five risks are set out in Part C: Governance

4. OPERATIONAL HIGHLIGHTS

Apr 2018

The first phase of NCAP Reporting of Conveyances and Goods (RCG) went live in April 2018. This represented the first major milestone of the NCAP in SARS for the Interfront Customs and Border Management Solutions (iCBS).

Sept 2018 & Jan 2019

Further live releases of RCG in September 2018 and January 2019 added reporting enhancements, rail functionality and part shipment functionalities.

Jan 2019

A tactical release of the iCBS Declaration Processing System (DPS) to support the NCAP programme went live in January 2019.

Two progress milestones

were achieved on Phase 1, Registration Licensing and Accreditation (RLA) for the SARS NCAP programme.

SARS operational support

functioned effectively and consistently met the service level agreement targets for every month of the reporting period. Over the reporting period, Interfront provided forty three releases to SARS and twenty one of those have been deployed to production. These have included twenty nine Engineering Change Proposals (ECPs), which resulted in specification changes to the system.

Six system releases

were deployed to production in ADA, including various enhancements and 'bug fixes' to the current import/export and cargo systems. A further six releases were delivered as part of the technical upgrade to the import/export system, due for deployment in ADA.

5. OPERATIONAL CHALLENGES

Interfront had to contend with an increase in development staff turnover during the first six months of the financial year, resulting in the delay of some project deliverables.

On-boarding of new staff and ramping up their knowledge and skills to be able contribute effectively on the project, has had a significant impact on project progress. However, the utilisation of external contractors to augment capacity played a key mitigating role. The additional technical support required for the various SARS environments, the overlapping of different application versions and systems in these environments and the dependencies/complexities of these systems have placed additional pressure on operational deliverables.

6. OPERATIONAL OUTLOOK

- There are new challenges as resources compete for funds.
- Opportunities are opening up to participate on a competitive basis with other vendors for project work that SARS requires to support its operations and to improve service to their clients
- The maintenance and support contract for the Interfront systems in ADA enters a new phase in 2019 following a three year renewal. ADA has indicated that it will be replacing the Interfront systems and the phase-out of certain Interfront software modules is foreseen.

7. INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

As a software development company, one of the key resources is our IT infrastructure and software, which includes secure upload links for the delivery of upgrades and provides new functionality/software to our customers as our distribution channel. Below a summary of the some of the key objectives contained in the ICT plan for the 2018/19 financial year.

ICT Governance, Risk and Compliance

Interfront is currently aligning to the provisions contained in POPIA. Various ICT policies and procedures have been developed and are reviewed on a regular basis. Applications operational in ADA have been modified to comply with the provisions of the General Data Protection Regulations (GDPR) applicable to the European Union.

Automating Governance, Risk and Compliance

Potential solutions have been identified to automate the governance, risk and compliance functions. It is envisaged that this will enhance Interfront's ability to manage access across sensitive environments, thereby minimising its risk and strengthening its security protocols.

MEDIUM RISK
Use of unlicenced software

Upgrade Microsoft Exchange Server to 2016

The upgrade and migration of all mailboxes was completed in November 2018.

Storage Infrastructure Upgrade

New storage infrastructure was installed to provide for better capacity management.

Cyber Security

Two staff information sessions and one live demonstration were held during the year. Software vulnerability scans on Interfront code are conducted on a monthly basis.

MEDIUM RISK
Cybercrime

IT Continuity

As part of the Business Continuity Plan (BCP) review, ICT have embarked on an exercise to review all critical business functions and their supporting systems. This process is ongoing and will ensure that backup processes and procedures are aligned with business expectations.

MEDIUM RISK
Failed business continuity in case of disaster

Uninterruptible Power Supply (UPS) and Generator

The Interfront secondary UPS system underwent major maintenance this year. Load shedding also had an impact on the datacentre, which led to an unexpected shutdown due to a battery fault on the generator. Services were successfully restored before the next business day. Measures have been put in place to prevent a similar incident.

LOW RISK
Loadshedding

8. BUSINESS MODEL

Interfront's business model encompasses the means through which it creates, delivers and captures value, setting out the respective components, costs and the revenue generated. The elements of the business model are diagrammatically set out below.

Key resources

INTELLECTUAL CAPITAL:
The IP vested in our staff

FINANCIAL CAPITAL:
To attract and retain staff

HUMAN CAPITAL:
Developing IT skills that contribute to empowerment within Interfront, SARS and the wider public sector

MANUFACTURED CAPITAL:
IT infrastructure, software licenses, equipment, furniture and facilities.

NATURAL CAPITAL:
Natural resources needed to sustain everyday life.

SOCIAL AND RELATIONSHIP CAPITAL:
Consist of shared values, commitment and knowledge that forms the basis of the reputation and trust that Interfront have developed

Key activities

DEVELOPMENT:
of customs and border management solutions

PROVIDING:
maintenance and support for operational systems

Key partners

EXTERNAL RESOURCES:
Provide Interfront with development capacity at peak delivery times

Distribution channels

UPLOAD PRODUCT:

Via secure links

Customer segments

REVENUE AUTHORITIES:

SARS and ADA

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:

Supports the flexibility required to adapt to regular amendments to policies

Customer relations

MASTER SERVICES AGREEMENT (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

COST STRUCTURE

Quality Software Development and Support	R100 610 071
Maintain a Software Development Centre of Excellence	R25 152 518

REVENUE STREAM

SARS Development Services	R120 183 598
SARS Support Services	R21 565 010
ADA Support Services	R12 238 374

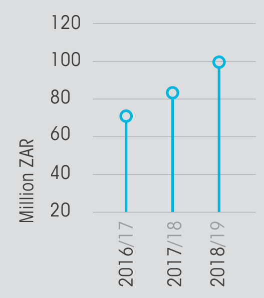
9. PERFORMANCE REPORT

Core Outcome 1: Quality Software Development and Support

Interfront maintains a strong IT development capacity to build new systems and a support capacity for those already in production, in the form of Intellectual and Human Capital. This is augmented with contracted resources (Key Partners) where necessary, to meet peak delivery times.

Interfront is a key development partner to SARS, while the existing iCBS product in SARS is being expanded and modified to meet the objectives of the NCAP programme. 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.

Expenditure for Core Outcome 1



Quality Software Development and Support for the last three financial years

Performance Indicator: Develop iCBS to support SARS NCAP programme

Measure	Actual Achievement			Planned Target 2018/19	Actual Achievement 2018/19
	2015/16	2016/17	2017/18		
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	**Achieved** Eight sprints completed and demonstrated to SARS on the NCAP phases 1 and 2	**Achieved** Five sprints completed and demonstrated to SARS on the NCAP phases 1, 2 and 3	NCAP sprint demonstrations accepted by SARS: RCG release 2A (1 demo); RLA release 1 (2 demos); DPS Tactical release 1 (1 demo)	**Partly Achieved** Three sprints completed and demonstrated to SARS on NCAP.

Comment on Deviations:
Three of the four release demonstrations took place during the 2018/19 financial year, with the fourth taking place after year-end.

R107 MILLION
2017/18 Development Revenue SARS

R120 MILLION
2018/19 Development Revenue SARS

The SARS NCAP Phased Implementation Programme consists of the following phases:

- **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.

During the 2018/19 year, development sprints were delivered on Phase 1 - RLA and production releases demonstrations on Phase 2 - RCG and Phase 3 – DPS.

Four functional milestones were completed for NCAP Phase 1, 2 and 3. Each of these were demonstrated to SARS and each was accepted as either a progress milestone, or as a production release milestone.

The first NCAP production milestone, RCG was implemented in SARS in April 2018. This was followed by two more production releases which added further functionality (reporting, rail and part shipment functionalities). The first tactical production release for NCAP Phase 3 – DPS was implemented in January 2019.

Although timely completion of the deliverables was achieved, in one instance the demonstration was delayed which resulted in the target being reported as partly achieved for the year.

Interfront continued to outsource selected development work to external service providers. These service providers are considered to be Key Partners, which provide Interfront with development capacity at peak delivery times.

The customer relationship with SARS is regulated by means of a MSA which is valid until 31 March 2020. The intensive effort put into the NCAP project resulted in a marginally higher recoverability percentage of 81.1% as opposed to 80.5% in 2018.

MEDIUM RISK
Project delivery dependant of finalisation of specifications

MEDIUM RISK
Interfront development capacity does not match SARS project requirement

LOW RISK
Quality of software delivered to clients deteriorate

Performance Indicator: Provide effective software support service to SARS

Measure	Actual Achievement			Planned Target 2018/19	Actual Achievement 2018/19
	2015/16	2016/17	2017/18		
To annually meet SARS Service Levels as per the Support Agreement	n/a	**Achieved** Met or exceeded service levels for each month of the year	**Achieved** Met or exceeded service levels for each month of the year	Service Level Agreement Reports show that service levels are met	**Achieved**

R19 MILLION
2017/18 Support Revenue SARS

R22 MILLION
2018/19 Support Revenue SARS

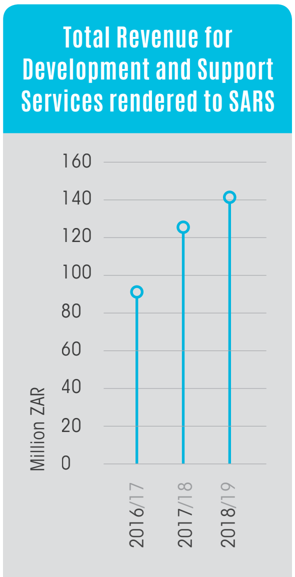
As mentioned, SARS and ADA operate the national customs systems on a 24x7x365 basis. The Interfront software is a key component in each of these systems and the support level provided is crucial to their effective operation.

Service levels to SARS are measured monthly against agreed contractual levels. In the 2018/19 financial year this measure changed from 'met' or 'exceeded' the service levels for each month of the year, to meeting the service levels for each month of the year as contained in the Service Level Agreement.

As part of this service, Interfront continues to develop minor enhancements to the iCBS system. A dedicated support team is deployed and 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. Deployment of new versions of the system into production continues under active monitoring by the Interfront support team and technical leads. SARS operational support handled a total of 1 300 incidents, 493 of which were production support and 807 were project support.

In the year under review, Interfront provided additional services to SARS under the support and maintenance agreement, which resulted in an increase of 41% of the hours spent on support and maintenance.

The graph sets out the total revenue generated for development and support services rendered to SARS for the last three financial years.



Total Revenue for Development and Support Services rendered to SARS for the last three financial years

Performance Indicator: Provide effective software support service to ADA

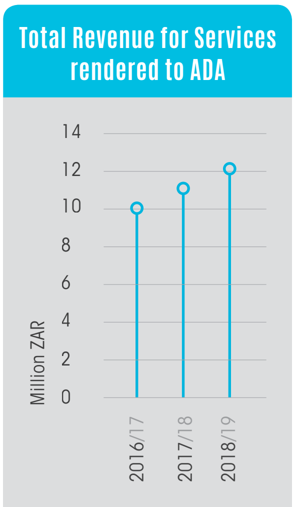
Measure	Actual Achievement			Planned Target 2018/19	Actual Achievement 2018/19
	2015/16	2016/17	2017/18		
ADA client survey on the level of qualify of software support services	n/a	**Partly achieved** An average score of 3.5 was achieved for 4 questions, with 2 scores of 3 and 2 scores of 4	**Partly achieved** An average score of 3 was achieved for 4 questions	4 out of a 5 point satisfaction level scale	**Partly Achieved** Three out of five was achieved

Comment on Deviations:
ADA indicated *inter alia* that it requires more flexibility from the support team and that the response time to queries is efficient, but responses are not always satisfying.

Interfront continues to provide ADA with support services for the maintenance and upgrade of the Interfront systems in operation in ADA since 2007. Over time, various enhancements were added to these systems and performance and stability have improved.

One of the challenges faced by the ADA team is the maintenance of both the current and the technical upgrade versions of the import/export system. Until the current production version is replaced, all changes need to be included in both versions, with the resultant risk and time premiums.

Six Import/Export releases and four 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 order to increase the lifespan of the product. An environment technology upgrade is also in progress on the Import Control System.



Total Revenue for services rendered to ADA for the last three financial years.

The ADA client survey consists of five 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 'Satisfied' on the scale. Interfront achieved a customer satisfaction rating of 3 out of 5 and is interrogating these results in order to improve its service delivery.

The Interfront Customer Relationship with ADA is regulated by means of a Services Agreement. A new three year agreement has been concluded and took effect from 1 January 2019. This provides for the phasing out of some Interfront systems, as they are replaced by a new service provider.

LOW RISK
Misquoting on fixed price contracts

Core Outcome 2: Maintain a Software Development Centre of Excellence

The sustainability of Interfront, as well as the sustainability of its contribution to all its stakeholders, is dependent on maintaining the intellectual capital vested in this unique project team.

LOW RISK
Breach in building security

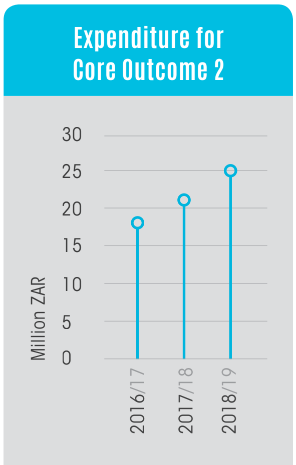
MEDIUM RISK
Inadequate office space

Clearly a multi-faceted task, one may think of many aspects such as innovation, employee engagement or a host of others. Three performance indicators have been chosen in respect of our talent, which is the predominant factor of production. These relate to the retention of the team and with it the skills set, our intellectual capital and the recruitment of additional talent to expand or maintain the pool, as well as creating and growing a stream of new recruits to provide for the diversification and succession of our human capital.

All our activities need to take place in an environment which is highly ethical, financially sound and in all aspects above reproach. This is covered by the measure of an unqualified audit report.

The budget for this strategic target, also provides for manufactured capital in the form of physical and technical resources required to provide for this need, such as software licenses, hardware, equipment, security, furniture and facilities.

Overall, our performance has experienced a challenge with regard to staff retention, which we believe has now been contained, but other than this, has fared well with regard to the other indicators.



Expenditure for Core Outcome 2: Maintain a Software Development Centre of Excellence for the last three financial years.

Performance Indicator: Retention of management team and staff

Measure	Actual Achievement			Planned Target 2018/19	Actual Achievement 2018/19
	2015/16	2016/17	2017/18		
Percentage of staff turnover	**Achieved** 12.3%	**Achieved** 8.9%	**Not Achieved** 17.43%	Less than 14%	**Not Achieved** 19.18%

Comment on Deviations:
Results improved in quarter four

The development of major back-end software systems and subsequent support calls for quality and innovative intellectual property, which is dependent on the quality and continuity of the pool of human talent as a key resource, addressed by this measure.

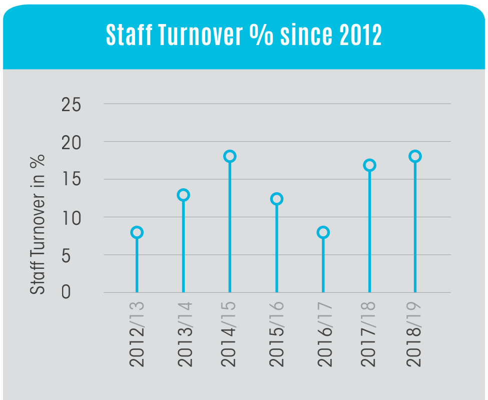
HIGH RISK
Lack of experienced staff

Since incorporation, Interfront has grown a strong technical core of expertise and built up a corporate memory of its product design. Clearly retention, rather than replacement, is the preferred and most economical talent strategy.

At the onset of the 2018/19 financial year, a severe staff shortage in the industry gave rise to aggressive headhunting as the company had experienced a loss of 11,8% of staff in the first six months of the 2018/19 year. Nine of the thirteen resignations received were Java developers. The loss of corporate knowledge and skills of these well-seasoned developers was felt throughout the operation, although mitigating steps were taken through the use of contractors.

A raft of measures was taken by the Board, most important of which was the repositioning of staff with scarce and key skills in areas where Interfront had begun to lag the market in the competitive environment. A comprehensive account of matters such as exit interview analysis, employee engagement, employee support and the like, are set out in Part D: Human Capital.

The volatility in the market is evident in the chart showing staff turnover over the past seven years. Whilst the company has not succeeded in achieving this objective in the current financial year, there is evidence that it has returned to more acceptable levels, although close monitoring is needed.



Performance Indicator: Maintain and develop a skilled, diverse and engaged workforce

Measure	Actual Achievement			Planned Target 2018/19	Actual Achievement 2018/19
	2015/16	2016/17	2017/18		
Expand staff complement, successful appointment and on-boarding	**Partly Achieved** Net growth of 15	**Partly achieved** Net growth of 14	**Not Achieved** Net growth of 2	Maintain staff complement at 120	**Not Achieved** -1

Comment on Deviations:
The year commenced with 110 and not the targeted 120

This measure speaks directly to the success of Interfront in recruiting staff to increase its human capital. It requires maintaining the staff complement at 120. Interfront has shown sound results recruiting during the year in a difficult market and has shown a net loss of one, despite the higher than targeted attrition, dealt with in the preceding performance indicator. Recruitment of experienced developers and various other disciplines is especially difficult and time consuming, often resulting in long lead times. This notwithstanding, the average staff number employed throughout the year, which is an indicator of this time lag, improved by four.

However, since the year saw the staff number start with 110 rather than 120, due to this recruitment target not being met in the prior year, this legacy requires a report of 'not achieved' for the current year as well.

Performance Indicator: Maintain and grow a Centre of Excellence

Measure	Actual Achievement			Planned Target 2018/19	Actual Achievement 2018/19
	2015/16	2016/17	2017/18		
Successful appointment of graduates	**n/a**	**Partly achieved** 7 bursars and 6 graduates	**Achieved** 7 Graduates	10 Graduates	Achieved

South Africa is challenged in terms of the skills set required to address its social and economic development. Through the bursary and graduate internship programme, Interfront is developing technical skills in the IT industry, which ensures a continued supply of IT professionals, that will assist Interfront to reach its business objectives and sustain it thereafter. The graduate internship programme also addresses the aspect of social capital by contributing to the development of the youth of South Africa within the IT field. By investing in the future of the bursars, Interfront adds value to the economy of the country, thereby reducing unemployment.

Training Expenditure Bursars
0.73% of Personnel costs

Training Expenditure Bursars
0.92% of Personnel costs

This measure refers to the appointment of graduates into internship positions. It depends on the selection of top students whose IT interests are aligned to the specific areas where Interfront is experiencing shortfalls. The measure is a challenging one, as it requires a high level of commitment by senior staff and managers to develop and mentor these interns in a demanding production environment. The measure has been achieved and the interns are progressing well.

For more information, please refer to Part D: Human Capital.

Performance Indicator: Establish and support effective governance

Measure	Actual Achievement			Planned Target 2018/19	Actual Achievement 2018/19
	2015/16	2016/17	2017/18		
Unqualified Audit Report	**Achieved**	**Achieved**	**Achieved**	Unqualified Audit Report for the 2017/18 financial year	Unqualified and clean audit opinion for the 2017/18 financial year

Interfront received a clean audit opinion for the 2017/18 financial year. This means that in addition to a financially unqualified audit opinion on the annual financial statements, there were no material findings concerning reporting on performance objectives, non-compliance with legislation, or internal control deficiencies.

LOW RISK
Qualified audit report

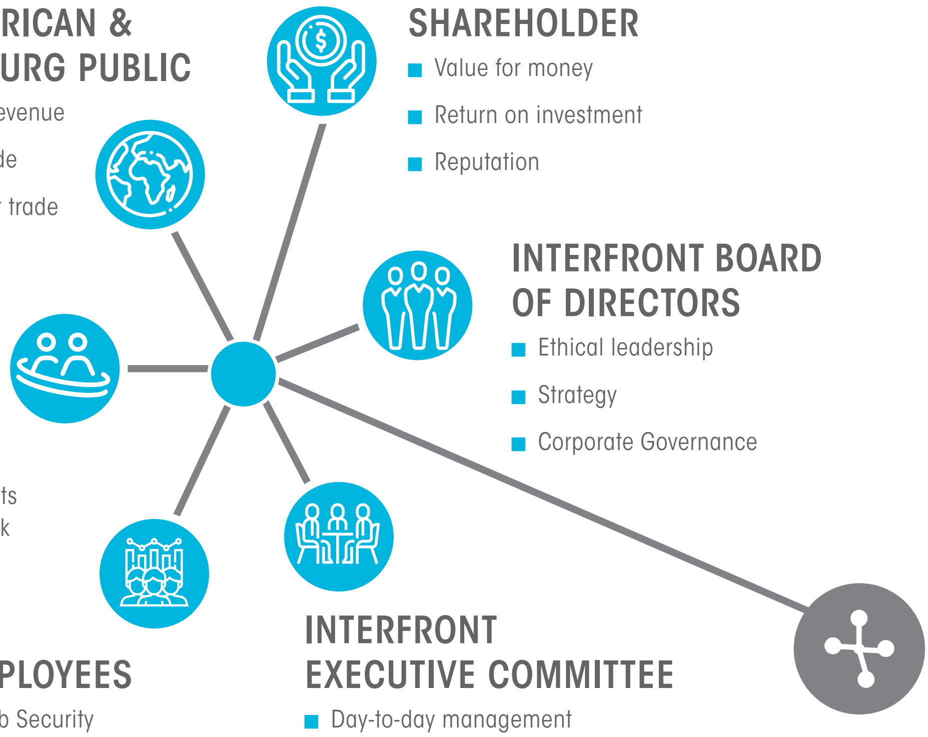
Whilst the audit report for the 2017/18 financial is used as the measure due to performance reporting time deadlines, it is notable that a clean audit opinion has now been received for the 2018/19 year also, which indicates that the same high standards have been maintained. Please refer to Part E: Financial Information.

10. VALUE PROPOSITION

The Interfront value proposition to SARS and ADA encompasses the following:

- **Customisation:** The NCAP programme is being developed to allow for the implementation of the Customs Control Act and the Customs Duty Act in SARS, whilst Interfront is assisting ADA with the phasing out of some of the Interfront systems that will be replaced by new systems.
- **Cost Reduction:** Maintenance of older systems can be expensive.
- **Risk Reduction:** Tracking goods in transit from port of departure to delivery, combating illicit trade. The core declaration system in ADA supports the flexibility required to adapt to regular amendments to policies.

11. STAKEHOLDER FRAMEWORK



SOUTH AFRICAN & LUXEMBOURG PUBLIC

- Generating revenue
- Facilitate trade
- Combat illicit trade

SHAREHOLDER

- Value for money
- Return on investment
- Reputation

CUSTOMERS

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

INTERFRONT BOARD OF DIRECTORS

- Ethical leadership
- Strategy
- Corporate Governance

EMPLOYEES

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

INTERFRONT EXECUTIVE COMMITTEE

- Day-to-day management
- Corporate Governance
- Implementing strategy and monitoring progress
- Ethical leadership

EXTERNAL RESOURCES

Providing Interfront with development capacity at peak delivery times

12. LINKING PERFORMANCE WITH BUDGETS

	2017/18			2018/19		
Objective	Budgeted expenditure (R)	Actual expenditure (R)	(Over)/under expenditure (R)	Budgeted expenditure (R)	Actual expenditure (R)	(Over)/under expenditure (R)
Quality Software Development and Support	96 773 472	87 951 670	8 821 802	103 824 836	100 610 071	3 214 765
Maintain a software development Centre of Excellence	24 193 368	21 987 918	2 205 450	25 956 209	25 152 518	803 691

	2017/18			2018/19		
Source of revenue	Budgeted Revenue (R)	Actual Amount Collected (R)	(Over)/under (R)	Budgeted Revenue (R)	Actual Amount Received (R)	(Over)/under (R)
SARS	133 942 058	125 548 431	8 393 627	144 755 734	141 748 608	3 007 126
Luxembourg (ADA)	10 745 000	11 292 623	(547 623)	7 750 000	12 238 374	(4 488 374)

Expenditure

Staff cost is the material contributor to total expenditure, contributing 70% of total cost. The budgeted average staff number was higher than the actual due to a shortage in the market of skilled IT staff, while the approved bonus and inflation adjustments to staff salaries were below budget. A conservative, cost conscious approach and some cost savings also contributed to the variances.

Revenue

SARS revenue is directly linked to billable staff as software development is charged on a time and material basis. The smaller average staff number therefore had a direct impact on the ability to collect revenue. Furthermore, it was projected for budgetary purposes that the contract with ADA would end in December 2018, allowing these staff to work on the SARS project, thereby increasing the revenue collection, which in practice was not the case when the contract was renewed. The shortfall was partly recovered by a higher reliance on external developers to ensure that deliverables were not compromised, as well as the revenue earned from the new ADA contract, together with a favourable rate of exchange, resulting in a variance of just 2.8%.

"The shortfall was partly recovered by a higher reliance on external developers to ensure that deliverables were not compromised, as well as the revenue earned from the new ADA contract"

PART C
GOVERNANCE

1. Overview
2. Governance Highlights
3. Executive Authority
4. Interfront Board
5. Board Committees
6. Remuneration of Board Members
7. Risk Management
8. The Combined Assurance Model
9. Ethics
10. Sustainability Report
11. Company Secretary

1. OVERVIEW

Corporate governance is the system through which companies are directed and controlled.

The pillars of successful corporate governance are: accountability, fairness, transparency, assurance, leadership, and stakeholder management.

- **Accountability** entails taking ownership of strategy and achieving Interfront goals whilst being mindful of the risks and rewards involved.
- **Fairness** means treating all stakeholders reasonably, equitably and providing effective remedial action for any transgressions.
- **Transparency** is a critical component as it allows for disclosure of all information to a party or parties who may be affected by Interfront's decisions and actions.
- **Independent** Assurance is verification by an independent third party that the information provided by Interfront is a fair and honest representation of the facts.
- **Leadership** entails establishing the right culture to drive the performance of Interfront by establishing clear direction, policy and procedures.
- **Stakeholder** engagement requires identification of key stakeholders and how they interact with Interfront and vice versa.

2. GOVERNANCE HIGHLIGHTS

- The appointment of another female non-executive director to the Interfront Board increased the female representation from three to four.
- The 2018/19 year sees the ninth consecutive unqualified audit report on the annual financial statements.
- A clean audit opinion for the 2018/19 financial year, which is the fourth consecutive year that Interfront received a clean audit opinion, eight in total.

3. EXECUTIVE AUTHORITY

Oversight rests largely on the prescripts of the PFMA, which provides the authority for the Executive Authority to appoint and dismiss the Board and to ensure that the appropriate mix of executive and non-executive directors is appointed with the necessary skills.

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 MOI.

> *A clean audit opinion for the 2018/19 financial year.*

4. INTERFRONT BOARD

***Back (From left to right)**: Leilanie Janse van Rensburg, Madelein Pepperell, John Robertson, Yolandé van der Merwe*
Front (From left to right):
Mustaq Brey, Graham Randall.
***Absent**: Beyers Theron, Refiloe Mokoena and Mmamathe Makhekhe-Mokhuane*

Terms of Reference

The Board is responsible for steering Interfront and setting its strategic direction. In managing or directing the affairs of Interfront, the Board has authority to exercise all powers and perform any of the functions of the company except to the extent that the Companies Act or the MOI provide otherwise.

The Board's terms of reference were reviewed and updated to align with the provisions contained in the King IV Report on Corporate Governance and adopted at the board meeting held on 25 October 2018.

The terms of reference provide for *inter alia*, the approval by the Board of the strategic plan, ensuring that risk, performance and sustainability considerations are effectively integrated, ensuring that Interfront has appropriately constituted and effective board committees as required by the Companies Act, MOI and recommended by best corporate governance practice.

The Board is also responsible for setting the direction for good corporate citizenship, including compliance with laws, standards policies and procedures in congruence with Interfront's purpose, strategy and conduct.

In exercising its powers and setting direction, the Board as the accounting authority, must ensure that company activities are conducted so as to minimise any divergence of interests between Interfront and its Shareholder and that Interfront is managed in the best interests of its Shareholder and other stakeholders.

Composition

Interfront's 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.

Interfront commenced the 2018/19 financial year with a Board of seven directors. Mr Jonas Makwakwa was removed as a director in August 2018, by means of a board resolution. The two vacancies were filled on 28 September 2018, through the appointment of Ms Yolandé van der Merwe and Mr Beyers Theron as non-executive directors in their capacity as employees of the Shareholder, by means of a shareholder resolution. The Board currently comprises an independent, non-executive chairperson, three executive directors and four non-executive directors who are employees of the Shareholder.

The non-executive, independent Chairperson and the three executive directors have been the longest serving members of the accounting authority and had completed seven years in their respective positions during the reporting period.

The roles of the Chairperson and Managing Director are separate. The Chairperson annually declares the number of outside professional appointments, which is submitted for review by the Board. The Board Chairperson is a member of the Remuneration, Social and Ethics Committee, but not a member of the SARS/Interfront Audit and Risk Committee.

Due to a number of changes in the composition of the Board and its Committees, as well as the absenteeism of some members, no formal assessment or self-assessment of the Board, its members or its committees was undertaken during the year under review.

THE BOARD:

- 1 independent, non-executive chairperson,
- 3 executive directors
- 4 non-executive directors who are employees of the Shareholder.

Mustaq Brey (65)

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

Qualifications and Experience

Mustaq is a founder member and CEO of Brimstone Investment Corporation Ltd. He is a qualified Chartered Accountant and serves as the Chairperson of two JSE-listed companies: the Life Healthcare Group Limited and Oceana Fishing Group Limited. He serves as director on a number of boards, including the Western Province Cricket Association, AON Re Africa (Pty) Ltd and FPG Investments (Pty) Ltd, as well as being a trustee of various trusts, including the Jakes Gerwel Family Trust.

Beyers Theron (53)

Non-Executive Director

Qualifications and Experience

Beyers commenced his career as a Customs Officer in the then Department of Finance in 1983 followed by a lengthy tenure in customs training. In the late 1990's Beyers played a leading role in the customs transformation programme, which was a SARS-wide programme called Siyakha and was tasked with the full organisational restructuring of the customs component within SARS. He was appointed at the Head of Customs Operations at SARS and oversaw national customs operations for several years. As Executive: Customs Modernisation Strategy and Design, he headed up the customs modernisation programme from 2010 to 2016. Beyers was appointed Acting Chief Officer: Customs and Excise in July 2018.

Yolandé van der Merwe (42)

Non-Executive Director

Qualifications and Experience

Yolandé is a Chartered Accountant with extensive experience in the public sector. She started her career as an auditor managing various large public sector audits both from an internal and external audit perspective. She joined SARS in 2004 in the Own Accounts division as part of the team responsible for the implementation of a new accounting system. She held various roles in the organisation and was appointed in 2010 as the Executive: Own Accounts responsible for the corporate finance portfolio and held this position until 2016, when she was appointed as the Group Executive: Own Accounts responsible for the entire Own Accounts portfolio.

Mmamathe Makhekhe-Mokhuane (52)

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

Qualifications and Experience

Mmamathe has several Information Technology diplomas, as well as a MBA from the University of the North West. Mmamathe 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 the Departments of Transport; Communication, as well as Water and Sanitation. She holds several professional memberships and was appointed as a non-executive member to the board of the State Information Technology Agency. She was subsequently employed as the Chief Officer: Digital Information Services and Technology in SARS.

Refiloe Mokoena (56)

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

Qualifications and Experience

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 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, where she established a Compliance and Ethics office. 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 of *inter alia*, the South African Women Lawyers Association and served in regulatory roles at ICASA and the Broadcasting Complaints Committee of SA.

Graham Randall (67)

Managing Director

Qualifications and Experience

Graham is a Chartered Accountant and spent much of his career at the AGSA. He holds an M.Com. in Public Finance and Auditing and has at various times been responsible for the audit of *inter alia*, the finance portfolio in government and the international audit portfolio, which included the audits of the UN, WHO and UNIDO.

John Robertson (59)

Executive Director – Operations

Qualifications and Experience

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

Leilanie Janse van Rensburg (37)

Executive Director – Finance

Qualifications and Experience

Leilanie qualified as a Chartered Accountant in 2008 and has both private and public sector experience in accounting and auditing. She has managed various audits including SARS and the Land Bank and gained valuable experience in the public sector. She was appointed to the Interfront Board in October 2011 and has since been responsible for setting up the corporate division in Interfront.

Board Performance

The Board has been active in fulfilling its duties. Four board meetings were held during the period under review and were augmented by round robin resolutions as the need arose.

It is recorded that *inter alia*, the following matters were considered during the 2018/19 financial year.

At the meeting held on 12 March 2018 at Lehae La SARS in Pretoria, the Board approved the APP for the year under review, which also contains Interfront's top five risks, its budget and strategic targets. The Demand Plan, which contained all planned procurement for the period in respect of goods, works and/or services which exceed R500 000, was also approved.

The board meeting was followed by a meeting with the Shareholder to continue engaging on the longer term strategy and direction of Interfront. The value of the intellectual capital within the company was recognised and consideration will be given to the most appropriate time and the form in which to house and utilise the centre of excellence.

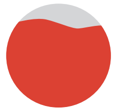
The Board has effectively attended to the matters usually referred in the first instance to the Remuneration, Social and Ethics Committee. It has promoted closer alignment of the conditions of service to those of the Shareholder, considered and approved the annual salary increases, salary positioning and the annual performance bonus, as well as determining the bonuses payable to executive directors, based on their performance. The employment contract of the Managing Director has also been extended until 31 December 2019.

Matters such as employee engagement, staff retention and development, employment equity, performance criteria and the implementation of special measures to recruit and retain scarce skills by way of a special market adjustment, have also been the focus of attention. For more information please refer to Part D: Human Capital.

The Board effectively monitors internal controls and performance. The interim financial statements were reviewed by the Board at its meeting held on 25 October 2018, as was performance and progress against budget. Financial reporting includes cash flow projections and the assessment of Interfront's general viability, solvency, liquidity and going concern status. Thorough attention is also devoted to the plans and reports of internal and external audit.

The Board has also considered and approved amendments to the organogram and policies, as well as maintaining sound governance and updating the terms of reference of the Board and EXCO, as well as the Remuneration, Social and Ethics Committee

At every Board meeting formal reports are submitted by the Managing Director, Operations Director, Financial Director and the Executive Talent, which serve as a basis for review and guidance.



HIGH RISK

MD Successor

LOW RISK

Going concern / cash flow inadequate

"The Board effectively monitors internal controls and performance."

Annually, the Board also considers and reviews:

- the Procurement report, which provides an overview of all tenders awarded, a report on deviations, the approvals granted for the expansion and variation orders, as well as condonations, if any;
- the ICT Plan for the year;
- a report on progress against the Demand Plan at year-end; and
- a report on governance.

Bearing in mind the foregoing, the Board approved Interfront's five-year strategic plan, as well as its APP for the 2019/20 financial year at its meeting held on 13 March 2019, based on the inclusion of its inputs.

5. BOARD COMMITTEES

The terms of Reference of the Board Committees are reviewed and approved by the Interfront Board. Where relevant, these address the purpose and responsibilities, number of meetings, composition, attendance of meetings by permanent invitees or ad-hoc members, voting rights and the like.

The Report of the Audit and Risk Committee is set out in Part E: Financial Information.

Audit and Risk Committee

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

None of the members of the Audit and Risk Committee are executive 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 internal audit function attends all committee meetings and the AGSA presents its reports on completion.

Interfront's financial statements are reviewed by the Audit and Risk Committee where-after they are recommended for Board approval. The Interfront Risk Register and a report on progress made with regard to mitigating actions are also tabled at committee meetings.

The Board approved Interfront's five-year strategic plan, as well as its APP for the 2019/20 financial year at its meeting held on 13 March 2019, based on the inclusion of its inputs.

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 have at least two meetings per financial year. The members comprised Ms Refiloe Mokoena as Chairperson, with Ms Mmamathe Makhekhe-Mokhuane and Mr Mustaq Brey as members. The executive directors, as well as the Executive: Talent are permanent invitees.

No committee meetings could be conducted for the year under review as a quorum could not be established. However, the Board assumed full responsibility for the functions of the Remuneration, Social and Ethics Committee during the period concerned.

Interfront Executive Committee

The Interfront EXCO comprises the Operations Director, Financial Director, the Executive: Talent, as well as the Executive: Relationship Manager, under the Chairmanship of the Managing Director.

The terms of reference provide that the Committee meet on a monthly basis and is responsible for the implementation of Interfront's strategy and APP, taking key business decisions, as well as 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.

Joint SARS and Interfront Audit and RIsk committee.

Board and Committee Meeting Attendance

Name	Date appointed/removed	Board	
		No. attended	No. of meetings
Mustaq Brey	18 October 2011	4	4
Refiloe Mokoena	29 June 2017	2	4
Mmamathe Makhekhe-Mokhuane	29 June 2017	2	4
Beyers Theron	28 September 2018	2	2
Yolandé van der Merwe	28 September 2018	2	2
Graham Randall	1 June 2011	4	4
John Robertson	1 September. 2011	4	4
Leilanie Janse van Rensburg	1 October. 2011	4	4
Jonas Makwakwa	6 February 2015 to 6 Aug. 2018	0	2

- **Remuneration, Social and Ethics Committee**

No meetings were conducted for the year under review

- **Audit and Risk Committee**

See Audit and Risk Committee Report

6. REMUNERATION OF BOARD MEMBERS

National Treasury regulates the remuneration level for Interfront's independent, non-executive board and committee members and approval was granted by the Minister of Finance for the following remuneration rates to be paid:

Category classification A1 (part-time members)		
Remuneration	2018/19	
Chairperson	R5 230 per day	R654 per hour
Members	R3 888 per day	R486 per hour

Mr Mustaq Brey, an independent, non-executive director, Chairperson of the Interfront Board and member of the Remuneration, Social and Ethics Committee, is remunerated as Chairperson and as a member of a board sub-committee.

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

7. RISK MANAGEMENT

Interfront reviewed and updated its Risk Management Policy during the 2018/19 financial year and adopted a Risk Management Methodology and Governance Framework, which is set out diagrammatically, below.

Risk Management Methodology and Governance Framework

The Governance Framework provides for *inter alia*, the management of risks, which includes strategic, operational and compliance risks at an Interfront-wide level, the intention being to provide a framework that leads to improved efficiency, effectiveness and decision making.

The Risk Management Methodology provides for standardised risk management practices across Interfront, general guidance on how to identify, assess, mitigate, monitor and evaluate risk, as well as common terminology with respect to key risk management terms and concepts.

Line managers are responsible for identifying risks, as well as mitigating actions to manage risks within their area of responsibility.

The terms of reference of the Interfront Risk Management Committee were reviewed, updated and adopted during the 2018/19 financial year and its role, responsibilities, functions and powers were set out.

Quarterly, the risk register together with mitigating actions, as well as the progress made implementing the mitigating actions, are tabled for review and input by the SARS Enterprise Risk Management Committee, where after it is submitted to the

A risk register is compiled per division and submitted to the Interfront Risk Management Committee whereafter a company-wide register is compiled.

SARS / Interfront Audit and Risk Committee. The Risk Register is tabled for Board review.

At the start of the 2018/19 financial year, Interfront assessed its risk and included details in its APP. At the time, the highest risk was that delivery on NCAP may be considered inadequate or unsuccessful by SARS, while the appointment rate of staff not meeting project demand, was the second highest risk.

During the course of the financial year a new risk, with a residual rating of 20, emerged and was identified as a compliance risk with regard to the composition of the Interfront Board. The second highest risk related to the appointment of a successor to the Managing Director.

Top Five Risks as at 31 March 2019

1

Board composition

Risk type:
Compliance Risk: Legislation, regulations, practices and codes. The risk that processes and practices do not comply with legal requirements, codes and practices.

Link to Strategy:
Maintain a Software Development Centre of Excellence

2

MD successor

Risk type:
Strategic Risk: Leadership. Risk outside of Interfront but has a direct effect on Interfront's strategic outcomes and mandates.

Link to Strategy:
Maintain a Software Development Centre of Excellence

3

Lack of experienced staff

Risk type:
Operational Risk: People Risk. Risk associated with the management of human resources, resulting in the inability to recruit and retain competent resources.

Link to Strategy:
Maintain a Software Development Centre of Excellence

4

Interfront development capacity does not match SARS project requirements

Risk type:
Operational Risk: Project Risk. Failure to execute and deliver on business strategic objectives.

Link to Strategy:
Quality Software Development and Support

5

Failed business continuity in case of disaster

Risk type:
Operational Risk: Business Continuity Risk. Failure to execute and deliver on business strategic objectives.

Link to Strategy:
Maintain a Software Development Centre of Excellence

"The Governance Framework provides for inter alia, the management of risks, which includes strategic, operational and compliance risks at an Interfront-wide level, the intention being to provide a framework that leads to improved efficiency, effectiveness and decision making."

8. 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 and allows the governing body to exercise judgment in this regard.

The Interfront combined assurance model consists of the following elements:

1ST LINE OF DEFENCE

Interfront Management Oversight

2ND LINE OF DEFENCE

Management of risk and compliance. Interfront Board and Board Committees

3RD LINE OF DEFENCE

Internal Audit

4TH LINE OF DEFENCE

Independent External Assurance

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

Internal audit reviewed and provided an opinion on the internal controls around and within Interfront processes, as well as the ICT environment. Some effectiveness gaps were identified for improvement in the areas of governance, risk management, information and communication, as well as monitoring systems and are being attended to.

As provided for in the PFMA, the AGSA is the independent external assurance provider. The AGSA attends meetings of the Audit and Risk Committee; in addition they present their audit plan, as well as presenting their findings once the audit has been concluded. With just one exception, Interfront has not only received an unqualified audit opinion every year, but also a clean audit opinion since its incorporation.

"With just one exception, Interfront has not only received an unqualified audit opinion every year, but also a clean audit opinion since its incorporation."

9. ETHICS

Compliance with Laws and Regulations

Compliance with the Companies Act, PFMA, Treasury Regulations, procurement guidelines and instructions, as well as the King Reports, is routinely assessed by means of compliance checklists.

LOW RISK
Compliance with Laws and Regulations

During the year under review, Internal Audit conducted a governance review, which has contributed to a number of further improvements, although overall, it assessed the state of governance as a low risk area.

A Policy on Policies, referred to earlier in the document, was adopted, which provides guidance on the conditions under which policies should be reviewed or under which new policies should be considered.

Fraud and Corruption

Interfront has a Fraud Prevention Policy in place in conjunction with a Fraud Prevention Strategy, which provides *inter alia*, for detection and investigation of corruption, maladministration and/or fraud. The Supply Chain Management (SCM) hotline and a Whistleblowing Policy were adopted in November 2017.

LOW RISK
Fraud occurs in the company

In the financial year under review, Interfront's internal controls have not identified any, neither have we become aware by any other means, of 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 requires disclosure in this report.

- No incidents of fraud, corruption or 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.
- No fraud or corruption incidents were identified by internal or external audit.

Procurement deviations, as well as all tenders awarded by Interfront, are tabled for Board review. Two tenders were awarded for the year under review, the deviations value decreased by 8%, while the number of deviations increased by 6% compared to the 2017/18 financial year. All but one deviation, which was due to an emergency, are sole providers, which relate to the provision of software licences, software customisation and services, training and membership, as well as facilities.

> *"In the financial year under review, Interfront's internal controls have not identified any, neither have we become aware by any other means, of 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 requires disclosure in this report."*

Minimising Conflicts 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. All employees are required to declare their private interests annually. The declaration extends to the interests of their partners, spouses and dependent children and are reviewed to determine if a possible conflict exists, in which case it is reported to EXCO and the employee is engaged to explain the circumstances and determine any corrective action.

Interfront non-executive directors are required to submit a declaration of private interest document at the time of their appointment and these are regularly updated.

Code of Conduct

The Code of Conduct expresses the set of values and behaviour expected of Interfront employees, to ensure that they conduct themselves in an appropriate and ethical manner. Prospective employees are emailed the 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 duty.

Value workshops are conducted with new employees to ensure that they fully understand and uphold the values of Interfront which form the basis of our organisational relationships, business processes and conduct.

"All employees are required to declare their private interests annually. The declaration extends to the interests of their partners, spouses and dependent children and are reviewed to determine if a possible conflict exists"

The Centre of Excellence at Interfront focuses specifically on growing its human capital by means of its graduate intern programme.

10. SUSTAINABILITY REPORT

Corporate sustainability means adopting business strategies and activities that meet the needs of the company and its stakeholders, while protecting, sustaining and enhancing the human and natural capitals that will be needed in the future.

The core business of Interfront is based on the development and support of software. This in itself carries a limited footprint and contributes globally to sustainability. The key elements which form part of our focus on sustainability are summarised below.

Governance, ethics and compliance

This means operating in an ethical manner and in accordance with the applicable laws.

Our social and relationship capital consists of intangibles such as our shared values, commitments and knowledge that forms the basis of the reputation and trust that Interfront have developed. The Interfront governance structure, mission and values are set out in Part A: General Information. The company, which must act transparently in the interests of the community as a whole, invests in high levels of accountability and ethics as a SOC.

Employees

Talent management, compensation, engagement, diversity, work life balance.

Interfront has, as one of its two strategic objectives, the maintenance of a centre of excellence. This focuses specifically on maintaining the workforce in which its intellectual capital is vested and growing its human capital by means of its graduate intern and development programme, as well as its bursary scheme.

More details about these initiatives appear in Section D: Human Capital.

Environment, health and safety

Health and Safety Performance

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

Only one minor incident was reported to the Department of Labour for the year under review, where a staff member inadvertently inhaled a chemical used to remove bar codes from assets for disposal, in an enclosed area. The staff member received medical attention and the matter was closed as no further medical intervention was required. Employees are now restricted from using chemicals in an enclosed environment and the usage of masks and gloves is enforced.

Health and safety consultants conduct information sessions with employees on health and safety matters within the workplace. A quarterly newsletter is also published by the Health and Safety Committee on matters that may affect employees.

A health and safety audit was conducted by an independent consultant and Interfront received a five star rating.

A health and safety audit was conducted by an independent consultant and Interfront received a five star rating.

Environmental Performance

Interfront employees are environmentally conscious and are mindful of the natural capital needed and used in everyday life. The severe drought in the Western Cape saw Interfront taking steps to reduce water consumption at the office. A water savings plan was adopted, which addressed *inter alia*, the restriction of the use of water in the kitchen; service providers were engaged to reduce the use of water in our cloak room facilities and based on input received from employees, a water tank was installed by the body corporate on the common property to collect rainwater to use for irrigation. The Health and Safety Committee published a newsletter with water savings tips that employees could use at home and in the workplace.

Motion sensor lights were installed in passages and in the basement parking area. This assisted Interfront in reducing its energy consumption as lights in the basement parking area and passages are activated solely when movement is detected.

Product Responsibility

Material Use

Interfront strives to reduce its paper footprint by automating systems to reduce the need for paper and promoting the use of electronic documentation. Waste products such as plastic and paper are recycled.

Product End-of-Life

Redundant IT hardware is recycled through a certified third party, supported by documented proof.

Supply chain

Supplier Management

Our manufactured capital consists of *inter alia*, software licences, hardware, equipment, furniture and facilities. In order to ensure compliance with Treasury Regulations and practice notes Interfront has a dedicated procurement team, whose main responsibility is to procure and order goods and service needed throughout the company.

A Supplier Code of Conduct was adopted during the year under review. Suppliers are required to sign and agree to the code when they submit quotations to do business with Interfront.

The code provides for compliance by the service provider with applicable laws, regulations, anti-bribery and corruption, compliance with human rights and labour standards, as well as health and safety regulations.

In terms of the code, Interfront has the right to demand that corrective measures be taken should the service provider not comply with the provisions and reserves the right to terminate its contract should corrective action not be taken, or the transgression is of such a nature that corrective action cannot remedy the situation.

"Interfront employees are environmentally conscious and are mindful of the natural capital needed and used in everyday life. The severe drought in the Western Cape saw Interfront taking steps to reduce water consumption at the office. A water savings plan was adopted."

Supplier Diversity

As a SOC Interfront applies the 80/20 (eighty for price and twenty for BBB-EE) or 90/10 (ninety for price and ten for BBB-EE) principle, depending on the value of the respective contract award. Suppliers are required to maintain their BBB-EE status for the duration of the contract and their points claimed for BBB-EE are independently verified by Interfront procurement staff.

Community Support

Donations

Interfront engages with schools and learning institutions within its geographical area, to identify their IT needs. Once laptops/desktops have reached the end of their useful life, the hard drives are disposed of and replaced, where after they are donated to the school or institution identified.

Laptops were donated to the Kylemore Secondary School that services the community of the Dwarsrivier Valley, as well as Zandvliet High School in Macassar. Most of the students attending Kylemore and Zandvliet do not have access to computers at home and providing access to computers at school allows the learners to develop and enhance their computer literacy.

Employee Initiatives

Employee initiatives include nominating a charity that is supported by employees as a collective by means of a raffle to collect money to donate to the elected charity. Initiatives such as 'Slipper Day' are also supported by employees as a collective.

Laptops were donated to Kylemore Secondary School.

Economic impact

The table below provides a summary of the financial capital generated and how it has been applied.

Financial Capital Generated and Applied	2016/17 (R)	2017/18 (R)	2018/19 (R)
Revenue	110 132 447	143 014 044	158 725 409
Surplus (before taxation)	15 352 872	33 074 456	32 962 820
Suppliers			
Payments to Suppliers	10 384 808	10 509 888	9 002 332
Investor/Shareholder loan repayment		40 000 000	20 000 000
Government			
Income Tax	4 985 601	9 902 180	9 837 138
Surplus	**10 367 271**	**23 172 276**	**23 125 682**

11. COMPANY SECRETARY

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

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

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 of a public company in terms of the Companies Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

M PEPPERELL
Company Secretary
31 July 2019

PART D
HUMAN CAPITAL MANAGEMENT

1. OVERVIEW

The approach taken by Interfront to human capital management is dealt with at a strategic level as reflected in our Strategic and APP as set out in Section B: Performance Report.

While Interfront does not own or control its human capital, nevertheless, by investing in our people, a competitive advantage can be gained through employee engagement interventions, a retention strategy, talent management, or through learning and development programmes. The concept of human capital is associated with the overarching notion of intellectual capital, which is the stocks and flows of knowledge available to Interfront. This is a key factor of our sustainability.

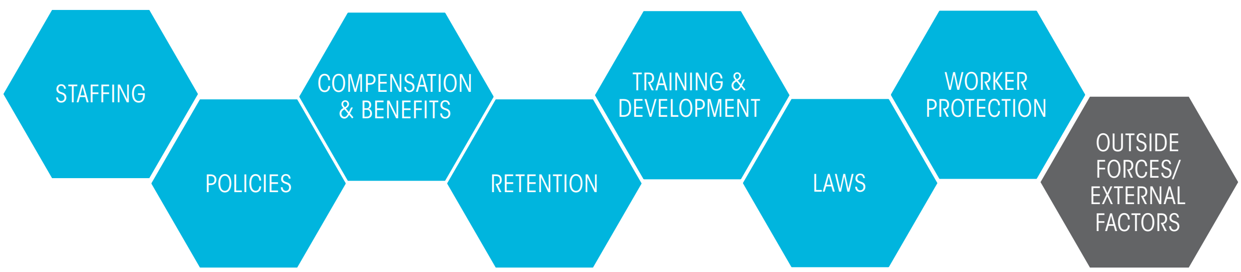
> *The concept of human capital is associated with the overarching notion of intellectual capital, which is the stocks and flows of knowledge available to Interfront*

2. HIGHLIGHTS

- Eighty-nine percent (89%) of staff members completed the Employee Engagement Survey, which significantly exceeded international standards.
- The Bursary Programme exceeded its target.
- Women's Day and the Men's Day celebrations were introduced as part of the employment equity drive.
- A special positioning exercise took into consideration the retention of core, scarce and critical skills.
- The target to recruit ten graduates for the Internship Programme was met.
- The Employment Equity focus on the people of the coloured group has resulted in a growth of 143% over the last five years, being the majority representation in the Western Cape.

3. HUMAN CAPITAL REPORT

The areas of responsibility and challenges facing the human capital team are set out diagrammatically below and serve as the structure of Section D.



4. STAFFING

The staffing function involves four main steps:

- ensuring that the budget and organogram are aligned;
- applying policies and practices that encourage multiculturalism and diversity in the workplace;
- recruitment; and
- selection.

Budget and Organogram

The overall dynamics of the budget and organogram serve to provide for the short and long term intellectual resource needs of Interfront. Staff turnover can occur without notice in response to industry demands, while replacement and overall growth have a long lead time. A balance is required between the long term expected growth in the organogram, the current resource demand and budget, as well as sound strategies to minimise churn.

Taking a holistic view, the Board approved an overall increase of twenty posts on the organogram. However, this growth is to take place only as budget, supported by work orders allows. This provides an opportunity for EXCO to manage the operation dynamically and to bring in scarce skills to allow for continuity. Past experience has shown that the loss of senior production staff can have an adverse effect on the greater project, if measures are not taken to actively provide for succession. The growth of support services is directly related to the delivery of new product, which will require ongoing maintenance and support. This steadily alters the mix of skills in the company.

Bearing in mind the increasing importance and dependence on IT and the modernisation of border systems, this approach is a sound one and necessary to provide for systems development and maintenance.

> *Past experience has shown that the loss of senior production staff can have an adverse effect on the greater project, if measures are not taken to actively provide for succession.*

Changes in Employment over the 2018/19 financial year

Salary Band	Employment at beginning of period	Appointments	Resignations	Employment at the end of the period
Top Management	3	0	0	3
Senior Management	11	2	2	11
Professional Qualified	38	5	7	36
Skilled	52	14	11	55
Semi-Skilled	3	0	2	1
Unskilled	3	0	0	3
Total	110	21	22	109

Personnel Numbers by Strategic Objective

Objective	2017/18		2018/19			
	No. of employees	Approved Posts	No. of employees	Vacancies	Approved posts	% of vacancies
Quality Software Development and Support	88.3	96	92.5	24.8	112	21.4
Maintain a Software Development Centre of Excellence	22.1	24	23.1	6.2	28	21.4

*Column "Approved posts" added for 2018/19
* The amounts/numbers are allocated 80% to objective 1 and 20% to objective 2. Due to the cross functionality of our teams, our staff work towards both objectives. The 80/20 is the best estimate of the level of effort needed per objective to ensure we achieve our goals.

Multiculturalism and Diversity

The Employment Equity Consultative Forum (EECF) is fully representative and has been instrumental in drawing up and reviewing the five year Employment Equity (EE) Plan (which outlines the numerical goals and targets) and which has been approved by the Department of Labour.

EE awareness training is provided to new employees and new EECF members attended a training course in order to understand their role and responsibilities as provided for in the EE legislation. In conjunction with the EECF, the Human Capital Department submitted the annual Employment Equity Report to the Department of Labour, which includes the targets for the disabled, female and male groupings set out on the tables below. The current numbers refer to the actual number of employees per group as at 31 March 2019, whilst the targets are those for the 2019/20 financial year.

Below: The Employment Equity Consultative Forum.

Annual Employment Equity Report: Actual number of employees per group as at 31 March 2019, with targets for the 2019/20 financial year

DISABLED	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management								
Senior Management								
Professional Qualified								
Skilled	1						1	
Semi-Skilled								
Unskilled								
Total	1	0	0	0	0	0	1	0

FEMALE	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	1	0	0	1	1
Senior Management	1	1	0	1	0	0	2	2
Professional Qualified	2	4	2	4	0	0	6	6
Skilled	9	6	11	9	2	1	1	2
Semi-Skilled	0	2	1	2	0	1	0	0
Unskilled	3	3	0	0	0	0	0	0
Total	15	16	14	17	2	2	10	11

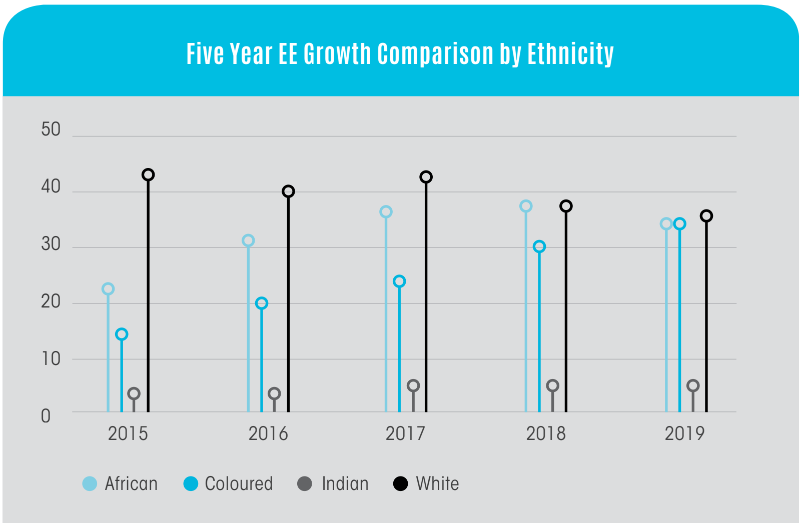
MALE	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	1	0	0	2	1
Senior Management	1	1	3	3	0	0	4	3
Professional Qualified	5	6	4	7	2	2	15	15
Skilled	12	16	13	7	0	0	5	3
Semi-Skilled	0	4	0	6	0	1	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	18	27	20	24	2	3	26	22

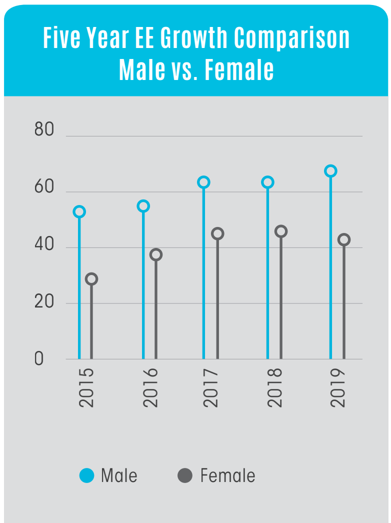
Employees were encouraged to represent a culture of their choice on Heritage Day.

The progress made over the past five years has been significant. In order to align with the demographics of the local working population, the specific focus on the people of the coloured group has been especially rewarding. This has grown from fourteen to thirty four employees, an increase of 143%.

143% ↑
The amount of workers from the coloured group has grown from 14 to 34. in the last five years.

The five year analysis is set out graphically below. While a significant improvement is evident regarding ethnicity, the recruitment of females, in an industry where this has not traditionally been the norm, does require focus.





To promote diversity and encourage inclusivity, the Human Capital Department facilitated the following sessions:

- Heritage day whereby all employees were encouraged to participate by representing a culture of their choice.
- Both Women's and Men's days were held with speakers addressing issues pertinent to each.

Recruitment

Interfront has agreements in place with various recruitment agencies. Agency representatives are invited to a briefing session with the Human Capital team to get a better understanding of Interfront's business, culture and the type of individuals Interfront would want as employees. Online recruitment portals are used and vacancies are also advertised on Interfront's website.

During the 2018/19 year, the total staff number reduced by one and recruitment has focused on replacement, due to the unusually high turnover which was experienced, particularly in the first half of the reporting period. However, average staff numbers have increased over the year as set out in the table under the heading Budget and Organogram.

Interfront has not used the services of external head hunters, however the Human Capital team does periodically contact alumni and all staff are encouraged to nominate suitable candidates. It is especially cost efficient to employ staff who already have knowledge of customs and the IT systems in use, which saves on the often lengthy process of training before the employee becomes fully productive.

"It is especially cost efficient to employ staff who already have knowledge of customs and the IT systems in use, which saves on the often lengthy process of training before the employee becomes fully productive."

Selection

A rigorous selection process is applied and all applicants are screened and assessed according to the minimum requirements. The EE Plan is consulted and once the interview and testing processes have been completed, vetting is carried out. Additional vetting of new employees may be required as determined by the security requirements for the post.

5. POLICIES

Policies are developed to ensure fairness and continuity within Interfront. The development and review of policies requires collaboration between the Human Capital team, management and the executive.

The Conditions of Service policy was updated early in the current financial year to provide for long service awards that acknowledge staff who have been in the service of Interfront for a period of five years and more, as provided for in SARS.

6. COMPENSATION AND BENEFITS

Interfront's Rewards Policy provides for an approach that is designed and administered to align the employee's interest with those of all stakeholders and to ensure the company's short and long-term success.

The overall remuneration philosophy aims to ensure that employees are fairly rewarded for their individual contribution to Interfront's operating and financial performance in line with its strategic and business objectives, bearing in mind all facets of the value proposition, which includes all forms of pay and benefits.

> *“The overall remuneration philosophy aims to ensure that employees are fairly rewarded for their individual contribution to Interfront's operating and financial performance”*

Benefits

Staff benefits are comprehensive and intended to promote a long term employment relationship characterised by the Interfront values and personal growth. Included are: generous leave benefits, group life and income protection, medical aid, study assistance, comprehensive training and a professional 24 hour staff support programme.

Compensation

Employees may be eligible for a performance bonus dependent on employee and company performance. The payment of any bonus is not included in the total cost to company remuneration and details of the bonus payment in the year under review are set out in the table below.

Performance Rewards for the 2018/19 financial year

OCCUPATIONAL LEVEL	PERFORMANCE REWARDS (R)	PERSONNEL EXPENDITURE (R)	% PEFORMANCE REWARDS TO TOTAL PERSONNEL COST
Top Management	586 303	81 456 984	0.72%
Senior Management	1 027 752		1.26%
Professional Qualified	2 065 646		2.54%
Skilled	1 401 979		1.72%
Semi-Skilled	24 351		0.03%
Unskilled	14 690		0.02%

Annual salary increases for the year under review were aligned with those of SARS. This was augmented with a special positioning exercise to address scarce skills. Details of total personnel costs are set out below.

Total Personal Cost

YEAR	TOTAL EXPENDITURE (R)	PERSONNEL COSTS* (R)	PERSONNEL COST PLUS EXTERNAL DEVELOPERS (R)	PERSONNEL COST AS A % OF TOTAL COSTS	NO OF EMPLOYEES (AVERAGE)	AVERAGE PERSONNEL COSTS PER EMPLOYEE (R)
2018/19	125 762 589	88 035 868	105 802 893	84.1%	115.42	761 688
2017/18	109 939 588	75 446 654	90 602 260	82.4%	110.4	683 394
2016/17	94 779 575	68 340 468	75 061 124	79.2%	103.8	658 386
2015/16	82 524 346	63 575 859	63 575 859	77%	90.8	700 175
2014/15	70 033 351	53 027 764	–	75.7%	80.7	657 097

*Personnel costs include, in addition to salaries, expenses relating to advertising vacancies, relocation

The IT industry has shown remuneration to be very competitive. The average personnel costs per employee (above) need to be viewed against a scenario where there has been little change in the nature of the output over the past five years. Seen against constant or even increasing expectations from staff, the years 2014/15 to 2017/18 showed a nominal growth of 4% in total for three years, which in real terms after inflation, is a significant decrease. This is partly attributable to the staff mix, reflecting a loss of more senior staff, but also of a backlog which has been addressed in the current year to some extent by making focused adjustments with regard to scarce skills amounting to 9,6% of the salary bill.

Further information is provided below on the breakdown of benefits firstly, in respect of the occupational levels and secondly, the strategic objectives. From a sustainability viewpoint this gives insight into economic value generated and distributed on a cost basis, although the economic value of the outcome of a strong and stable customs environment will be felt at a national level.

Personnel Expenditure per Occupational Level

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	7 555 119	9.3%	3	2 518 373
Senior Management	13 617 786	16.7%	11.7	1 167 239
Professional Qualified	35 620 584	43.7%	38.1	935 333
Skilled Technical	23 388 352	28.7%	55.6	423 319
Semi –Skilled	910 805	1.1%	4.4	206 220
Unskilled	364 338	0.5%	3	121 446
Total	81 456 984	100%	115.42	705 764

Personnel Expenditure per Strategic Objective

Strategic Objective	Total Expenditure for the entity (R)	Personnel Expenditure (R)	Personnel expenditure as a % of the total expense	No of employees	Average personnel cost per employee (R)
Quality Software Development and Support	100 610 071	70 428 694	70%	92.46	761 688
Maintain a Software Development Centre of Excellence	25 152 518	17 607 174	70%	23.12	761 688

*personnel cost only includes cost relating to Interfront employees only and excludes fees paid to external development service providers
**The amounts/numbers are allocated 80% to Objective 1 and 20% to Objective 2. Due to the cross functionality of our teams, our staff work towards both objectives. The 80/20 is the best estimate of the level of effort needed per objective to ensure we achieve our goals.

Long service awards.

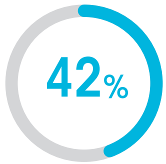
7. RETENTION

In a world where the short employment horizon of millennials is a reality in a highly competitive industry, retention becomes increasingly difficult. However, in the big and specialised project environment Interfront has with Customs, it is of significance.

Many aspects affect retention, beginning with the original appointment. Some of these include:

- issues around the function/job they are performing;
- challenges with their manager;
- poor fit with the organisational culture; or
- a poor workplace environment.

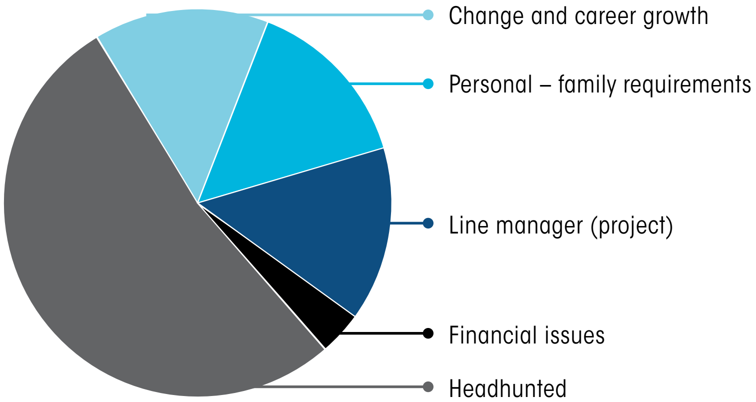
Notwithstanding an initial spike in the first half of the 2018/19 financial year, turnover was reduced in the second half, following the introduction of special measures. However, it is gratifying that 42% of staff have been with Interfront for more than five years, providing a stable base.



42% of staff have been with Interfront for more than five years

Exit Interviews

Interfront conducts exit interviews with staff who resign, before they leave. This process is used to establish trends and to implement proactive steps to curb any negative trends. The results of the analysis in the past financial year indicate that a high percentage of employees were actively head hunted. The chart below provides an overview of reasons provided by staff for leaving the organisation.



The majority of staff that were headhunted, provided the lack of career growth as the reason for leaving, whilst others indicated that they were leaving due to personal or family requirements and others due to premium package and benefits being offered by the competitor.

> *Notwithstanding an initial spike in the first half of the 2018/19 financial year, turnover was reduced in the second half, following the introduction of special measures.*

Promotions

Interfront is building large IT projects, which often extend over several years and require long-term maintenance thereafter. Systematic development of staff members not only provides a pipeline, it also ensures succession and maintains system knowledge of the code and protocols, as well as customs expertise. As staff develop, their value increases and career growth is a normal aspiration and part of the TECHI value system. This approach resulted in twenty seven employees being promoted, all but one of whom were EE candidates. The table below provides further information on the race, gender and levels of these promotions.

Information as to the race, gender and levels of promotions

Level before promotion	Level after promotion	African		Coloured		Indian		White		Total
		Male	Female	Male	Female	Male	Female	Male	Female	
Graduate	Entry	3		2			1			6
Entry	Junior	2	2	1						5
Junior	Mid	1	1		2			1		5
Mid	Senior				2					2
Senior	Team Lead/Specialist	3	1	2					2	8
Team Lead/Specialist	Line Manager			1						1
Total		9	4	6	4	0	1	1	2	27

Employee Engagement

Interfront treats the employee engagement survey as an important tool to reduce employee turnover, improve productivity and efficiency. The importance of engaged employees cannot be overlooked. Engaged employees mean satisfied employees and a reduction in staff turnover.

In August 2018, Interfront launched an employee engagement/culture survey following a series of communication sessions with all employees. This was followed by daily updates. A total of 89% of employees completed the survey – a high response rate by international standards.

The results showed an improvement on those of the 2015 survey. In general, the results were positive with some areas that required improvement as set out to the right.

Results were shared with the employees and two focus groups were established to come up with the strategies to deal with these challenges. A plan to be implemented has been compiled based on the recommendations of the two focus groups.

Positives

Independence
Morale
Well-being
Working Conditions
People Leadership
Job Satisfaction

Areas that required improvement

Communication
Loyalty & Trust
Organisational Confidence
Sense of Belonging
Reward and Recognition
Career Progression

PHOTOGRAPHY COMPETITION

A photography competition was launched during the 2018/19 financial year with the prize being sponsored by Interfront Managing Director. Employees were invited to submit photos that encapsulate "the Spirit of Interfront". The winning entry was received from Zukhanye Mnyabiso for her photo entitled "Coffee – The Spirit of Interfront".

Bursars at Interfront.

8. TRAINING AND DEVELOPMENT

Interfront strives to improve the lives of its employees by promoting a culture of continuous learning and employee development, not only to enrich their lives and those of their families but also the communities in which they live and at the same time improve their skills to benefit Interfront.

A Training Committee was established to support and review the company-wide training plan for EXCO approval. As a centre of excellence, Interfront has created a talent pipeline which entails the following and contributes to sustainability through the community which it serves:

Staff Training General

Bursary Programme

The programme provides for bursaries to IT students at tertiary institutions from designated groups, as well as vacation work and on-the-job training, exposure and experience.

It is the foundation of the skills development pipeline and since the start, there has been a steady increase in the numbers as indicated below.

2014/15	2015/16	2016/17	2017/18	2018/19
3	5	7	7	11

Training Expenditure Bursars

Graduate Internship Programme

After completing their formal studies, Interfront bursars join its graduate internship programme which provides for *inter alia* technical skills training; soft skills training and on-the-job training.

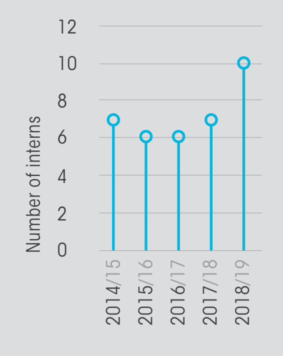
Bursars who have successfully completed their IT studies are channelled through this programme for a period of one to two years.

This supports the skills pipeline by developing the graduates into IT professionals that would be considered for junior level positions. Depending on the needs of the Operations Division and the availability of suitable posts, graduate interns are then placed in the business 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 Interfront.

Interfront had ten graduate interns for the year under review. Many have progressed into entry level and junior positions and have remained with Interfront.

Graduate Interns Placed



Staff training

Staff training and development is fundamental to human capital development and business growth for the improvement of productivity and company effectiveness. Interfront encourages training and development and provides for:

- compulsory training which encompasses legislation and the values of the company;
- individual or team soft skills, leadership, management and technical training which emanates from the personal development plans;
- formal study assistance; and
- support for employees pursuing a qualification at a tertiary institution.

The table below reflects the breakdown of the costs incurred in 2018/19 pertaining to training and development, as well as professional membership.

Training and Development Costs including professional membership fees paid

TYPE OF TRAINING AND DEVELOPMENT	PERSONNEL EXPENDITURE (R)	TRAINING EXPENDITURE (R)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO OF EMPLOYEES AT END YEAR	AVERAGE TRAINING COST PER EMPLOYEE (R)
Staff training		669 414	0.82%	109	6 141
Bursaries		752 765	0.92%	11	68 433
Graduate interns		53 986	0.07%	7	7 712
Professional membership		20 375	0.03%	4	5 093
Staff formal study assistance		212 620	0.26%	11	19 329
TOTAL	81 456 984	R 1 709 161	2.10%		

9. LAWS

The legal environment within the labour law field is constantly evolving. Staff are kept informed of developments and policies and processes are aligned. No disciplinary hearings were conducted for the year under review.

10. WORKER PROTECTION

The protection of employees' private information is mandatory and access is controlled. Interfront is implementing its action plan for the implementation of the POPIA and informing employees of their rights. Employment agencies have also been accordingly informed.

11. OUTSIDE FORCES / EXTERNAL FACTORS

In addition to managing internal factors, the Human Capital Department needs to consider outside forces at play that may affect human capital. Outside forces or external factors are those events over which it does not have direct control, although they may have a significant effect on the lives and well-being of employees. A wellness programme has been introduced to assist employees.

Employee Wellness Programme

An employee wellness programme was introduced through the appointment of a well-known service provider and is a tailor-made, professionally managed wellness programme. The programme assists in achieving personal well-being, both at work and at home.

The service offers employees and their dependants 24 hour a day telephonic counselling, face-to-face counselling; life management: legal and financial telephonic advice; telephonic health and medical support services; referral services; as well as access to an electronic e/Care service that provides a wealth of health and wellness-related information.

Positive feedback has been received that employees have been making use of the programme.

"The service offers employees and their dependants 24 hour a day telephonic counselling, face-to-face counselling; life management: legal and financial telephonic advice; telephonic health and medical support services; referral services; as well as access to an electronic e/Care service"

PART E

FINANCIAL INFORMATION

1. The Board's Responsibility and Approval of the Annual Financial Statements
2. Report by the Board of Directors
3. Financial Report
4. Report of the Auditor-General to International Frontier Technologies SOC Ltd
5. Annual Financial Statements

1. THE BOARD'S RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Board is required by the PFMA, to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report.

It is the responsibility of the Board to ensure that the Annual Financial Statements fairly present the state of affairs of Interfront as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

> *"All employees are required to maintain the highest ethical standards in ensuring Interfront's business is conducted in a manner that in all reasonable circumstances is above reproach"*

The Board is of the opinion, based on the information and explanations provided by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or deficit.

The Board has reviewed the Interfront's budgeted forecast for the year to 31 March 2020 and, in the light of this review and the current financial position, is satisfied that Interfront has, or has access to, adequate resources to continue in operational existence for the foreseeable future. The Annual Financial Statements are prepared on the basis that Interfront is a going concern.

Although the Board is primarily responsible for the financial affairs of Interfront, they are supported by Interfront's external auditors. The external auditors are responsible for independently reviewing and reporting on Interfront's Annual Financial Statements. The Annual Financial Statements have been examined by Interfront's external auditors and their report is presented on page 74.

The Annual Financial Statements as set out on pages 79 to 109, were approved by the Board on 31 July 2019 and were signed on its behalf by

Graham Randall
Managing Director
31 July 2019

Mustaq Brey
Chairperson of the Board
31 July 2019

2. REPORT BY THE BOARD OF DIRECTORS

The Board submits its report for the year ended 31 March 2019.

Incorporation

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

Review of Activities

Interfront is primarily engaged in the following:

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 Interfront 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 R23125682 (2018: R23172276), after taxation of R9837138 (2018: R9902180).

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.

As at 31 March 2019, Interfront had an accumulated surplus of R78243062, while the total assets exceed its liabilities by R110838916.

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 2019 and the results of its operations and cash flow information for the year then ended.

Subsequent Events

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

Accounting Policies

The Annual Financial Statements are prepared in accordance with the effective standards of GRAP, as issued by the Accounting Standards Board and prescribed by the framework developed by National Treasury. More detail on the accounting policies can be found on page 84 onwards of the Annual Financial Statements.

Share Capital

There were no changes in the authorised or issued share capital of Interfront 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. A shareholders loan repayment of R20 million was made.

Board

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

Secretary

The company secretary for the term was Ms Madelein Pepperell.

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. Interfront confirms and acknowledges its responsibility for compliance with the Code of Corporate Practices and Conduct ("Code") laid out in the King Report on Corporate Governance for South Africa

2016. The board members discuss the responsibilities of management in this respect at board meetings and monitor Interfront's compliance with the code.

Board of Directors

The Board:

- retains full control over Interfront, 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 Interfront; 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. 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 Interfront, was determined by the Shareholder upon appointment and the Board determines the increase in remuneration within limits.

Other

Non-executive directors have access to all members of management of Interfront. Details of the board members and their meeting attendance are disclosed in the Part C: Governance.

Internal Audit

As permitted by the PFMA, Interfront 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, No. 34 of 1997.

Auditors

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

"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"

3. FINANCIAL REPORT

HIGHLIGHTS

- Administration cost contained below inflation over the last six years even though the average staff number increased by 49%.
- R20 million payment on the Shareholders loan.
- Clean administration.

The financial results for Interfront for the year under review continue to extend a solid track record. The revenue model is basically founded on a consistent mark-up on time and material, which implies that sound financial results are predominantly driven by productive hours invoiced on the one hand, together with a tight control on overheads, on the other. This has seen the systematic strengthening of reserves and ingrained sound discipline. The 2018/19 year sees the ninth consecutive unqualified audit report on the annual financial statements.

The finance function includes accounting, procurement and facilities, as well as a broad spectrum of corporate matters. Sound policies and controls have been entrenched over a number of years, while ongoing investment has been made in developing staff competencies. The breadth of knowledge required can at times be challenging. Interfront can, however, report that it aligns fully with the cost containment principles of the National Treasury and that there has been no fruitless and wasteful expenditure, or condonations. Debtors are recovered timeously, as are payments made to creditors.

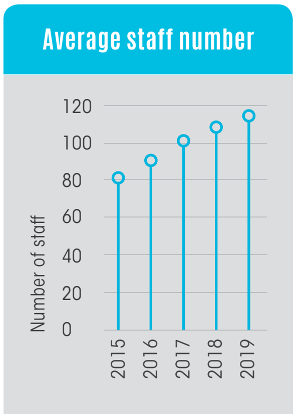
The ability to cap operating costs to date led to higher returns on investment, specifically during the current and previous year under review.

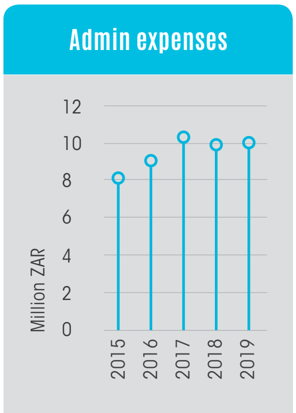
During the current financial year, the total staff number has been fairly stable following a systematic increase of 49% over the preceding six financial years. To date, this has not been accompanied by any increase in overhead in real terms.

This is not sustainable and the Board has directed that moving forward, investment be made in research and development on the one hand, while the facilities are renovated and expanded to meet industry norms on the other.

Operationally, the pressure on the NCAP projects has resulted in a marginally higher recoverability percentage of 81.1% (2018: 80.5%). Notwithstanding the stable year-end staff numbers, a decrease in vacancies resulted in a 4.7% growth in the average staff number over the year under review. This, together with the annual inflation adjustment to the recovery rates, were the main factors increasing revenue from services by 12.53%. The financial position continues to be strong and stable with a net surplus before tax of R32 962 820 (2018: R33 074 456) and a nett surplus after tax of R23 125 682 (2018: R23 172 276).

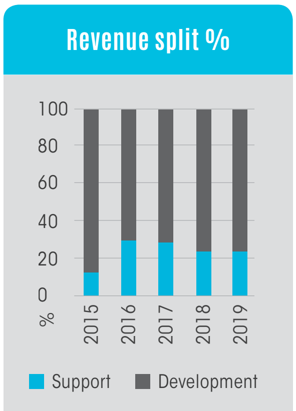
Summarised results for the past five years are given hereafter to provide more insight.





Increase in admin cost has been limited to below inflation over the last six years, while average staff numbers grew from 77 to 115.6

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



FIVE YEAR FINANCIAL STATEMENT REVIEW

Table 1: Extracts from the statement of financial performance 2015 - 2019

Statement of financial performance	2015 (R)	2016 (R)	2017 (R)	2018 (R)	2019 (R)
Rendering of Services	75 754 006	93 040 483	106 091 887	136 841 054	153 986 982
Interest and other	836 233	2 011 166	4 167 665	5 946 988	4 738 427
Expenditure	(70 033 351)	(82 524 346)	(94 779 575)	(109 939 588)	(125 762 589)
EBT	6 245 488	12 492 278	15 352 872	33 074 456	32 962 820
EAT	7 412 191	9 421 862	10 367 271	23 172 276	23 125 682
EBT Margin	8.19%	13.15%	13.94%	23.13%	20.77%

Table 2: Extracts from the statement of financial position 2015 - 2019

Statement of financial performance	2015 (R)	2016 (R)	2017 (R)	2018 (R)	2019 (R)
Total Assets	118 852 815	138 612 988	146 925 436	128 784 969	132 208 544
Total Liabilities	(12 580 852)	(24 439 739)	(23 207 320)	(21 072 178)	(21 369 627)
Total Net Assets	106 271 963	114 173 249	123 718 116	107 712 790	110 838 916
Shareholders loan as equity	92 595 410	92 595 410	92 595 410	52 595 410	32 595 853
Return on equity	8.0%	10.2%	11.2%	44.1%	70.95%

The financial performance shows a decline in the Earnings Before Tax (EBT) margin, although it remains favourable. The decline from 23.13% to 20.77% is mainly attributable to the following factors.

- **Additional investment in staffing**
  The salaries of posts which were identified as being key or scarce skills, were adjusted in order to remain competitive in the market, so as to combat the sharp increase in staff turnover experienced during the first half of the financial year.
- **Support and maintenance is provided against a fixed annual charge.**
  Although industry normally pegs this at a percentage of the development cost of new products which are installed, the charge is subject to negotiation, as is the spectrum of the services provided.
- **Rendering of services increased by 24%** as a result of inflation together with an increase in the demand for development services.

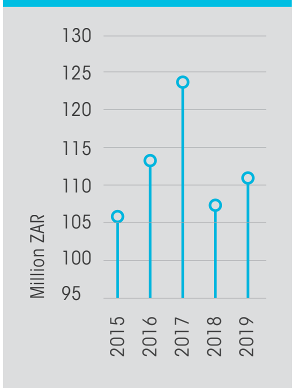
The financial position shows the further reduction of the Shareholder's loan through a loan repayment of R20 million during the year under review, which has reduced the outstanding balance to R32.6 million. This is the main factor in the significant increase in the Return on Equity to 70.95%, against stable year on year after tax earnings. Aside from this loan, Interfront has no material long term liabilities.

In conclusion, Interfront has ended the 2018/19 financial year on a robust financial footing. It is strategically positioned to provide real value in IT development and support. The control environment is strong, while our people demonstrate a high sense of integrity. This augers well for the future and sustainability of Interfront.

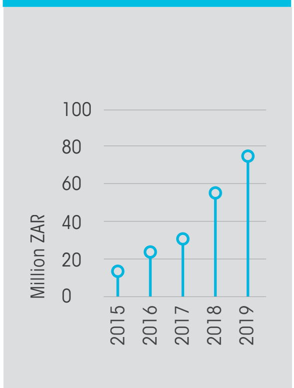
"The Shareholder's loan decreased from 93 million to 33 million since 2017."

> *Cost containment will continually be one of our main priorities. The marginal increase in administrative expenditure by 1.5%, a decrease in real terms is evidence of this.*

Total Net Assets



Accumulated surplus



Shareholders Loan Equity

4. 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 79 to 108 which comprise the statement of financial position as at 31 March 2019, 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 2019, 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).

In my opinion, the financial statements present fairly, in all material respects, the financial position of Interfront as at 31 March 2019,

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, parts 1 and 3 of the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (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 page 78 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.

Responsibilities of the Accounting Authority for the Financial Statements

8. 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.

9. 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 appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-General's Responsibilities for the Audit of the Financial Statements

10. 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.

11. 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

12. 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.

13. 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.

"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."

14. 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 2019:

Objectives	Pages in the annual performance report
Objective 1 – quality software development and support	24 – 27

15. 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.

16. 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

Other Matter

17. I draw attention to the matter below.

Achievement of Planned Targets

18. Refer to the annual performance report on pages 24-29 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

19. 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.

20. 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

21. 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.

22. 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.

23. 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

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

Auditor General

Pretoria
31 July 2019

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

ANNEXURE - AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected 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.

Finance team.

FINANCIAL STATEMENTS

for the year ended 31 March 2019

International Frontier Technologies SOC Ltd

(Registration number 2009/007987/30) Trading as Interfront

Graham Randall
Managing Director

Leilanie Janse van Rensburg
Financial Director

Statement of Financial Position as at 31 March 2019

Assets

Figures in Rand	Note(s)	2019	2018
Current Assets			
Current tax receivable		1,456,912	825,991
Trade and other receivables	5	16,028,961	15,830,276
Cash and cash equivalents	6	73,728,243	66,992,616
		91,214,116	**83,648,883**
Non-current Assets			
Property, plant and equipment	7	4,832,946	3,415,717
Intangible assets	8	36,161,482	41,723,221
		40,994,428	**45,138,938**
Total Assets		**132,208,544**	**128,787,821**

Liabilities

Figures in Rand	Note(s)	2019	2018
Current liabilities			
Finance lease obligation	9	21,136	38,663
Trade and other payables	10	7,796,436	6,629,363
VAT payable	11	948,629	1,288,880
Provisions	12	7,122,065	5,751,687
		15,888,266	**13,708,593**
Non-current liabilities			
Finance lease obligation	9	-	21,136
Operating lease liability	13	244,144	398,063
Deferred tax	14	5,237,217	6,947,239
		5,481,361	**7,366,438**
Total Liabilities		**21,369,627**	**21,075,031**
Net Assets		**110,838,917**	**107,712,790**
Share capital	16	1	1
Shareholder's loan - equity	17	32,595,853	52,595,410
Accumulated surplus		78,243,062	55,117,379
Total Net Assets		**110,838,916**	**107,712,790**

Statement of Financial Performance

Revenue

Figures in Rand	Note(s)	2019	2018
Revenue from exchange transactions			
Rendering of services		153,986,982	136,841,054
Profit/(Loss) from exchange transactions and other sundry income		(123,401)	225,692
Interest received - investment		4,861,828	5,947,298
Total revenue from exchange transactions		**158,725,409**	**143,014,044**

Expenditure

Figures in Rand	Note(s)	2019	2018
Employee costs		(88,035,868)	(75,446,654)
External development services		(17,767,024)	(15,155,606)
Depreciation and amortisation		(9,896,589)	(9,423,686)
Finance costs	19	(5,095)	(9,447)
Loss on disposal of assets and liabilities		(42,528)	(7,333)
Administrative expenses		(8,946,481)	(8,833,632)
Professional Services		(1,069,004)	(1,063,230)
Total expenditure		**(125,762,589)**	**(109,939,588)**
Surplus before taxation		**32,962,820**	**33,074,456**
Taxation	**21**	**9,837,138**	**9,902,180**
Surplus for the period		**23,125,682**	**23,172,276**

Statement of Changes in Net Assets

Revenue

Figures in Rand	Share capital	Shareholder's loan - equity	Accumulated surplus	Total net assets
Balance at 01 April 2017	1	92,595,410	31,945,103	124,540,514
Changes in net assets				
Payment of Shareholder's loan	-	(40,000,000)	-	(40,000,000)
Surplus for the year	-	-	23,172,276	23,172,276
Total changes	**-**	**(40,000,000)**	**23,172,276**	**(16,827,724)**
Balance at 01 April 2018	1	52,595,410	55,117,380	107,712,791
Changes in net assets				
Asset transfer	-	443	-	443
Payment of Shareholder's loan	-	(20,000,000)	-	(20,000,000)
Surplus for the year	-	-	23,125,682	23,125,682
Total changes	**-**	**(19,999,557)**	**23,125,682**	**3,126,125**
Balance at 31 March 2019	1	32,595,853	78,243,062	110,838,916
Note(s)	16	17		

Cash Flow Statement

Cash flows from operating activities

Figures in Rand	Note(s)	2019	2018
Receipts			
Rendering of services		153,788,297	133,847,746
Interest received		4,861,828	5,946,998
Foreign exchange profit/(loss) and other sundry income		(123,401)	225,992
		158,526,724	**140,020,736**
Payments			
Employee cost		(105,802,891)	(90,602,260)
Suppliers		(9,002,332)	(10,509,888)
Movement in provisions		1,370,378	330,812
Taxes on surpluses	4	(12,178,082)	(11,796,975)
VAT movement		(340,251)	541,139
		(125,953,178)	**(112,037,172)**
Net cash flows from operating activities	**23**	**32,573,546**	**27,983,564**

Cash flows from investing activities

Figures in Rand	Note(s)	2019	2018
Purchase of property, plant and equipment	7	(3,135,017)	(1,296,882)
Purchase of other intangible assets	8	(2,659,147)	(1,079,421)
Net cash flows from investing activities		**(5,794,164)**	**(2,376,303)**

Cash flows from financing activities

Figures in Rand	Note(s)	2019	2018
Finance lease payments		(43,755)	(43,757)
Payment of Shareholder's loan		(20,000,000)	(40,000,000)
Net cash flows from financing activities		**(20,043,755)**	**(40,043,757)**

Net increase/(decrease) in cash and cash equivalents		6,735,627	(14,436,496)
Cash and cash equivalents at the beginning of the year		66,992,616	81,429,113
Cash and cash equivalents at the end of the period	**6**	**73,728,243**	**66,992,617**

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.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP)

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 12, Provisions.

Taxation

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

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

Useful lives and residual value of assets

As described in the accounting policy below, the company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period.

Allowance for doubtful debts

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

Intangible assets

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

"Accounting policies are consistent with the previous period"

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 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 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 (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

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

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

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

The entity 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 item 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 constructive obligation to pay future benefits, which responsiblity is vested with the contributing retirement benefit schemes.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

Provisions are not recognised for future operating 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 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 financial statements.

2. BASIS OF PREPARATION

The 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 2019 or later periods:

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

4. TAX PAID

Figures in Rand	2019	2018
Balance at beginning of the year	825,991	468,553
Current tax for the year recognised in surplus or deficit	(11,547,161)	(11,439,537)
Balance at end of the year	(1,456,912)	(825,991)
	(12,178,082)	**(11,796,975)**

5. TRADE AND OTHER RECEIVABLES

Trade debtors	13,872,954	15,029,665
Prepayments and other sundry receivables	2,094,782	739,386
Deposits	61,225	61,225
	16,028,961	**15,830,276**

Fair value of trade and other receivables

Trade and other receivables	16,028,961	15,830,276

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 2019, there was R2,126,050.78 past due.(2018: - were past due but not impaired).

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

Figures in Rand	2019	2018
2 months past due	2,126,051	0

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	3,417	3,743
Bank balances	37,367,900	14,346,193
Short-term deposits	36,356,926	52,642,680
	73,728,243	**66,992,616**

7. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand	2019			2018		
	Cost/Valuation	Accumulated depreciation	Carrying value	Cost/Valuation	Accumulated depreciation	Carrying value
Leasehold improvements	4,563,086	(4,399,832)	163,254	4,563,086	(4,266,392)	296,694
Furniture and fixtures	1,052,863	(806,858)	246,005	1,044,243	(699,263)	344,980
Office equipment - leased	109,788	(91,490)	18,298	109,788	(54,894)	54,894
IT equipment	14,625,382	(10,231,175)	4,394,207	11,991,077	(9,283,183)	2,707,894
Generators	203,544	(193,367)	10,177	203,544	(193,367)	10,177
Security equipment	20,108	(19,103)	1,005	20,108	(19,030)	1,078
Total	**20,574,771**	**(15,741,825)**	**4,832,946**	**17,931,846**	**(14,516,129)**	**3,415,717**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Leasehold improvements	296,694	-	-	-	(133,440)	163,254
Furniture and fixtures	344,980	14,037	(767)	443	(112,688)	246,005
Office equipment - leased	54,894	-	-	-	(36,596)	18,298
IT equipment	2,707,894	3,120,980	(41,761)	-	(1,392,906)	4,394,207
Generators	10,177	-	-	-	-	10,177
Security equipment	1,078	-	-	-	(73)	1,005
	3,415,717	**3,135,017**	**(42,528)**	**443**	**(1,675,703)**	**4,832,946**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	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**

Assets subject to finance lease (Net carrying amount)

Figures in Rand	2019	2018
Office equipment	18,298	54,894

Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Property, plant and equipment	497,852	469,462

Fully depreciated assets still in use will be systematically replaced.

Expenditure incurred to repair and maintain property, plant and equipment

Included in Statement of Financial Performance

Figures in Rand	2019	2018
Repairs and maintenance	801,376	495,514

Impairment

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

8. INTANGIBLE ASSETS

Figures in Rand	2019			2018		
	Cost/Valuation	Accumulated depreciation	Carrying value	Cost/Valuation	Accumulated depreciation	Carrying value
Intellectual property and other rights	73,582,623	(41,360,555)	32,222,068	73,582,623	(34,002,293)	39,580,330
IT software	7,857,308	(3,917,894)	3,939,414	5,198,161	(3,055,270)	2,142,891
Total	**81,439,931**	**(45,278,449)**	**36,161,482**	**78,780,784**	**(37,057,563)**	**41,723,221**

Reconciliation of intangible assets - 2019

Figures in Rand	Opening balance	Additions	Amortisation	Total
Intellectual property and other rights	39,580,330	-	(7,358,262)	32,222,068
IT software	2,142,891	2,659,147	(862,624)	3,939,414
Total	**41,723,221**	**2,659,147**	**(8,220,886)**	**36,161,482**

Reconciliation of intangible assets - 2018

Figures in Rand	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**

Impairment

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

9. FINANCE LEASE OBLIGATION

Minimum lease payments due

Figures in Rand	2019	2018
- within one year	21,882	43,758
- in second to fifth year inclusive	-	21,879
	21,882	**65,637**
less: future finance charges	(746)	(5,838)
Present value of minimum lease payments	**21,136**	**59,799**

Present value of minimum lease payments due

- within one year	21,136	38,663
- in second to fifth year inclusive	-	21,136
	21,136	**59,799**
Non-current liabilities	-	21,136
Current liabilities	21,136	38,663
	21,136	**59,799**

Certain photocopiers were capitalised and the corresponding finance lease liability raised. The leases are repayable in 36 monthly instalments. The lease expires in September 2019.

The lease term is 3 years and the average effective borrowing rate was 12% (2018: 12%). Total payments of R43 758 were made during the year for the three machines.

10. TRADE AND OTHER PAYABLES

Trade payables	2,816,529	2,147,090
Accrued leave pay	2,603,932	2,146,939
PAYE payable	1,777,848	1,493,322
Other accruals	598,127	842,012
	7,796,436	**6,629,363**

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	948,629	1,288,880

12. PROVISIONS

Reconciliation of provisions - 2019

Figures in Rand	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	5,751,687	7,122,065	(5,120,722)	(630,965)	7,122,065

Reconciliation of provisions - 2018

Figures in Rand	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

Performance bonuses represent the estimated obligation for the current year.

13. OPERATING LEASE

Figures in Rand	2019	2018
Non-current liabilities	(244,144)	(398,063)
Current liabilities	-	-
	(244,144)	**(398,063)**

Operating leases represent rentals payable by the entity for its office premises.

The office lease is for a period of 5 years and expires 31 January 2020 . The lease agreement escalates annually with 8%.

14. DEFERRED TAX

Deferred tax Liability

Deferred tax	(5,237,217)	(6,947,239)

Deferred tax asset

Reconciliation of deferred tax liability

At beginning of year	(6,947,239)	(8,484,597)
Temporary difference on prepayments	(52,757)	161,701
Temporary difference on tangible fixed assets	(136,317)	(105,269)
Movement in provision and accruals	511,665	48,672
Reversing temporary difference on finance lease	(10,827)	(9,607)
Reversing temporary difference on operating lease	(43,098)	505
Reversing temporary difference on Intellectual property	1,441,356	1,441,356
	(5,237,217)	**(6,947,239)**

15. EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees. Entitlement to retirement benefits is governed by the rules of the Allan Gray Retirement Annuity Fund, which is a defined contribution retirement annuity fund. The entity has no legal or constructive obligation to pay for future benefits. This responsibility vests with Allan Gray Retirement Annuity Fund.

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

Figures in Rand	2019	2018
The total economic entity contribution to such schemes	5,571,423	4,708,402

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 R20 million was paid on the shareholder loan in the year under review (R40 million in the previous financial year).

Opening balance	52,595,410	92,595,410
Asset transfer	443	-
Repayment of Shareholder's loan	(20,000,000)	(40,000,000)
Shareholder's loan recognised in equity	**32,595,853**	**52,595,410**

18. REVENUE

Figures in Rand	2019	2018
Rendering of services: SARS	141,748,608	125,548,431
Rendering of services: Luxembourg	12,238,374	11,292,623
Profit/(Loss) from exchange transactions	(123,401)	225,692
Interest received	4,861,828	5,947,298
	158,725,409	**143,014,044**

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	153,986,982	136,841,054
Profit/(Loss) from exchange transactions	(123,401)	225,692
Interest received	4,861,828	5,947,298
	158,725,409	**143,014,044**

19. FINANCE COSTS

Finance leases	5,095	9,447

20. AUDITORS' REMUNERATION

External Audit: Fees	600,334	499,025
Internal Audit: Fees	155,952	325,674
Subsistance and Travel: Internal Audit	135,065	92,931
Subsistance and Travel: External Audit	177,653	145,600
	1,069,004	**1,063,230**

21. TAXATION

Major components of the tax expense

Current

Figures in Rand	2019	2018
Local income tax - current period	11,595,933	11,454,526
Local income tax - recognised in current tax for prior periods	(48,772)	(14,989)
	11,547,161	**11,439,537**

Deferred

Deferred tax movement current year	(1,710,023)	(1,537,357)
	9,837,138	**9,902,180**

Reconciliation of the tax expense

Accounting surplus	32,962,820	33,074,456
Tax at the applicable tax rate of 28% (2018: 28%)	9,229,590	9,260,848
	11,547,161	**11,439,537**

Tax effect of adjustments on taxable income

Deferred tax effect income	1,710,022	1,537,357
Non-deductable expenses	656,321	656,321
Over provision of tax in the prior year	(48,772)	(14,989)
	11,547,161	**11,439,537**

22. OPERATING SURPLUS

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

Loss on disposal of assets	(42,528)	(7,333)
Amortisation on intangible assets	8,220,886	8,146,442
Depreciation on property, plant and equipment	1,675,703	1,277,244

23. CASH GENERATED FROM OPERATIONS

Figures in Rand	2019	2018
Surplus	23,125,682	23,172,276
Adjustments for:		
Depreciation and amortisation	9,896,589	9,423,686
Loss on disposal of assets	42,528	7,333
Finance costs - Finance leases	5,095	9,447
Movements in operating lease assets and liabilities	(153,919)	582
Movements in provisions	1,370,378	330,812
Movement in tax receivable and payable	(630,921)	(357,438)
Annual charge for deferred tax	(1,710,023)	(1,537,357)
Changes in working capital:		
Trade and other receivables	(198,685)	(2,996,160)
Trade and other payables	1,167,073	(610,755)
VAT	(340,251)	541,138
	32,573,546	**27,983,564**

24. COMMITMENTS

Authorised operational expenditure

Already contracted for but not provided for

IT goods and services	2,100,571	13,832
Office services	35,611	155,735
Facilities	-	59,562
	2,136,182	**229,129**

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

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	2,129,279	2,396,618
- in second to fifth year inclusive	-	2,129,279
	2,129,279	**4,525,897**

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

25. RELATED PARTIES

Relationships

Controlling entity
South African Revenue Service
Companies in which members of management have significant influence
Tshole Business Solutions (Pty) Ltd (24.5% effective interest)
Tatis Africa (Pty) Ltd (17.88% effective interest)
Key members of management and directors
M.A. Brey: Chairman of the Board
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
R. Moekoena: Non-Executive Director
J.M. Makwakwa: Non-Executive Director (removed effective 6 Aug 2018)
B. Theron: Non-Executive Director (appointed effective 28 Sep 2018)
Y. van der Merwe: Non-Executive Director (appointed effective 28 Sep 2018)
Key members of management who are employed by the shareholder
L.J.M. Makhekhe-Mokhuane
R. Moekoena
B. Theron
Y. van der Merwe

Related party balances

Loan accounts - Owing (to) by related parties

Figures in Rand	2019	2018
South African Revenue Service	32,595,853	52,595,410

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 receivabes

South African Revenue Service	10,683,877	13,456,276

The trade receivables with the shareholder represents amount receivable for services rendered at arms length transactions

Trade payables

South African Revenue Service	374,038	-

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	141,748,608	125,548,431

26. DIRECTORS' EMOLUMENTS

Executive

2019

Figures in Rand	Emoluments	Annual Bonus	Subsistance and Travel	Company Contributions	Total
J.M. Robertson	2,688,704	228,875	27,482	30,409	2,975,470
G.O. Randall	2,548,719	207,080	34,455	-	2,790,254
L.L. Janse van Rensburg	1,740,657	150,348	12,842	19,687	1,923,534
	6,978,080	**586,303**	**74,779**	**50,096**	**7,689,258**

2018

Figures in Rand	Emoluments	Annual Bonus	Subsistance 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**

Non-executive

2019

Figures in Rand	Members' fees	Committees fees	Subsistance and Travel	Total
M.A. Brey	14,388	654	13,759	28,801

2018

Figures in Rand	Members' fees	Committees fees	Subsistance and Travel	Total
M.A. Brey	19,961	1,174	5,862	26,997

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

27. RISK MANAGEMENT

Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern.

The capital structure of the entity consists of debt, which includes the borrowings 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.

At 31 March 2019 (Figures in Rand)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	No fixed term of repayment
Borrowings - Shareholders loan	-	-	-	32,595,853
Trade and other payables	7,796,436	-	-	-
Finance lease obligation	21,882	-	-	-
Operating lease contractual amounts	2,129,279	-	-	-

At 31 March 2018 (Figures in Rand)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	No fixed term of repayment
Borrowings - Shareholders 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	-	-

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:

Financial instrument (Figures in Rand)	2019	2018
Cash and Cash equivalents	73,728,243	66,992,616
Trade and other receivables	16,028,961	15,830,276

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 (Figures in Rand)	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	No fixed term of repayment
Trade and other receivables - normal credit terms	10.25 %	16,028,961	-	-	-	-
Loans from Shareholder	-	-	-	-	-	32,595,853
Cash in current banking institutions	10.25 %	73,728,243	-	-	-	-
Trade and other payables - normal credit terms	10.25 %	7,796,436	-	-	-	-
Finance lease obligation	12.00 %	21,882	-	-	-	-
Operating lease obligation	10.25 %	2,129,279	-	-	-	-

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)	3,189,076	1,815,060

Exchange rates used for conversion of foreign items were:

EURO	16.2088	14.5205

28. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. A major portion of revenue is currently attributable to a single customer, the shareholder. This is expected to continue in the near future.

29. 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.

30. RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

SARS as principal of its wholly owned subsidiary, incorparates 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.

31. OTHER MATTERS

1. 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.

2. Tatis International (Pty) Ltd was placed in liquidation on 19 April 2018. The liquidators are identifying possible claims and following up *inter alia* on the agreements to which Interfront was also a party. Following on the most recent exchange of correspondence which took place on 1 February 2019, no claim has been lodged against Interfront and the Board is of the view that Interfront is not exposed to any liability. Accordingly, no provision or contingency has been included in these financial statements.

TAX COMPUTATION

	Figures in Rand
Net income per income statement	32,962,820
Non-deductable/Non taxable items	
Depreciation on leasehold improvements	133,440
Amortisation permanent difference portion	2,210,563
	2,344,003
Temporary differences	
Wear and Tear 2019	(2,899,919)
Depreciation	2,404,886
Actual payments of operating leases	(2,102,296)
Straight lining of operating leases - Office premises	1,948,376
Amortisation temp difference portion	5,147,700
Provision on leave pay March 2018	(2,146,939)
Provision on leave pay March 2019	2,603,932
Provision for bonuses March 2018	(5,751,687)
Provision for bonuses March 2019	7,122,063
Prepayments 2018	121,349
Prepayments 2019	(309,765)
Finance cost on finance leases	5,095
Finance lease payments	(43,758)
Scrapping allowance	8,186
	6,107,223
Taxable income	**41,414,046**
Tax thereon @ 28%	11,595,933
Tax liability	
Amount owing/(prepaid) at the beginning of year	(825,991)
Over/under provision in respect of prior year	**(48,773)**
Tax owing/(prepaid) for the current year	
Normal tax	
Per calculation	11,595,933
1st provisional payment	(7,393,338)
2nd provisional payment	(5,173,955)
Other payments	389,212
	(582,148)
Amount owing(prepaid) at the end of year	**(1,456,912)**

ANNEXURES

1. ANNEXURE A: STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT
2. ANNEXURE B: REPORT OF THE AUDIT & RISK COMMITTEE

ANNEXURE A: STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

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

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

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

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

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of Interfront for the financial year ended 31 March 2019.

Yours faithfully

Graham Randall
Managing Director
31 July 2019

ANNEXURE B: REPORT OF THE AUDIT & RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2019. 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.

Audit and Risk Committee Members and Attendance

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

The composition of the Audit and Risk Committee members is such that all Treasury Regulations requirements are met in terms of financial literacy and independence. The Audit and Risk Committee consisted of three external members for the period April 2018 to May 2018. Ms. Meta Maponya resigned on 25 May 2018 and Ms. Doris Dondur was appointed in August 2018.

	25 MAY 2018	27 JULY 2018	02 NOV 2018	08 MAR 2019
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)	✔	✔	✔	✔
Thabiso Gerald Ramasike: ■ B Comm (UJ) ■ CAIB (SA) – (Institute of Bankers of SA) ■ Senior Executive Development Programme (GIBS) ■ Global International Executive Development Programme (Rotman School of Management & York University Canada)	✔	✔	✔	✔

	25 MAY 2018	27 JULY 2018	02 NOV 2018	08 MAR 2019
Mmakgolo Meta Maponya: ■ B Com Accounting (Wits) ■ B Com Honours (UKZN) ■ Chartered Accountant (SA) ■ Financial Services Board Regulatory Examinations: RE1, RE3, RE5	✗	Resigned 25 May 2018		
Doris Dondur ■ Bachelor of Accounting (Stellenbosch) ■ Honours B Compt (Unisa) ■ Chartered Director (SA) ■ Global International Executive Development Programme (Wits & London Business School) ■ Executive Development Programme (University of Reno) ■ Honours in Business Administration (Stellenbosch Business School) ■ Master's in Business Administration (Stellenbosch Business School) ■ Post Graduate Certificate in Labour Relations (UNISA)	Appointed in August 2018		✓	✓

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.

Internal Audit Function

The Committee is satisfied that Internal Audit has properly discharged its functions and responsibilities in the year under review. Internal audit has undertaken a Quality Assessment (QAR) Review by the Institute of Internal Auditors South Africa and has achieved a Generally Conforms rating to the International Standards for The Professional Practice of Internal Auditing. A Generally Conforms rating is a milestone of meeting the professional standards required of internal auditors, and gives assurance of the sound internal audit function.

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.

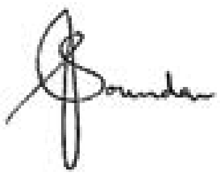
Evaluation of Financial Statements

The Audit and Risk Committee has:

a) reviewed and discussed the audited Annual Financial Statements to be included in the annual report with the Report of the Auditor-General;
b) reviewed the Auditor-General's management letter 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 & Risk Committee

LIST OF ABBREVIATIONS / ACRONYMS

ADA	Administration des Douanes et Accises
AGSA	Auditor-General South Africa
APP	Annual Performance Plan
BCP	Business Continuity Plan
Companies Act	Companies Act. No. 71 of 2008
DPS	Declaration Processing System
ECP	Engineering Change Proposal
EE	Employment Equity
EECF	Employment Equity Consultative Forum
EXCO	Interfront Executive Committee
GDRP	General Data Protection Regulations
GRAP	Generally Recognised Accounting Practice
HR	Human Resources
iCBS	Interfront Customs and Border Management Solutions
ICT	Information and Communications Technology
Interfront	International Frontier Technologies SOC Ltd
IP	Intellectual Property
IT	Information Technology
King IV	King IV Report on Corporate Governance, 2017
LCM	License and Certificate Management
MOI	Memorandum of Incorporation
MPR	Manifest Processing System
MSA	Master Services Agreement
NCAP	New Customs Acts Programme
PAA	Public Audit Act, No. 25 of 2004
PFMA	Public Finance Management Act, No. 1 of 1999
POPIA	Protection of Personal Information Act, No. 4 of 2013
RCG	Reporting of Conveances and Goods
RLA	Registration Licensing and Accreditation
RLA	Registration Licensing and Accreditation
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service
SCM	Supply Chain Management
SLA	Service Level Agreement
SMART	Specific, Measurable, Achievable, Relevant and Time-bound
SMME	Small, Medium and Micro Enterprises
SOB	Sale of Business Agreement
SOC	State Owned Company
UPS	Uninterrruptible Power Supply
VAR	Value Added Reseller / Marketing Agreement
WCO	World Customs Organization

interfront

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