interfront

Smart Systems. Better Borders.

ANNUAL REPORT

2020

REPORTED RESULTS FOR THE 2019/2020 FINANCIAL YEAR

DEVELOP iCBS to support SARS projects

Four project releases delivered to SARS:
RLA Release 4
RLA Release 5
RLA Release 6
RLA Release 7

ACHIEVED

PROVIDE effective SOFTWARE SUPPORT services for SARS and ADA Luxembourg

SARS: meet service levels

ADA: Delivery of fixes and enhancement releases

ACHIEVED

RETENTION of management team and staff

Staff turnover:
Less than 14%

ACHIEVED 8.93%

MAINTAIN and DEVELOP a skilled, diverse and engaged workforce

Maintain staff complement at a minimum of 110

ACHIEVED 115

MAINTAIN and GROW a Centre of Excellence (COE)

Contracting five graduates

ACHIEVED

ESTABLISH and SUPPORT effective governance

Clean Audit Report for 2018/19 financial year

Clean Audit

ACHIEVED

Throughout the report, reference is made to those risks which appear in our comprehensive risk register, this serves to inform the user of the risk landscape.

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
- detailed and ongoing assessment of risks.

Our definition of material events refers to those which have the potential to impact significantly on our ability to create and sustain value for our customers and other stakeholders and our application of this is consistent with that of the preceding year.

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 undertaken 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 IV Report). As a Schedule 3A state-owned entity (SOC), our 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.

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GENERAL INFORMATION

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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

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 (UNISA) and Associate of the Chartered Institute of Secretaries
Gleneagles Building, Somerset Links Office Park
De Beers Avenue
Somerset West, 7130

2 STRATEGIC OVERVIEW

Interfront was incorporated by South African Revenue Service (SARS) as a wholly owned company and subsidiary in order to assist SARS in fulfilling its objectives; in particular, to modernise SARS' systems to provide cost-effective software and digital solutions for its Customs environment. Interfront has delivered major systems, which it supports and maintains, whilst development is on-going for new and future modules.

T Trustworthy – being honest and reliable. Respect – treat others as you would like to be treated.

E Striving for the best in our organisation and in our product through constant innovation and pride in our product and service delivery.

C Passionate teamwork; walking the extra mile, commitment to the team and organisation, fun.

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

I Consistently acting in an honest, respectful and trustworthy manner; 'say what you do and do what you say'.

Strategic Objectives

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

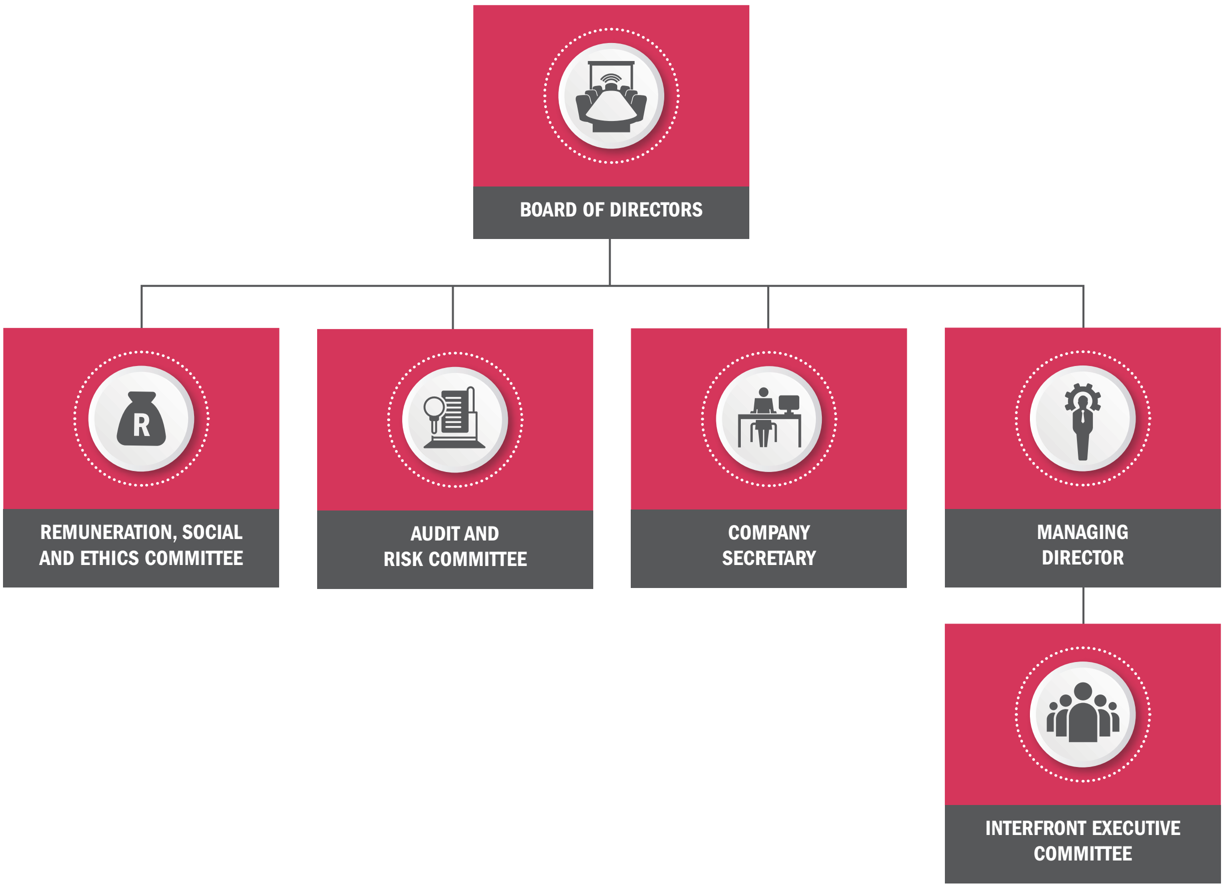
- Quality Software Development and Support
- Maintaining a Software Development Centre of Excellence.

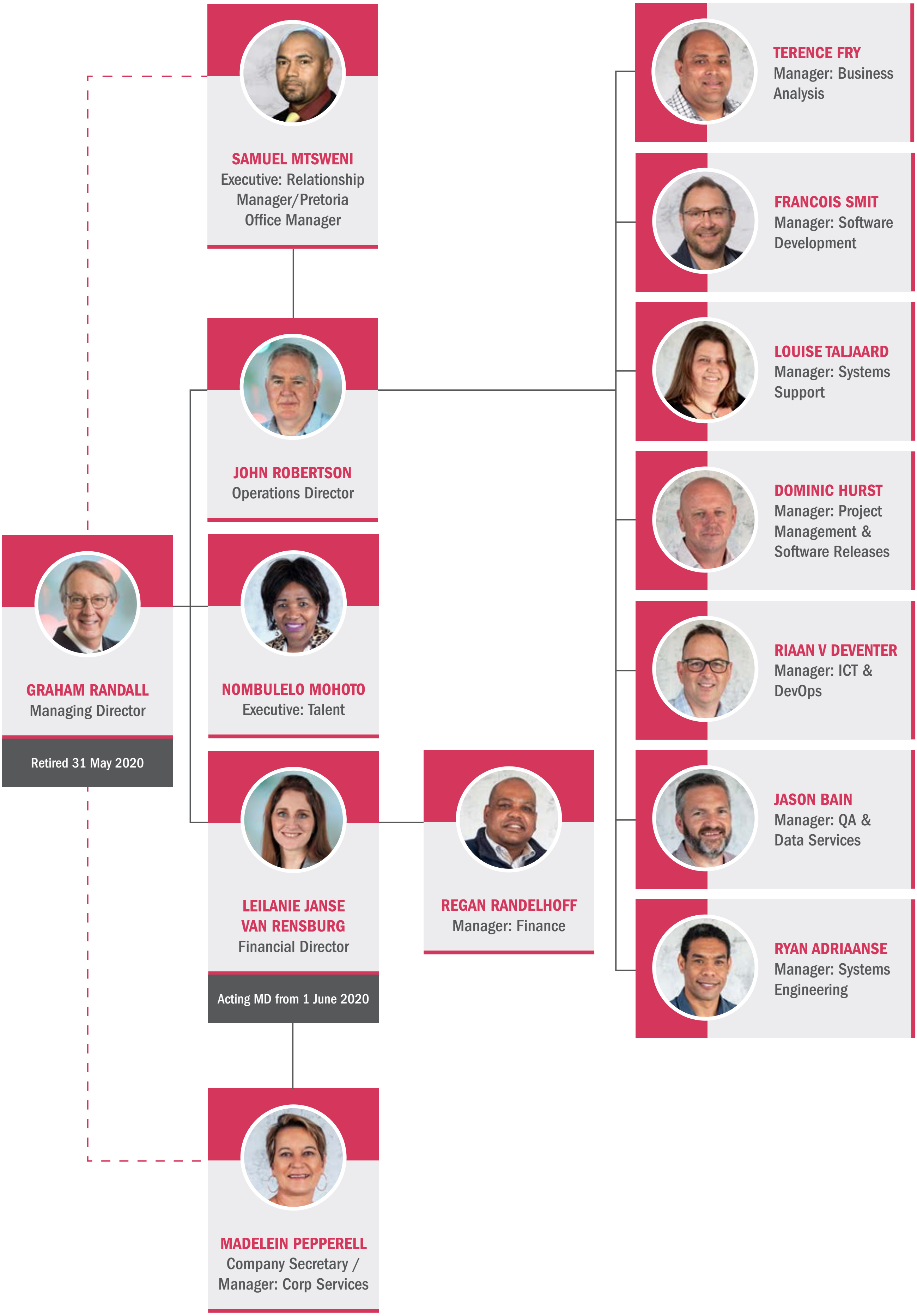
These strategic objectives are in turn, supported by six activities, which serve as our Key Performance Indicators. A detailed report on the performance of each forms the substance of Part B: Performance Report.

3 LEGISLATIVE AND OTHER MANDATES

Interfront is classified as a public entity as defined in Schedule 3A of the PFMA and as a State Owned Company by the Companies Act. Interfront is regulated by the PFMA, the Companies Act and the Treasury Regulations.

4 ORGANISATIONAL STRUCTURE





SAMUEL MTSWENI
Executive: Relationship Manager/Pretoria Office Manager
JOHN ROBERTSON
Operations Director
GRAHAM RANDALL
Managing Director
Retired 31 May 2020
NOMBULELO MOHOTO
Executive: Talent
LEILANIE JANSE VAN RENSBURG
Financial Director
Acting MD from 1 June 2020
REGAN RANDELHOFF
Manager: Finance
MADELEIN PEPPERELL
Company Secretary / Manager: Corp Services
TERENCE FRY
Manager: Business Analysis
FRANCOIS SMIT
Manager: Software Development
LOUISE TALJAARD
Manager: Systems Support
DOMINIC HURST
Manager: Project Management & Software Releases
RIAAN V DEVENTER
Manager: ICT & DevOps
JASON BAIN
Manager: QA & Data Services
RYAN ADRIAANSE
Manager: Systems Engineering

5 FOREWORD BY THE CHAIRPERSON

SARS incorporated Interfront as a wholly owned company and subsidiary in order to assist SARS in fulfilling its objectives. In particular, to modernise SARS' systems to provide cost-effective software and digital solutions for SARS' Customs environment. Interfront celebrated its tenth anniversary in January 2020, and has built a sound reputation with a strong ethical culture and has performed with distinction in fulfilling its role. Nevertheless, in of light SARS' mandate, ongoing consideration is being given to whether the current corporate model continues to be the most appropriate.

"SINCE INCORPORATION, INTERFRONT HAS GROWN A STRONG TECHNICAL CORE OF EXPERTISE AND BUILT UP A CORPORATE MEMORY OF ITS INTELLECTUAL PROPERTY AND PRODUCT DESIGN.

The year under review saw the appointment of two non-executive directors to the Interfront Board and it is a pleasure for me to welcome Ms Vonani Ntlhabyane and Mr Herman Smith to the Board. Both have extensive experience and I look forward to their contribution. The 31st May 2020, saw the retirement of Mr Graham Randall, Interfront Managing Director, one day short of his ninth anniversary at Interfront. Graham contributed significantly to the development of Interfront and maintaining it as a as a company with a strong ethical culture and I would like to thank him for his dedication. The Board now consist of seven members with a good balance of skills and experience, four of whom are shareholder representatives.

Since incorporation, Interfront has grown a strong technical core of expertise and built up a corporate memory of its intellectual property and product design. A severe staff shortage in the industry resulted in an abnormally high staff turnover over the last few years. The Board addressed this issue with a number of initiatives, which resulted in Interfront achieving it's' staff retention target for the first time since the 2016/2017 financial year.

While there will always be challenges to face, we pride ourselves in the delivery and maintenance of clean audit reports, sound finances and a robust software delivery and support team. On behalf of myself and the Board, I would like to record my sincere thanks to the shareholder and my appreciation to the management and staff of Interfront for their dedication and commitment shown over the year.

Mustaq Brey
30 September 2020

6 OVERVIEW BY THE ACTING MANAGING DIRECTOR

A great deal can change in a decade. Considering the Nokia 3720 was the second most popular phone in 2010 with its 2.2 inch screen, it's hard to grasp that this was only 10 years ago. This is equally true for Interfront. In 2020 we celebrated our first decade as a company and, if we look back over the last 10 years, the journey has had a number of memorable moments.

Interfront was established in 2010, mainly to be a SARS partner in their Customs Modernisation journey. In naming just a few of Interfront's successes; the company has developed and implemented the Tariff Management System (TMS), Declarations Processing (DPR) as well as the Manifest Processing (MPR), which then evolved to the Cargo Processing System (CPS) and the first part of the Registration Licensing and Accreditation (RLA) module. These modules turned a system burdened by its paper based, time consuming, manual processes into one that is currently processing online registration within days and processing declarations with a seven second average. Besides the positive impact on the South African trader now encountering a faster and more efficient system, the tracking and diagnostic functionalities of SARS have been improved by the development of a comprehensive set of online tools. To say that Interfront and its staff are proud to have been a key partner in this journey, is an understatement.

The organisational advancement of Interfront, which started as a small development and testing team, has evolved over the decade to include a project office discipline, UI/UX team to support the GUI competence that has been established to develop public facing user interfaces, a DevOps team to support the developers, a project management team to ensure customer deliverables are met and an onsite support team to ensure service level agreements with both customers are met. Since the first module was delivered in 2012, the revenue stream for support services has increased to the extent that we now earn 35% of our revenue from support services. In 2016, Interfront established a second office in Pretoria to ensure effective support and client liaison with SARS.

"

IN 2020 WE CELEBRATED OUR FIRST DECADE AS A COMPANY AND, IF WE LOOK BACK OVER THE LAST 10 YEARS, THE JOURNEY HAS HAD A NUMBER OF MEMORABLE MOMENTS.

INTERFRONT WAS MAINLY FUNDED BY A CAPITALISED SHAREHOLDER'S LOAN THAT AMOUNTED TO R102.5 MILLION; SINCE THEN, R90 MILLION OF THE LOAN HAS BEEN REPAID.

Our staff numbers increased from 48 at inception to 115 in March 2020 and we have proudly grown our Employment Equity (EE) representation from 27% to 78.4%. Our first statement of performance reported an accumulated deficit of R30.5 million, which was turned around in the 2013 financial year and we've maintained a strong financial position ever since. Interfront was mainly funded by a capitalised shareholder's loan that amounted to R102.5 million; since then, R90 million of the loan has been repaid.

Celebrating past successes and learning from failures are key when planning for the next decade and, like any growing organism, the next decade for Interfront might look somewhat different from the first. Being a Schedule 3A public entity, a decision was made to change the revenue model of Interfront from a profit driven model to a break-even/cost-recovery model and an overall accounting deficit was budgeted for the 2019/20 financial year to allow for zero increases in the tariffs to SARS to contribute to the strict fiscal constraints. The new module also introduced a change in our billing model for development services, previously based on time and material costing, to a fixed price model going forward. The terms of the new model were supported by both the Board and the Shareholder; a new master services agreement (MSA) was signed with SARS from 1 April 2020 for a period of five years, based on the new agreement. The risks in the changes to both these models are being monitored and mitigating actions are implemented to ensure the risks are within our tolerance levels and do not impact the entity as a going concern.

Subsequent to year-end, the Coronavirus pandemic (COVID-19) introduced a whole "new normal" to the working world. Our staff adapted at short notice to working from home without a negative impact on productivity and service delivery. The enforced change paved the way for a number of new ways of working; consequently, the manufacturing capital may look significantly different in the second decade with a move away from large office buildings to a "work from home" approach. This will impact the financial capital negatively in the short term, but will have significant long term benefits for most, if not all, the capitals.

In the short and the long term, Interfront management remains committed and excited to continue the journey into the following decade, aiming for more success stories, while continuing to add significant value for our customers, Shareholder, staff and other stakeholders in the next decade and beyond.

Leilanie Janse van Rensburg
30 September 2020

7 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 2020.

Leilanie Janse van Rensburg
Acting Managing Director
30 September 2020

Mustaq Brey
Chairperson of the Board
30 September 2020

8 A DECADE IN REVIEW – HIGHLIGHTS

Interfront celebrated it's 10th anniversary in January 2020. Below are some of the highlights from our first decade in operation.

	2011	2012	2013	2014	2015
OPERATIONAL	• Establishment of Interfront.	• Development started for TMS.	• Go live with first iCBS (Interfront Customs and Border Management Solutions) module in SARS – TMS • The parallel run between legacy system and iCBS started.	• Parallel run completed in August 2013. • The iCBS was delivered to SARS in August 2013 and replaced 30 distributed and paper based systems. • The Import Control System was modified to EU (European Union) specifications and was delivered to Administration des Douanes et Accises (ADA – Luxembourg Customs) in the year.	• Started developing manifest processing to improve data quality. • Started development of provisional payments.
FINANCE	• Clean Audit Report.	• Clean Audit Report. • Policies have been reviewed and revised to be in line with relevant legislation such as the PFMA.	• Clean Audit Report. • Accumulated surplus for the first time.	• Clean Audit Report. • R10 million repayment on the shareholder loan.	• Unqualified Audit Report. • Admin and other expenditure kept below inflation.
HR	• Establishment of Interfront.	• EE representation at 27%. • Female representation at 27%.	• Introduction of the Bursary Scheme. • EE representation at 46%. • Female representation at 31%.	• Introduction of the Graduate Internship Programme. • 13.9% staff turnover. • EE representation at 58%. • Female representation at 35%.	• 91% of staff would recommend Interfront as a place to work. • EE representation at 59.3%. • Female representation at 33.7%
OTHER	• Establishment of Interfront.	• Launch of the company branding and Identity.	• Establishment of company values (TECHI).	• The maintenance agreement with ADA was renewed after its expiration in 2014.	• The assignment of SARS of the information technology brief to implement the requirements of the new customs acts.

2016	2017	2018	2019	2020
• Provisional payments into production. • Processing manifest into production. • Significant milestones reached in phases 1 and 2 of the New Customs Acts Programme (NCAP) development. • The ADA customs system was upgraded in terms of user interface and technical application compliance.	• The new CPS development started. • A technology upgrade of the import/export system was released to ADA.	• The first phase of RCG (Reporting of Conveyances and Goods) was completed. • The iCBS system was adapted to handle the new Sugar Tax Levy.	• Added reporting enhancements, rail functionality and part shipment functionalities on RCG. • Tactical release of DPS (Declaration Processing System).	• RLA module went into production.
• Clean Audit Report. • Revenue increased by 24.6%.	• Clean Audit Report. • EBT (Earnings before Tax) of R15.3 million.	• Clean Audit Report. • Admin cost below inflation for the last five years. • R40 million repayment on the shareholders loan. • Net surplus of R23 million.	• Clean Audit Report. • Admin cost contained below inflation over the last six years; even though the average staff number increased by 49%. • R20 million repayment on the Shareholders loan.	• Clean Audit Report. • Shareholders loan reduced to R12 million. • Zero increase in tariffs to SARS to assist in current fiscus constrains. • First year in the move to a break-even financial model.
• Staff turnover 12.3%. • EE representation at 75.5%.	• Staff turnover below 9%. • Female representation at 44%.	• An Employee Wellness Programme was launched. • A Training and Development Committee was established. • A diverse senior management team with 72.7% EE representation.	• Coloured representation growth of 143% over the last five years, being the majority representative race in the Western Cape. • 42% of staff have been with Interfront for more than five years.	• Staff turnover below 9%. • Introduction of long-service awards.
• Establishment of an office in Pretoria.	• Role of the FD and Company Secretary split. • Expanding the Executive Committee with the appointment of an Executive: Relationship Manager and Executive: Talent.	• Increase in female representation on the Interfront Board from one to three.	• The ninth consecutive unqualified audit report on the annual financial statements. • Clean Audit Opinion for four consecutive years. • Increase of female representation on the Interfront Board from three to four.	• Clean Audit Report for the fifth consecutive year. • Interfront achieved all its performance targets for the 2019/2020 financial year.

Heritage day 2017

Year end function 2012

Staff fun 2013

250 Releases to SARS 2013

Year end function 2014

Year end function 2017

DPS go live 2019

Staff fun 2012

Heritage day 2016

AGSA Award for clean audit opinion 2014

Heritage day 2017

Year End function 2012

250 Releases to SARS 2013

Year end function 2015

Commissioner visit to Interfront

9 OUR BUSINESS MODEL AND CAPITALS

KEY RESOURCES

Intellectual Capital: our intellectual property vested in our staff through innovative capacity and industry specific experience.
Financial Capital: our equity, debt and funding from clients.
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 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.

CUSTOMER RELATIONS

Master Services Agreement (MSA): in place with SARS regulating the development work.

Maintenance and Support Schedule: is reviewed and annually agreed to 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: R95 309 033

Maintain a Software Development Centre of Excellence: R23 827 258

KEY PARTNERS

External and Contracted Resources which provide Interfront with development capacity at peak delivery times.

VALUE PROPOSITION

Strategic Objective: assisting SARS in achieving its' objective to modernise its' systems in order to provide digital and streamlined services; to be achieved by developing the NCAP programme 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.

REVENUE STREAM

SARS Development Services: R73 301 103

SARS Support Services: R26 214 344

ADA Support Services: R13 020 833

CUSTOMER SEGMENTS

Revenue Authorities:

SARS and ADA

KEY ACTIVITIES

Development: of customs and border management solutions.

Providing: maintenance and support for operational systems.

Our Strategic Pillars

MAINTAIN A SOFTWARE DEVELOPMENT CENTRE OF EXCELLENCE

QUALITY SOFTWARE DEVELOPMENT AND SUPPORT

OUR ENABLERS	**HUMAN CAPITAL** comprises the people we employ and our contracted resources. We depend on the well-being and motivation of our employees to generate value.	**MANUFACTURED CAPITAL** is our investment in the purchase, development and maintenance of property, plant and equipment that has given us the capacity to generate long-term value.	**INTELLECTUAL CAPITAL** the skills and knowledge of well trained staff contribute to us building a brand and reputation that can be trusted.
OUR ACTIVITIES	• Bursary and Graduate Internship Programmes. • Led by a skilled and diverse executive leadership team living our values. • Adopting policies and practices to enhance retention. • Competitive and market related remuneration. • Long service awards. • Development of a Skills Competency Framework.	• Leasehold improvements. • Furniture and fittings. • IT Equipment.	• Ongoing training and development. • Subscribing to professional memberships to ensure constant professional development and relevance.
OUTCOMES	• Reduction in staff turnover from 19.18% to 8.93%. • 33 EE candidates supported by Interfront Bursary Programme, which commenced in 2013. • R105 972 paid in Bursaries. • Internship provided to 43 graduates (over a period of six years) with 24 that permanently joined the Interfront workforce. • Adopting a Standard Operating Procedure to allow staff to work from home. • 49 employees recognised for five years' service. • 11 employees recognised for ten years' service. • R3 670 758 paid in performance rewards. • R84 495 036 expended on Personnel Expenditure. • Identified critical skills for the development of the Skills Competency Framework.	• Obtained additional office space to ensure employee wellness. • Ensuring IT equipment is updated and caters for current needs.	• Development and training R814 296 invested. • Professional membership fees R20 153.
FUTURE AND ONGOING ACTIONS TO ENHANCE OUTCOMES	• Continue monitoring the implementation of the Staff Engagement Plan. • Review and update policies and processes to ensure continued relevance. • Re-implement annual positioning. • Complete the implementation of the Skills Competency Framework. • Continually feed our workforce pipeline with our Bursary and Graduate Internship Programmes. Refer to Part D: Human Capital Management **for more information**	• Review usage of software to ensure no over or under-supply of licenses. • Review layout, building and office space needs considering the changing work environment(s) post Covid-19. Refer to Part E: Financial Information **for more information.**	• Increased investment in Research & Development. • Ongoing development and training of staff. • Grow and promoting staff from within. Refer to Part D: Human Capital Management **for more information.**

Some Operational team members 2016

Some of the Corporate Team 2016

FINANCIAL CAPITAL Interfront is moving from a profit-driven model to a break-even model. This supports our main objective of being a Customs development arm of SARS and is in line with our mandate as a Schedule 3A public entity.	**SOCIAL AND RELATIONSHIP CAPITAL** developing and maintaining trusted relationships is the foundation for value creation.	**NATURAL CAPITAL** we have a low environmental footprint, our facilities reflects a culture of safety and concern for the environment.
• Agreeing to absorb the annual inflationary increase to SARS for 2019/2020. • Changing the financial model from time and material to fixed pricing for the 2020/2021 financial year. • Revision of Interfront approved establishment. • Managing expenditure and being cost conscious as a SOC.	• Apply the provisions of the Preferential Procurement Policy Framework Act, which provides for the procurement of goods and services from groups disadvantaged by unfair discrimination. • Growing our EE representation. • Contracting external resources at peak delivery times. • Ensuring compliance and adherence to our service agreements with customers.	• Adopting a water savings plan in light of the drought experienced previously in the Western Cape. • Maintaining and regular servicing of our electrical equipment, air-conditioning units and generator. • Recycling redundant IT hardware through a certified third party. • With staff forced to work from home during the COVID-19 pandemic systems had to be automated faster than what was originally envisaged reducing our paper trail significantly. • Extending the useful life of equipment.
• Reducing the budgeted accounting deficit from R8 million to R2.4 million by managing and controlling expenditure. • Concluded a revised MSA with SARS to ensure sustainability for the next five years. • Repaid R20 million on the shareholders loan. • Maintaining a strong financial position.	• R12.7 million spend on the procurement of goods and services. • R7.3 million spend on contracting in outside resources due to market shortages of senior development skills. • Increased coloured representation within the workforce by 164% since 2015. • Concluded a revised MSA with SARS in 2020 and a revised Service Level Agreement with ADA in 2018.	• Establish a culture of saving water. • Ensuring that our equipment is maintained and serviced at regular intervals to ensure optimal energy savings. • Less fuel is consumed by the use of a generator by the office park as a whole as to every business operating their own. • The atomisation of systems resulted in a significant reduction of our paper trail. • Extending the useful life of equipment results in costs savings, as well as reducing our environmental footprint.
• Ongoing cost consciousness. • Managing the financial impact of agreements with customers to ensure value for money for the client and the sustainability of Interfront. • Continued knowledge transfer from external contractors to internal resources. • Continually ensure a strong and healthy financial position. Refer to Parts D: Human Capital Management and Part E: Financial Information **for more information.**	• Growing our female representation. • Increasing our overall EE representation especially at senior level. Refer to Parts D: Human Capital Management and Part E: Financial Information **for more information.**	• Continue with the atomisation of processes to continually reduce paper usage. • Continually review of the useful lives of equipment to ensure optimal use. • Continue recycling paper and plastic. Refer to Part E: Financial Information **for more information.**

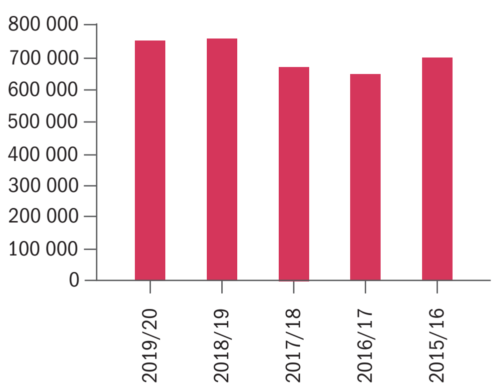
10 FIVE YEAR FINANCIAL REVIEW

STATEMENT OF FINANCIAL PERFORMANCE	2016	2017	2018	2019	2020
Rendering of Services	93 040 483	106 091 887	136 841 054	153 986 982	112 536 279
(Loss)/profit from exchange transactions	(35 025)	(127 105)	225 992	(123 401)	391 451
Interest and other	2 011 166	4 167 665	5 946 988	4 861 828	3 850 374
Expenditure	(82 524 346)	(94 779 575)	(109 939 588)	(125 762 589)	(119 136 291)
EBT	**12 492 278**	**15 352 872**	**33 074 456**	**32 962 820**	**(2 358 187)**
EAT	**9 421 862**	**10 367 271**	**23 172 276**	**23 125 682**	**(2 361 021)**
EBT Margin	**13.15%**	**13.94%**	**23.13%**	**20.77%**	**-2.02%**

STATEMENT OF FINANCIAL POSITION	2016	2017	2018	2019	2020
Total Assets	138 612 988	146 925 436	128 784 969	132 208 544	107 133 230
Total Liabilities	(24 439 739)	(23 207 320)	(21 072 178)	(21 369 627)	(18 655 332)
Total Net Assets	**114 173 249**	**123 718 116**	**107 712 790**	**110 838 917**	**88 477 898**
Shareholders loan as equity	**92 595 410**	**92 595 410**	**52 595 410**	**32 595 853**	**12 595 853**
Return on equity	**10.20%**	**11.20%**	**44.10%**	**70.95%**	**-18.74%**

YEAR	PERSONNEL COST AS A % OF TOTAL COSTS	NO. OF EMPLOYEES (AVERAGE)	AVERAGE PERSONNEL COSTS PER EMPLOYEE
2019/20	75.44%	118.75	756 871
2018/19	84.1%	115.42	761 688
2017/18	82.4%	110.4	683 394
2016/17	79.20%	103.8	658 386
2015/16	77%	90.8	700 175

AVERAGE PERSONNEL COST PER EMPLOYEE



AVERAGE NUMBER OF EMPLOYEES

PART B

PERFORMANCE REPORT

Some of the Operational Team 2016

1 REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA: 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 OVERVIEW

Interfront became fully operational in 2010 when the Sale of Business Agreement was finalised, at the same time two marketing agreements were concluded with Accenture SA (Pty) Ltd and Tatis International (Pty) Ltd respectively. The agreement with Tatis lapsed in 2018 and the Accenture agreement lapsed in January 2020, allowing the Interfront Board to reconsider the strategy for Interfront's product offering, going forward. The Board directed that Interfront should focus on expanding its offerings to SARS in the short to medium term.

> THE BOARD DIRECTED THAT INTERFRONT SHOULD FOCUS ON EXPANDING ITS OFFERINGS TO SARS IN THE SHORT TO MEDIUM TERM.

QA and Data Services Team 2014

Long Service Award 2019

Executive: Relationship Manager and Pretoria team member

Winner of November 2019 Rock Star Award

3 SITUATIONAL ANALYSIS

Service Delivery Environment

Interfront derives nearly 90% of its revenue from services rendered to SARS. Due to the prevailing economic challenges and the resulting fiscal constraints that National Government continues to experience, the Interfront Board resolved to absorb inflation in its charge out rates to SARS for the 2019/2020 financial year in order to minimise cost recovery. This was also the first step in changing Interfront's revenue model from a profit-driven model to a break-even model. The new model is closer aligned to the legal form of Interfront as a subsidiary of SARS and as a Schedule 3A public entity.

The new model required Interfront to be more efficient with current resources and find innovative ways to deliver on its approved Annual Performance Plan (APP), which *inter alia,* included a revision of its approved establishment. The Strategic Plan and APP were reviewed and Interfront's target for expanding the staff complement was reduced from maintaining the staff complement at 120 to maintaining the staff complement at a minimum of 110.

The change in the annual target as set out in the approved APP resulted in a review of Interfront's existing personnel structure with a reduction in the number of vacant posts. This entailed prioritising critical positions, which are crucial for Interfront to deliver on its mandate and operating with the minimum required capacity for support/ general office administration, while ensuring compliance with all relevant laws and regulations.

Organisational Environment

At organisational level Interfront experienced a number of challenges in maintaining a stable capacity of suitably skilled staff flowing from the high staff turnover in the 2018/19 financial year, as the loss of senior staff can have an adverse effect on project delivery. This was offset by the continued, although reduced, use of contracted external development resources. Due to budget constraints from our main customer, the outsourcing of some of the development work to external vendors was discontinued and just the on-site contracted development resources remained. As part of the new strategy to move to an break-even revenue model, Interfront resources, not covered by work orders, were deployed to activities that added value to the iCBS system operational in SARS at no additional charge, ensuring staff productivity and customer satisfaction.

Project pressures, changing timelines and changes to requirements by SARS, as well as some underestimation due to the time pressures on estimation deadlines, led to an underestimation of the value of the development effort for the RLA1 project. The revised MSA concluded between Interfront and SARS, effective 1 April 2020, now provides for Governance structures to assist in reducing this risk.

Key Policy Developments and Legislative Changes

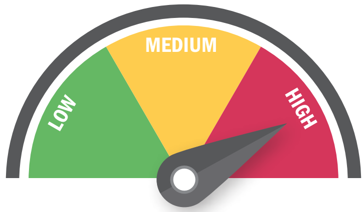
Interfront functions within the public sector environment and in alignment with the overall policy determined by the Shareholder. The company provides professional IT services, remunerates its staff at competitive rates and is not unionised.

During the course of the financial year, Interfront updated its Leave Policy to comply with the provisions contained in the Labour Laws Amendment Act, No. 10 of 2018 to provide for the increase in the number of days of Parental Leave, as well as the provisions relating to Adoption Leave and Commissioning Parental Leave.

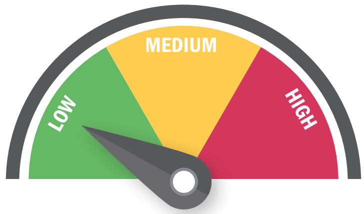
The remaining provisions of the Protection of Personal Information Act, No. 4 of 2013 (POPIA) took effect from 1 July 2020. Interfront has made some headway in its' HR processes and contracting and is currently developing an implementation plan to ensure full compliance within the 12 month prescribed period.

Treasury Instructions, guidelines and notices are monitored and changes are implemented and applied by Interfront.

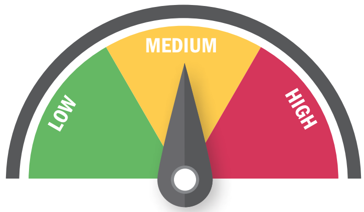
The Coronavirus pandemic (COVID-19) has brought about significant changes for businesses and likewise had a substantial impact on the way Interfront operates. After the declaration of a State of Disaster and the commencement of the initial 21 days lockdown period, commencing on 26 March 2020, the Interfront offices were closed as directed. In order to ensure business continuity for Interfront, SARS and ADA, Interfront obtained an essential services permit under the provisions relating to ICT rendered to entities of essential services. A COVID-19 Steering Committee was established to provide support and guidance to the Interfront EXCO to ensure compliance with government issued regulations at the different levels. Due to proper business continuity processes, the lockdown had very little to no impact on Interfront's operations and its' ability to provide continuous services. Staff continue to work remotely and returning to the office will remain on a voluntarily basis until the lockdown is completely lifted. Since the implementation of Level 2, staff do however, have the opportunity to return to the office as and when needed by booking a seat to ensure Interfront staff maintain social distancing while in office.



RISK **MISQUOTING ON FIXED PRICE CONTRACTS AND BUDGET CONSTRAINTS AT SARS**



RISK **COMPLIANCE WITH LAWS AND REGULATIONS**



RISK **COVID-19 PANDEMIC**

4 OPERATIONAL HIGHLIGHTS

The first production release of RLA went live in October 2019, marking the start of the SARS pilot phase. Further production releases followed in December 2019, to resolve issues logged during the pilot phase and to deliver additional functionality that included Withdrawals, View Case History, Client Type Linkage Dashboard, Search for Client, Auto Processing and Audit Trail.

Operationally, Interfront achieved greater workforce stability that resulted in growing internal capability, while decreasing the reliance on external contractors.

The RLA stabilisation release was delivered during February 2020 to ready RLA for SARS Pilot phase 2.

The eCase and ePenalty projects, initiated in April 2019, went live in December 2019 and February 2020 respectively, with no disruptions.

Interfront upgraded the graphical user interfaces of RLA and CPS to a common appearance across the platforms, while aligning to a common technology stack.

SARS operational support functioned effectively and consistently met the Service Level Agreement targets for each month of the reporting period. Over this period, Interfront provided 108 releases to SARS, 28 of which have been deployed to production. These have included 41 specification changes to the system.

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

Two technical delegates represented Interfront at the World Customs Organization (WCO) Conference in Baku from 12 to 14 June 2019.

"

INTERFRONT UPGRADED THE GRAPHICAL USER INTERFACES OF RLA AND CPS TO A COMMON APPEARANCE ACROSS THE PLATFORMS, WHILE ALIGNING TO A COMMON TECHNOLOGY STACK.

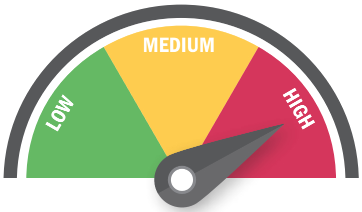
5 OPERATIONAL CHALLENGES

Changing client requirements and project direction, as well as the changes to software components by SARS frequently resulted in Interfront not being able to meet the original estimated development effort.

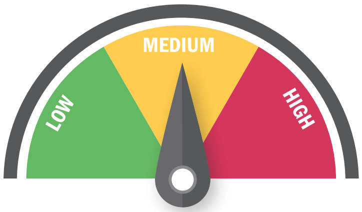
The additional technical support required for the various SARS environments, the overlapping of different application versions and systems in these environments and the dependency and complexity of these systems have placed additional pressure on operational deliverables.

Budget limitations continue to pose challenges as resources compete for funds.

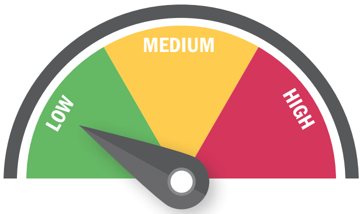
Graduate 2019



RISK REPUTATIONAL DAMAGE



RISK MISSING PROJECT MILESTONES



RISK CASH FLOW

6 OPERATIONAL OUTLOOK

Interfront's project work for SARS entails operational support as well as improving services to SARS' clients. Its' consequent capacity to compete with other vendors in providing technology solutions, has resulted in Interfront being presented with additional opportunities, which, going forward, may result in a wider scope of work for Interfront.

ADA has indicated that it will be replacing the Interfront systems and the phase-out of certain Interfront software modules. It is foreseen this will occur in the medium term. Replacements are being developed and Interfront systems will, in due course, become the legacy system.

The MSA was renegotiated with SARS and concluded for a period of five years, commencing on 1 April 2020, the most significant development being the change in the billing model. The changes concerned were from time and material to fixed price, as well as modifying the financial model from being profit inclusive to cost recovery (break-even). The changes in billing and financial model bring about additional risk with regard to underestimating the effort pertaining to the integration and post-live support.

The adoption of a deployment tool will assist in reducing the time it takes Interfront to deploy software in the SARS environment and reduce the need for human intervention in the deployment process.

Navigating the disruption and associated impact caused by the COVID-19 and managing the change in ways of working to maintain efficiency, as remote working becomes a more regular occurrence.

In a changing world and with the pandemic bringing a number of work environment changes, Interfront will have to determine how our so-called 'new normal' will function, going forward. Working from home has proved to be an effective and efficient option thus far and staff are communicating the value add to them as individuals in this set-up. A balance between working from home and going into the office might become the new normal.

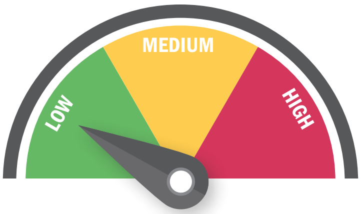
"WORKING FROM HOME HAS PROVED TO BE AN EFFECTIVE AND EFFICIENT OPTION THUS FAR AND STAFF ARE COMMUNICATING THE VALUE ADD TO THEM AS INDIVIDUALS IN THIS SET-UP.

7 INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

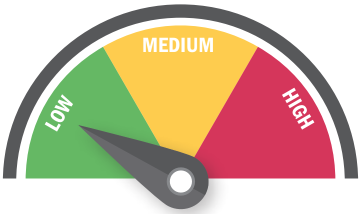
The 2019/2020 financial year saw the restructuring of the Operations Department with the combinations of the ICT and the Development Operations teams.

The ICT team plays a critical role in ensuring that a secure and reliable network, storage and server infrastructure is maintained to deliver a first-class service to the business. The ICT Strategic Plan was tabled for Board review at its meeting held on 24 June 2020. The ICT Strategic Plan is set out below and reported against the following five areas.

ICT Governance, Risk and Compliance: Interfront remains dedicated to the implementation of proven standards and best practices as prescribed in the ICT governance charter. Through the Interfront Information Systems Management Committee (ISMC), governance and compliance is facilitated. The ISMC is also responsible for the review of policies to ensure that they are aligned with business requirements while mitigating IT risk. Cloud services are taking the world by storm and it is estimated that most enterprise workloads will be cloud based in the near future. Cloud computing and related services bring their own complexities which demand clear policies to mitigate the related risks. ISMC is currently focusing on documenting its' position on the use of cloud services.

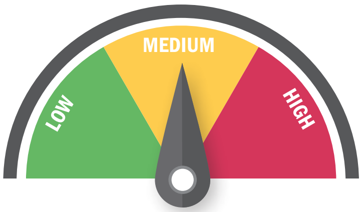


RISK USE OF UNLICENSED SOFTWARE

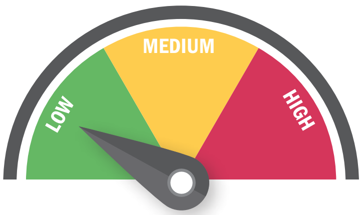


RISK LOAD SHEDDING

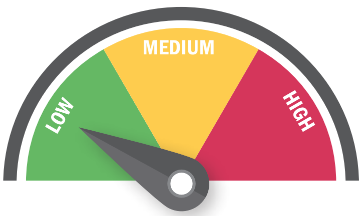
Operational Team Member



RISK CYBERCRIME



RISK ITC HARDWARE FAILURE



RISK FAILED BUSINESS CONTINUITY IN CASE OF DISASTER

Cyber Security: Keeping abreast of the latest cyber threats and sophisticated attacks is critical to ensure that Interfront does not fall victim to cybercriminals.

Since upgrading our network perimeter security, numerous modifications were necessary to secure the network from cyber threats. Development of staff awareness on cybersecurity is managed by hosting numerous interactive sessions throughout the year.

An external party was contracted to perform an independent external penetration test and produce a professional opinion on the state of Interfront's IT security risk. Based on the above, Interfront is in the process of reviewing recommendations made for swift implementation where necessary, while ongoing security reviews and improvements are performed on the network.

Storage Infrastructure Upgrade: Capacity Management is an ongoing challenge that is exacerbated by the current budget constraints, to ensure that adequate resources (computing, storage, and network) are available for Interfront's development and operational environments. This challenge needs to be met by optimally utilising resources at the minimum cost to the organisation.

The Interfront core storage infrastructure was upgraded during 2019. The migration of essential business data to the new fast class storage was completed shortly thereafter and, where required, end of life equipment was upgraded or replaced. The replaced hardware will be repurposed at our Disaster Recovery (DR) site. This ensures that Interfront maximises the return on assets.

ICT Continuity: The ICT team successfully completed the backup and restoring of all business critical data as part of a business continuity exercise.

Document Management: Interfront is considering standardising the use of a companywide document management solution, which involves the extension of the current tool to all functional departments. A project will then be initiated to move existing data files from the corporate file share to the relevant storage vaults as well as implementing workflow functionality for some processes.

8 STRATEGIC OBJECTIVES

Interfront's strategic goals for the year as approved by the Interfront Board, are set out below:

Quality Software Development and Support

Providing a strong IT development capacity as the preferred supplier to SARS and augment this with contracted resources where necessary to meet peak delivery times, as well as providing ongoing maintenance and support for modules in production. As further systems are delivered, the support capacity will need to increase proportionally.

Maintain a Software Development Centre of Excellence

Grow Interfront as a Centre of Excellence (CoE) to develop IT skills to contribute to empowerment within Interfront, SARS and the wider public sector. The number of candidates selected annually may increase as project growths allow.

On the 25th of October 2018, Interfront EXCO proposed amendments to the Interfront Strategic Plan, effective from the 2019/2020 financial year. The changes were necessitated due to the changes in the engagement model that took place concerning Interfront, SARS and ADA respectively, as well as budget constraints, which restricted Interfront in expanding its' staff complement. The amended Strategic Plan and the APP (which is based on the said amended Strategic Plan) were approved by the Interfront Board before the commencement of the 2019/2020 financial year.

THE AMENDED STRATEGIC PLAN AND THE APP (WHICH IS BASED ON THE SAID AMENDED STRATEGIC PLAN) WERE APPROVED BY THE INTERFRONT BOARD BEFORE THE COMMENCEMENT OF THE 2019/2020 FINANCIAL YEAR.

The revised Strategic Plan provided for the following amendment to Interfront's annual targets as from the 2019/2020 financial year:

Develop iCBS to support SARS NCAP programme: from NCAP demonstration sprints accepted by SARS, to project releases to SARS as per SARS Business Plan and defined in Interfront APP.

Provide effective software support services to ADA: from an annual survey to be completed by the client on the quality of support services provided, to the delivery of fixes and enhancement releases, measured by means of release reports.

Maintain and develop a skilled, diverse and engaged workforce: from maintaining a staff complement of 120, to maintaining a staff complement at a minimum of 110.

Establish and support effective governance: from an unqualified audit report, to a clean audit report.

No in-year amendments were made to the 2018/2019 – 2022/2023 Strategic Plan, or the APP for the 2019/2020 financial year.

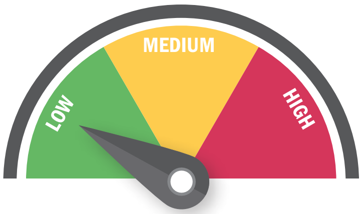
Operational Team Member 2017

9 PERFORMANCE REPORT

The Interfront Board approved the publication of Interfront performance results at its meeting held on 18 June 2020, as set out below.

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.



RISK QUALITY OF SOFTWARE DELIVERED TO CLIENT DETERIORATES

Performance Indicator:

Develop iCBS to support SARS NCAP Programme

Interfront is a key development partner to SARS as 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 by Interfront. Projects are delivered in 'slices' of functionality, known as 'sprints', which are based on the SARS approved NCAP Business Plan.

MEASURE	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	COMMENT ON DEVIATIONS
The NCAP programme needs to be delivered in accordance with specified timelines determined by SARS, which stretch over a number of years. Meeting the time frames as set by SARS.	**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	**Partly Achieved** Three sprints completed and demonstrated to SARS on NCAP	Four project releases delivered to SARS: RLA Release 4 RLA Release 5 RLA Release 6 RLA Release 7	**Achieved** An RLA release was delivered to SARS during each quarter	n/a

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 2019/2020 financial year, RLA was deployed into production to be tested as a pilot with trade, with an additional four functional milestones completed on NCAP phase 1. Each of these milestones were deployed at SARS during each quarter and each was accepted as either a progress milestone or a production release milestone. The second NCAP production milestone, RLA was implemented in October 2019 marking the start of the SARS Pilot phase. This was followed by further production releases in December 2019 to resolve issues from the pilot phase and to deliver additional functionality.

Performance Indicator: Provide effective software support services for SARS and Luxembourg (ADA)

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

MEASURE	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	COMMENT ON DEVIATIONS
To annually meet SARS Service Levels as per the Support Agreement	**Achieved** Met or exceeded service levels for each month of the year	**Achieved** Met or exceeded service levels for each month of the year	**Achieved** Service Level Agreement reports show that service levels are met	Meet service levels	**Achieved** Service Level Agreement reports shows that service levels are met	n/a

Service levels to SARS are measured and monitored monthly against agreed contractual levels. The measure is determined by meeting the service levels for each month 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 manages the support requests and ensures that the measured service levels are maintained. Relationships are nurtured and maintained through regular communication, including 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 1168 incidents, 483 of those were for production support, and 685 were related to project support incidents.

MEASURE	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	COMMENT ON DEVIATIONS
2019/2020–2022/2023 Delivery of fixes and enhancement releases: IETA (2 releases) ICS (2 releases) Deliver KELs solutions before EU required **2016/2017–2018/2019** Annual survey on the level of quality of software support services four out of five point satisfaction level scale	**Partly achieved** An average score of 3.5 was achieved for 4 questions, with 2 scores of 3 and 2 scores of 4	**Partly achieved** An average score of 3 was achieved for 4 questions	**Partly achieved** 3 out of five was achieved	Delivery of fixes and enhancement releases: IETA (2 releases) and ICS (2 releases) Deliver KELs solutions before EU required dates	**Achieved**	n/a

Nine Import/Export releases and five Cargo releases were delivered during the year and deployed to production. The upgrades to the base technology of both the Import/Export and Cargo systems have also been delivered to ADA to increase the lifespan of the product. An environment technology upgrade is also in progress on the Import Control System.

The target is to achieve regular software updates to the ADA client with a minimum of two releases for both the Import/Export and Cargo systems and to resolve all KELs (Known Error List) items by the date set by the EU. Interfront customer relationship with ADA is regulated through a Service Level Agreement that expires on 31 December 2021. The agreement provides for the phasing out of some Interfront systems during this period, as they are replaced by new systems.

Core Outcome 2 Maintain a Software Development Centre of Excellence

This core outcome focusses on the sustainability of Interfront, as well as the sustainability of its contribution to its stakeholders, by ensuring the maintenance of Interfront's intellectual and human capital vested in Interfront's employees as well as the securing the long-term health of the financial capital.

Performance Indicator: Retention of management team and staff

The successful management and retention of Interfront's human capital is critical to the success of Interfront. In implementing its strategy, Interfront recognises that there are various risks associated with the business and primary amongst these is the loss of key staff.

MEASURE	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	COMMENT ON DEVIATIONS
Percentage of staff turnover	**Achieved** 8.9%	**Not Achieved** 17.43%	**Not Achieved** 19.18%	Less than 14%	**Achieved** 8.93%	n/a

The 2019/2020 financial year is the first time since the 2017/18 financial year that Interfront managed to achieve its annual staff turnover target. Various strategies and initiatives were undertaken by the Interfront Board and EXCO, with the assistance of the Human Resources (HR) team, to achieve the reported result. Detailed information regarding these initiatives and strategies can be found in Part D: Human Capital Management.

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

Interfront needs to maintain its intellectual and human capitals to ensure it meets its customer's demands in order to achieve its first strategic objective. Due to financial constraints, at the beginning of the 2019/2020 the Board resolved not to grow the staff compliment, but to rather maintain it at a minimum of 110. This, as opposed to the decision to maintain a staff complement of 120, which was taken for the 2018/2019 financial year.

MEASURE	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	COMMENT ON DEVIATIONS
Expand staff complement, successful appointment and on-boarding	**Partly achieved** Net growth of 14	**Not Achieved** Net growth of 2	**Not Achieved** -1	Maintain staff complement at a minimum of 110	**Achieved** 115	n/a

For more information refer to Part D: Human Capital Management.

Bursars 2016

Performance Indicator: Maintain and grow a Centre of Excellence

As part of ensuring the long term sustainability of our human and intellectual capital, the Interfront Graduate Internship Programme is offered to students who successfully complete a course of study or training, which in some instances, are students who were already part of the Interfront Bursary Programme. This creates a pipeline of young employees and provides Interfront with an opportunity to develop and mould them to meet Interfront's specific needs. The target varies annually as set out in the Interfront APP.

MEASURE	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	COMMENT ON DEVIATIONS
Successful appointment of graduates	**Partly Achieved** 7 bursars and 6 graduates	**Achieved** 7 graduates	**Achieved** 10 graduates	Five graduates	**Achieved** Five Graduates	n/a

Forty-three graduates participated in the Interfront Graduate Internship Programme since its inception in 2013/14, with twenty four permanently employed by Interfront at various levels and disciplines since then. More information on our Graduate Internship Programme can be found in Part D: Human Capital Management.

Performance Indicator: Establish and Support Effective Governance

The performance indicator was amended with the inception of the 2019/2020 financial year from an unqualified audit report to a clean audit opinion. A clean audit opinion necessitates that in addition to a financially unqualified audit opinion on the annual financial statements, there must be no material findings reported on performance objectives, compliance with legislation, or the effectiveness of internal controls.

MEASURE	ACTUAL ACHIEVEMENT 2016/2017	ACTUAL ACHIEVEMENT 2017/2018	ACTUAL ACHIEVEMENT 2018/2019	PLANNED TARGET 2019/2020	ACTUAL ACHIEVEMENT 2019/2020	COMMENT ON DEVIATIONS
Unqualified Audit Report	**Achieved**	**Achieved**	**Achieved** Unqualified and clean audit opinion for the 2017/18 financial year	Clean Audit Opinion for the 2018/19 financial year	**Achieved** Clean Audit Opinion for the 2018/2019 financial year	n/a

While the audit report for the 2018/2019 financial year 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 2019/2020 year also, which indicates that the same high standards have been maintained. The report from the AGSA for the 2019/2020 financial year is included in Part E: Financial Information.

10 LINKING PERFORMANCE TO BUDGETS

OBJECTIVE	2017/18 BUDGET EXPENDITURE	2017/18 ACTUAL EXPENDITURE	2017/18 (OVER)/UNDER EXPENDITURE	2018/2019 BUDGET EXPENDITURE	2018/2019 ACTUAL EXPENDITURE	2018/2019 (OVER)/UNDER EXPENDITURE	2019/20 BUDGET EXPENDITURE	2019/20 ACTUAL EXPENDITURE	2019/20 (OVER)/UNDER EXPENDITURE
Quality Software Development and Support	96 773 472	87 951 670	8 821 802	103 824 836	100 610 071	3 214 765	99 532 288	95 309 033	4 223 255
Maintain a software development Centre of Excellence	24 193 368	21 987 918	2 205 450	25 956 209	25 152 518	803 691	24 883 072	23 827 258	1 055 814

SOURCE OF REVENUE	2017/18 BUDGET REVENUE	2017/18 ACTUAL AMOUNT RECEIVED	2017/18 (OVER)/UNDER	2018/2019 BUDGET REVENUE	2018/2019 ACTUAL AMOUNT RECEIVED	2018/2019 (OVER)/UNDER	2019/20 BUDGET REVENUE	2019/20 ACTUAL AMOUNT RECEIVED	2019/20 (OVER)/UNDER
SARS	133 942 058	125 548 431	8 393 627	144 755 734	141 748 608	3 007 126	99 304 348	99 515 446	(211 098)
Luxembourg (ADA)	10 745 000	11 292 623	(547 623)	7 750 000	12 238 374	(4 488 374)	12 964 124	13 020 833	(56 709)

PART C

GOVERNANCE

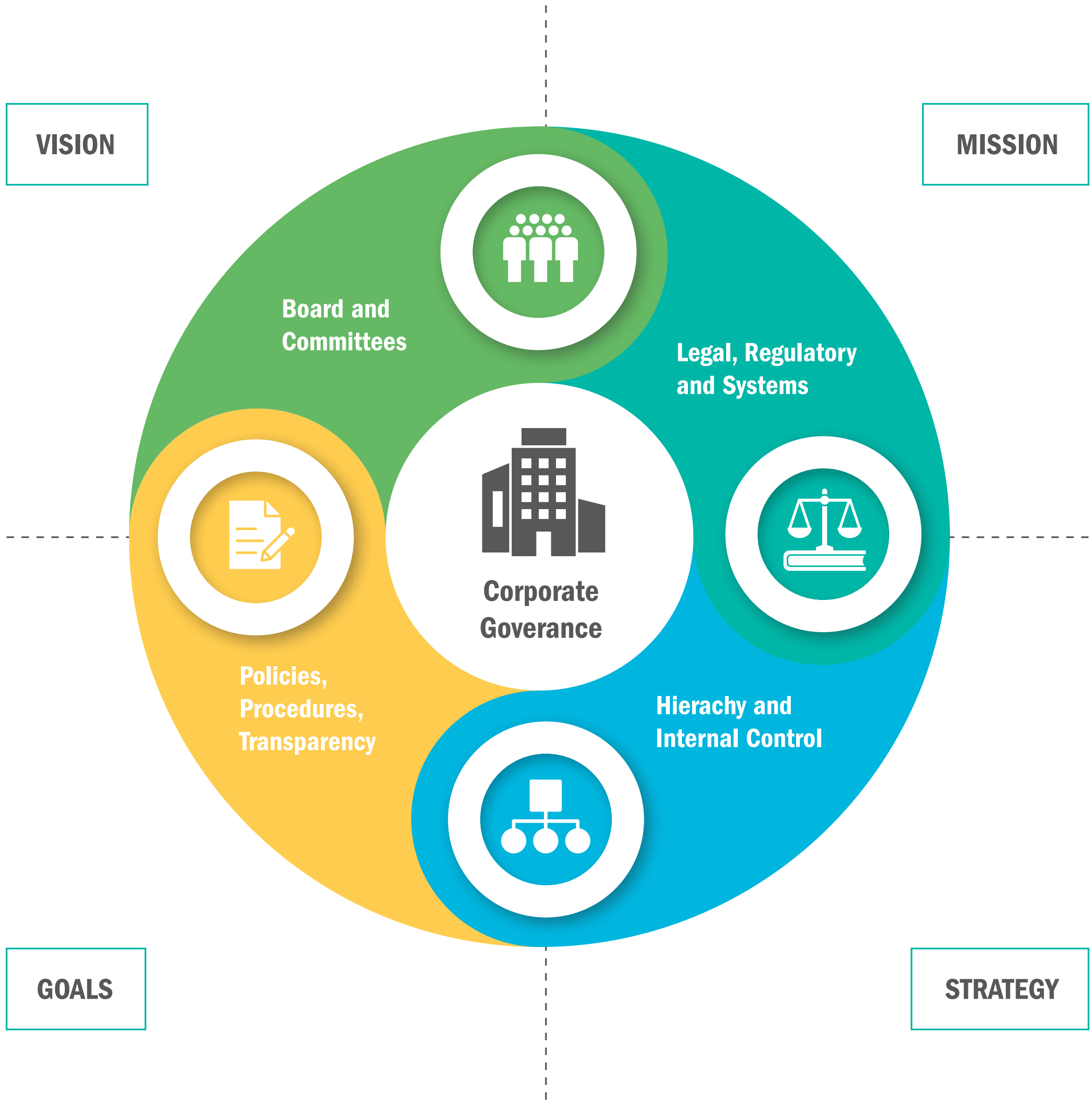
1. Overview
2. Governance Highlights
3. Executive Authority
4. Interfront Board
5. Board Committees
6. Remuneration of Board Members
7. Risk Management
8. The Combined Assurance Model
9. Ethics
10. Health and Safety
11. Company Secretary

1 OVERVIEW

THE FUNDAMENTAL PURPOSE OF CORPORATE GOVERNANCE IS TO SET UP A SYSTEM OF RULES, POLICIES AND PRACTICES IN ORDER TO ENSURE ACCOUNTABILITY.

The fundamental purpose of corporate governance is to set up a system of rules, policies and practices in order to ensure accountability. All parties involved in the operations of the company i.e. the Shareholder, Board of Directors, EXCO and the employees are coherently responsible and therefore, all must be accountable.

The illustration below provides a schematic overview of corporate governance, which is addressed in this part of the Annual Report.



2 GOVERNANCE HIGHLIGHTS

- The 2019/2020 year sees the tenth consecutive unqualified audit report on the annual financial statements.
- A clean audit opinion for the 2019/2020 financial year, which is the fifth consecutive year that Interfront received a clean audit opinion, nine in total.
- The appointment of another female non-executive director to the Interfront Board increased the female representation from two to three.
- The appointment of two non-executive directors allowed for the reconstitution of the Remuneration, Social and Ethics Committee.
- Induction workshop conducted with the non-executive directors on 11 March 2020.

Manager: Software Development 2016

Group company photograph 2014

3 EXECUTIVE AUTHORITY

The oversight responsibility of the Executive Authority rests largely on the prescripts of the PFMA.

The Interfront Board was appointed by the Minister of Finance 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.

Graduates 2017

Heritage day 2017

Manager: QA & Data Services 2016

4 INTERFRONT BOARD

Introduction

The unique nature of an SOC requires its directors to assume responsibility, take on accountability and act in an unbiased and professional manner at all times. Professionalism in the current context requires a measure of reliance on their own expertise and self-regulating, with a lesser degree of dependence on compliance management. The Board is required to ensure that the SOC behaves in a manner that is fair and equitable, whilst the Board, in dealing with matters reserved for its attention, do so without being influenced by personal feelings or prejudices nor by making decisions which favour an individual or group of individuals.

Role of the Interfront Board

The role of the Board includes, but is not limited to:

- being responsible for the performance of Interfront;
- ensuring Interfront complies with all applicable laws, regulations and policies;
- formulating, approving, monitoring and reviewing Interfront strategy, major plans of action, risk policy, annual budgets and the APP;
- ensuring that the performance objectives of the Shareholder are achieved;
- managing potential conflicts of interest;
- ensuring that financial records are maintained and financial statements are prepared that are free of material error, misstatement or omissions;
- ensuring that induction sessions are conducted; and
- maintaining the integrity, responsibility and accountability of Interfront.

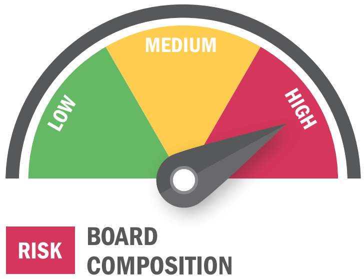
Terms of Reference

As recommended by the King Code on Corporate Governance, the Interfront Board adopted terms of reference which sets out the Board's responsibility.

The terms of reference provide for *inter alia,* the approval by the Board of the strategic plan, monitoring Interfront performance, monitor Interfront policies and processes to ensure the integrity of Interfront's risk management and internal controls.

In addition, the Board is 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.

Board Composition



Interfront commenced the 2019/2020 financial year with a Board of eight directors and two more appointments were made to the Interfront Board by the Shareholder on 10 October 2019, through the appointment of Ms Vonani Ntlhabyane and Mr Herman Smith as non-executive directors. The resignation of Ms Refiloe Mokoena in November 2019, was followed by the removal of Ms Mmamathe Makhekhe-Mokhuane in March 2020.

31 May 2020 saw the retirement of Interfront Managing Director, Mr Graham Randall one day short of his ninth anniversary at Interfront. The Interfront Board's appreciation for the contribution made by Mr. Randall as Managing Director of Interfront was noted at its' meeting held on 18 June 2020. Ms Leilanie Janse van Rensburg was appointed as Acting Managing Director of Interfront, effective 1 June 2020, whilst simultaneously retaining her position as Financial Director.

Manager: Business Analysis and some of his team members

The Board currently comprises an independent, non-executive Chairperson, two executive directors and four non-executive directors. The said four non-executive Directors serving on the Interfront Board are also employees of the Shareholder and are regarded as Nominee Directors. However, in the exercise of their powers and in deciding what is in the best interest of Interfront, the directors must exercise an independent and unfettered discretion *(bona fide).* The affairs of the Interfront must be considered in an unbiased and objective manner. The duty to exercise independent judgment is particularly important to Nominee Directors and emphasis was placed on the independent requirement at the inductions session conducted in March 2020.

The non-executive, independent Chairperson and the two executive Directors have been the longest serving members of the accounting authority, having completed eight years in their respective positions, during the reporting period.

The roles of the Chairperson and Managing Director are separate. 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.

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 interest of its Shareholder and other stakeholders.

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.

MUSTAQ BREY (66)

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

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

BEYERS THERON (54)

Non-Executive Director

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; subsequently, he was appointed as Head: Customs: Border Operations, Ports of Entry and Customs Compliance as of 1 April 2020.

YOLANDÉ VAN DER MERWE (43)

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

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. She was recently appointed as the Chief Financial Officer overseeing the Finance and Procurement functions.

HERMAN SMITH (52)

Non-Executive Director

Herman has extensive experience in the public as well as private sectors. His career spans multiple disciplines ranging from programme management, business effectiveness, consulting and information technology (IT), as well as operations management. He has worked at SARS for many years and has contributed directly to the transformation of the Organisation's modernisation programme. He is currently the Head: Operational Enabling and Production Planning, holding responsibility for the operational rhythm (flow) of the organisation.

VONANI CALPHORNIA NTLHABYANE (43)

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

Vonani has a BCom degree from the University of the Western Cape and BCom Honours degree from the University of South Africa. Vonani started her career at Eskom in 2001 where she held several roles in Procurement and Supply Chain Management. She joined SARS in 2017 as Group Executive in Customs Branch Operations and has subsequently been responsible for the establishment and management of the Customs Command Centre.

GRAHAM RANDALL (68)

Managing Director Retired: 31 May 2020

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

JOHN ROBERTSON (60)

Executive Director – Operations

John obtained his ADV BPM qualification at the University of Cape Town at the end of the 2016 academic year. He started his career in the computer industry in 1983 with ICL, supporting mainframe systems in the commercial sector. In 2002, he and some former colleagues founded SincroWave, an independent technology company focusing 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 (38)

Executive Director – Finance Appointed as Acting Managing Director – 1 June 2020

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 of Interfront.

5 BOARD COMMITTEES

The terms of reference of the Board Committees are reviewed and approved by the Interfront Board, with the exception of the joined SARS/Interfront Audit and Risk Committee, whose terms of reference are approved by the Shareholder. 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.

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 are invited to all meetings and, on completion, presents its' reports of the audits to the Committee.

Interfront's Annual 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 the Committee meetings.

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

“

THE AUDIT AND RISK COMMITTEE AS A WHOLE HAS THE NECESSARY FINANCIAL LITERACY, SKILLS AND EXPERIENCE TO DISCHARGE ITS DUTIES EFFECTIVELY AND EFFICIENTLY.

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. Until October 2019, 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.

Both Mss Mokoena and Makhekhe-Mokhuane were suspended as employees of SARS in 2018; however, Interfront had to await the outcome of the disciplinary processes in SARS before their removal or requesting their resignations as directors so as to not pre-empt the outcome of the SARS' disciplinary process. During their suspension the two members did not attend any Board meetings nor could Committee meetings be conducted for the year as a quorum could not be established. Nonetheless, the Board assumed full responsibility for the functions of the Committee during the period concerned.

The Remuneration, Social and Ethics Committee was reconstituted by the Board at its meeting held on 16 October 2019, with the appointment of Ms Yolandé van der Merwe as Chairperson and Ms Vonani Ntlhabyane as a member of the Committee together with the Board Chairperson Mr Mustaq Brey. The Committee conducted its first meeting on 18 June 2020, where the members were given a high level overview of the purpose and functions of the Committee and HR related matters were tabled for their input and recommendation.

Interfront Executive Committee

The Interfront EXCO comprises the Operations Director, the Executive: Talent, the Executive: Relationship Manager, as well as the Company Secretary/Manager Corporate Services under the Chairmanship of Financial/Acting 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 Interfront and deals with operational matters that require its attention.

The Committee conducted 19 meetings for the period under review, all the meetings were attended by the executive directors and the Company Secretary/Manager: Corporate Services, with sixteen attended by the Executive: Talent, and eleven by the Executive: Relationship Manager.

Board and Committee Meeting Attendance

<table>
<tr><th rowspan="2">NAME</th><th rowspan="2">DATE APPOINTED / REMOVED / RESIGNED</th><th colspan="2">BOARD</th><th rowspan="2">REMUNERATION, SOCIAL AND ETHICS COMMITTEE</th><th rowspan="2">AUDIT AND RISK COMMITTEE</th></tr>
<tr><th>NO. ATTENDED</th><th>NO. OF MEETINGS</th></tr>
<tr><td>Mustaq Brey</td><td>18 October 2011</td><td>4</td><td>4</td><td rowspan="10">No meetings were conducted for the year under review</td><td rowspan="10">See Audit and Risk Committee Report</td></tr>
<tr><td>Beyers Theron</td><td>28 September 2018</td><td>3</td><td>4</td></tr>
<tr><td>Yolandé van der Merwe</td><td>28 September 2018</td><td>4</td><td>4</td></tr>
<tr><td>Herman Smith</td><td>10 October 2019</td><td>1#</td><td>4</td></tr>
<tr><td>Vonani Ntlhabyane</td><td>10 October 2019</td><td>2#</td><td>4</td></tr>
<tr><td>John Robertson</td><td>1 September 2011</td><td>3*</td><td>4</td></tr>
<tr><td>Leilanie Janse van Rensburg</td><td>1 October 2011</td><td>3*</td><td>4</td></tr>
<tr><td>Graham Randall</td><td>1 June 2011
Retired: 31 May 2020</td><td>3*</td><td>4</td></tr>
<tr><td>Refiloe Mokoena</td><td>29 June 2017
Resigned: 15 Nov.2019</td><td>0</td><td>2</td></tr>
<tr><td>Mmamathe Makhekhe-Mokhuane</td><td>29 June 2017
Removed: 11 March 2020</td><td>0</td><td>4</td></tr>
</table>

* Executive directors were recused from the meeting where their annual bonus payment was discussed

\# Appointed in October 2019.

Prior to the Board meeting held on 11 March 2020, a Directors induction session was conducted. It was attended by the executive directors, the Executive: Talent, Executive: Relationship Manager, the Company Secretary/Manager: Corporate Services Ms M Pepperell, Mr Herman Smith, Ms Vonani Ntlhabyane and Ms Yolandé van der Merwe. Apologies were received from Mr Beyers Theron.

Graduates 2019

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:

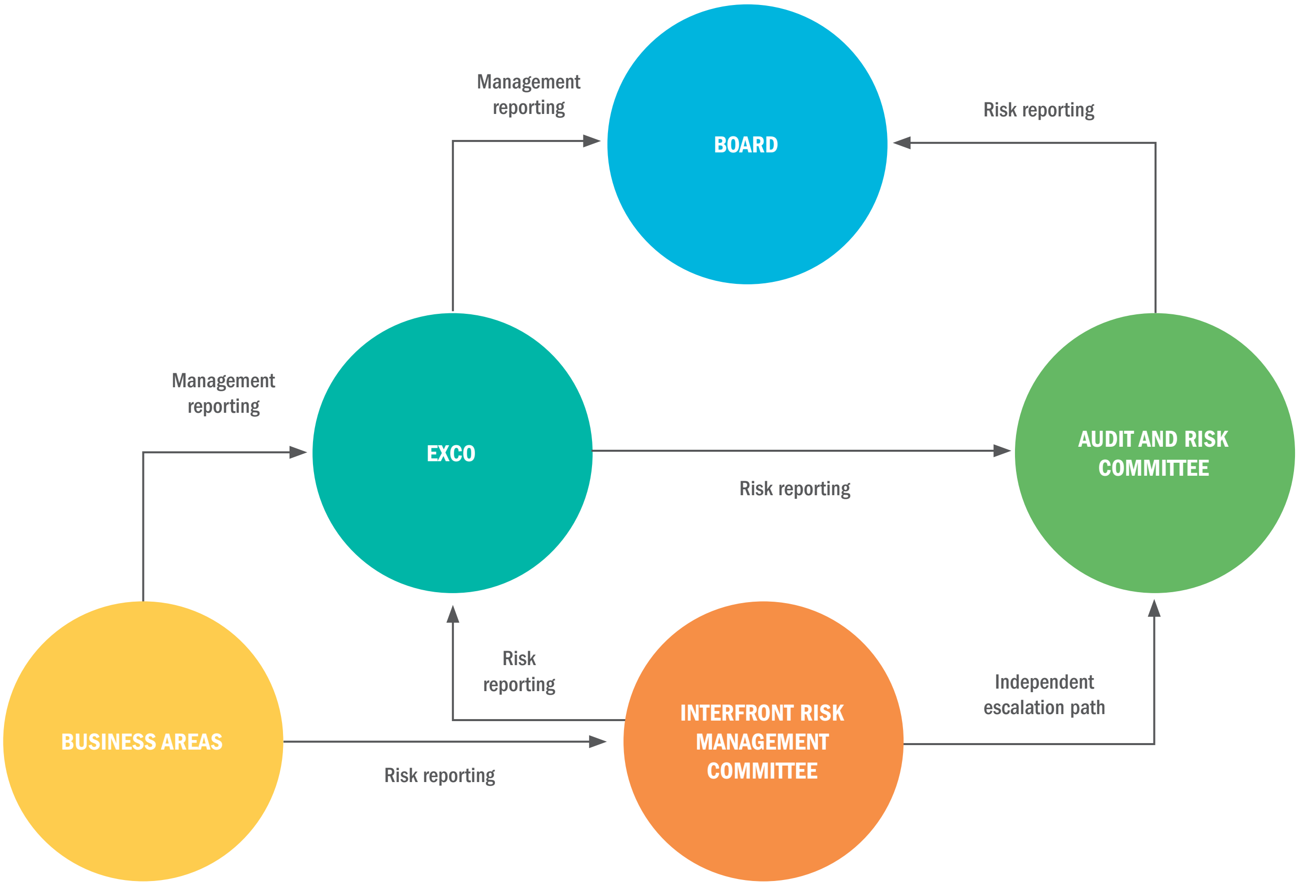
CATEGORY CLASSIFICATION A1 (PART-TIME MEMBERS)		
REMUNERATION	**2019/2020**	
Chairperson	R5 230 per day	R654 per hour
Members	R3 888 per day	R486 per hour

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.

The remuneration paid to the executive directors is set out in Part E: Financial Information. No fees or remuneration are payable by Interfront to the non-executive directors who are also employees of the Shareholder.

7 RISK MANAGEMENT

Interfront Risk Management Methodology and Governance Framework are set out diagrammatically below:



At the start of the 2019/2020 financial year, Interfront assessed its risk and included details in its APP. At the time, the appointment of a successor to Interfront's Managing Director who was due to retire on 31 December 2019, the composition of the Interfront board and the lack of experienced staff ranked equally as Interfront's highest risks.

During the course of the financial year a new risk emerged, which was identified as a reputational risk with regard to reputational damage suffered by Interfront due to SARS perception of poor quality delivery, lack of value add due to lack of engagement and structured communication between Interfront and SARS as the client. The going concern risk was also given more prominence, with a residual risk rating of 16 due to the proposed change in the engagement/financial models with SARS and the overall budget cuts. Many interactions have subsequently been implemented to mitigate these risks.

Top Five Risks as at 31 March 2020

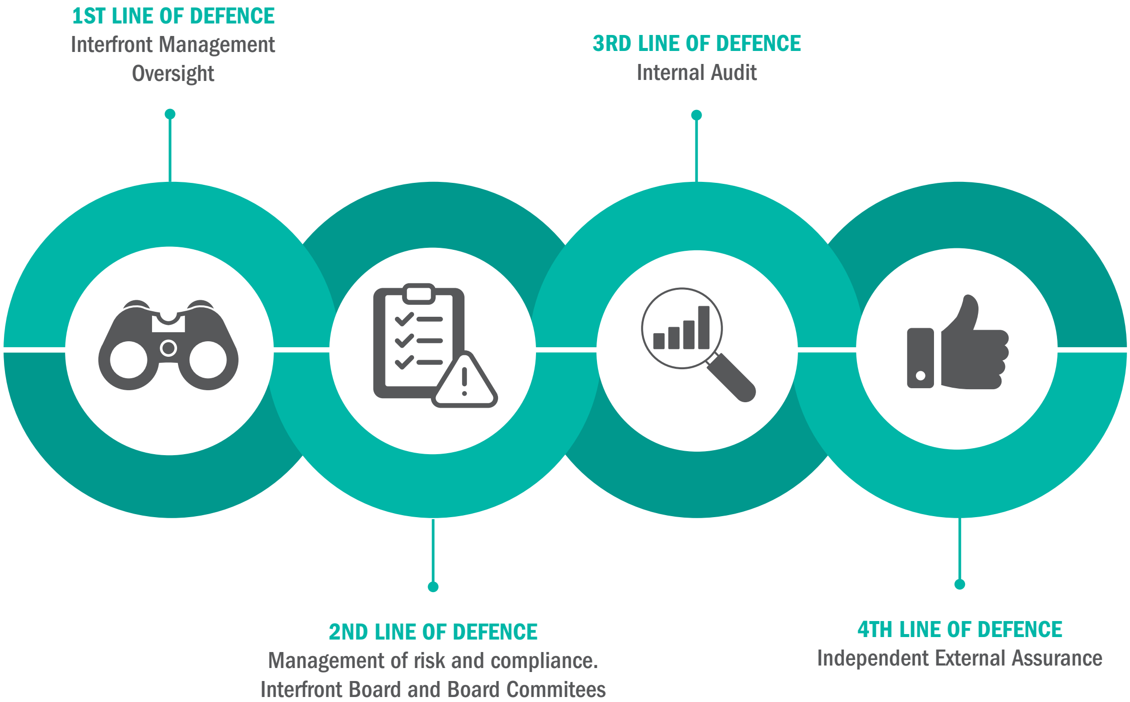
NO	RISK	RRR	MITIGATION ACTION	SO TITLE
1	Reputational Damage	16	• Improve engagement at multiple levels	Maintain a Software Development Centre of Excellence
2.	Going Concern	16	• Agree the business model and placement of Interfront	Maintain a Software Development Centre of Excellence
3.	Misquoting on fixed price contracts and budget constraints by SARS	16	• Output of estimation process to be reviewed and approved by EXCO • Tracking expenditure on software changes	Maintain a Software Development Centre of Excellence
4.	Board Composition	16	• Agree the business model and placement of Interfront	Maintain a Software Development Centre of Excellence
5.	COVID-19	12	• Ongoing awareness campaigns • Travel restrictions and reporting incidents of contact with travellers • Providing staff with adequate and recommended hygiene products • Applying the working from home policy	Quality Software Development and Support

Procurement Team 2020

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:



The Board recognises its responsibilities to ensure effective and adequate internal controls and thus appointed SARS' Internal Audit unit to provide assurance. A representative of the 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.

As provided for in the PFMA, the AGSA is the independent external assurance provider. The AGSA attend meetings of the Audit and Risk Committee and present their audit plan, as well as 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.

Internal Audit

During the audit of the Interfront Deviations Register, Internal Audit found that the deviations approved for the offsite parking for its staff was erroneously approved, based on the service providers being sole suppliers. Internal Audit expressed the view that the deviations should have been based on impracticality and prior approval should have been obtained from National Treasury.

In addition, Internal Audit noted that ineffective controls were in place in the HR Department to ensure goods and services are procured from vendors with a valid and enforceable Master Service Agreement, Contract and/or Service Level Agreement. The finding relates to where prospective employees referred to Interfront by Recruitment Agencies are interviewed by Interfront prior to the conclusion of a contract with the service provider. However, once the candidate passes the technical assessment, but prior to vetting or Interfront making the candidate an offer of employment, Interfront will enter into negotiations with the Recruitment Agency and will request the agency to sign a Service Level Agreement.

Interfront investigated both matters as reported and could find no instances of fraud, corruption or criminal conduct and suffered no financial losses.

Interfront has submitted a request for condonation of the irregular expenditure to National Treasury in both instances and are awaiting the results of our applications.

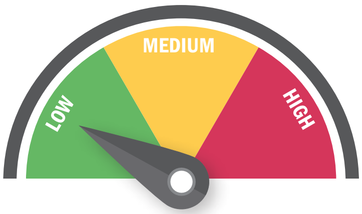
Heritage day 2017

9 ETHICS

Compliance with Laws and Regulations

Compliance with the Companies Act, PFMA, Treasury Regulations, procurement guidelines and instructions, as well as King Reports is routinely assessed by means of a compliance checklist. A review of the human resources and procurement processes and policies will be an area of focus for Interfront; it will be updated and aligned in light of Internal Audit findings.

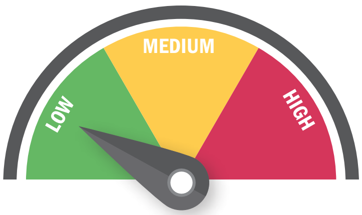
A suite of policies are currently being developed to ensure that Interfront is ready and compliant with POPIA, the first policy within this area: the Retention of Records policy, which was adopted during the year under review.



RISK COMPANY CONFIDENTIALITY BREACHED BY EMPLOYEES OR ASSOCIATES

Fraud and Corruption

Interfront has a Fraud Prevention Policy in place in conjunction with the Fraud Prevention Strategy, which provides *inter alia*, for the detection and investigation of corruption, maladministration and/or fraud. An independent service provider was procured that created and provided Interfront with a dedicated email address and telephone number where matters of fraud and corruption can be reported. The email address and telephone number are monitored by the service provider and the consequent anonymity protects Whistle-blowers. The service provider furnishes Interfront with monthly reports on matters being reported. To date, no incidents have been reported.



RISK FRAUD OCCURS IN THE COMPANY

In the financial year under review, it was discovered that an Interfront employee, in the role of treasurer of the Social Committee, which is funded by staff by means of a monthly contribution, misappropriated the Committee's funds. In addition to this, our internal controls identified an ostensible attempt by the same employee to manipulate their annual leave records. A disciplinary enquiry was conducted and all funds were recovered and the leave records were corrected. The employee's services were terminated by mutual agreement. Interfront suffered no financial loss and the system of internal control was effective enough to prevent same.

Conflicts of Interest

All Interfront employees are required to annually declare any private outside interest that may create a situation where the employee's private interest interferes or has the potential to interfere with his or her ability to discharge their duties honestly and openly. The declarations made by employees extend 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 that may be necessary.

Interfront's non-executive directors are required to submit a declaration of private interest document at the time of their appointment, which are regularly updated.

Code of Conduct

The Interfront Code of Conduct expresses the set of values and behaviours 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.

A Supplier Code of Conduct was adopted during the 2018/2019 financial year and all 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 reserves the right to demand that corrective measures be taken should the service provider not comply or, alternatively, if the transgression is of such a nature that corrective action cannot remedy the situation, Interfront may terminate the contract.

Health and Safety Committee 2017

10 HEALTH AND SAFETY

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

In response to the COVID-19 pandemic, a COVID-19 Steering Committee was established to assist the company and EXCO to ensure compliance with regulations as published in response to COVID-19. Interfront procured the required Personal Protective Equipment as prescribed and the offices were sanitised by a certified company. However, no firm date has been determined for the return of staff to the office on a full time basis as staff continue to work remotely. The office, however, is available for use by staff as and when required and are allowed access with the necessary precautions in place.

> INTERFRONT PROCURED THE REQUIRED PERSONAL PROTECTIVE EQUIPMENT AS PRESCRIBED AND THE OFFICES WERE SANITISED BY A CERTIFIED COMPANY.

11 COMPANY SECRETARY

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

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

Declaration by the Company Secretary

I, the undersigned Madelein Pepperell in my capacity as Company Secretary, certify that the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required 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
30 September 2020

"TAKING RESPONSIBILITY FOR THE PREPARATION OF ALL OR PARTS OF THE ANNUAL REPORT AND ENSURING THAT STATUTORY DEADLINES ARE MET.

Heritage day 2017

Year end function 2012

Year end function 2017

Year end function 2017

Year end function 2017

Bursars 2016

PART D

HUMAN CAPITAL MANAGEMENT

1. Overview
2. Recruitment, On-Boarding and Orientation
3. Training, Development and Talent Management
4. Transformation and Employment Equity
5. Organisational Development
6. Remuneration, Rewards and Recognition

1 OVERVIEW

Strategic human resource management supports long-term business goals and outcomes within a strategic framework. It focuses on longer-term resourcing issues within the context of an organisation's goals and the evolving nature of the work environment, and informs other HR strategies, such as rewards, performance and employee engagement, to name a few, while determining how they are integrated into the overall business strategy.

COVID-19 has had a significant impact on companies worldwide and Interfront was no exception. With the hard lockdown announced by the President at the end of March, companies had just three days to prepare. Because Interfront's Disaster Management Policy was already in place, this meant that Interfront was able to adapt rapidly since it was well prepared, ensuring that work could continue. Staff embraced the new way of working and productivity remained stable. Furthermore, staff experienced this as an added incentive, considering the time and money saved in travelling to and from the office, as well as the other benefits that working from home brings.

Going forward, Interfront will have to consider how each of its capitals will be impacted with what is now considered as the "new normal" and will need to find the right balance between the "work from home" benefits, social interaction and engagement between teams as well as continued productivity levels to ensure that the company's goals are not negatively impacted. People can now be differently enabled through social approaches, digital tools and a work environment that might look very different from that we have seen in the past, which when managed and implemented correctly can have great benefits for Interfront and its staff.

The success of our HR strategy depends on our ability to retain, motivate, develop and continue attracting high performing individuals. Investing in our employees therefore remains a key HR strategy.

In January 2020, Interfront reached a ten year milestone and employees who had served the company for a tenure of five or ten years, were celebrated. Looking back over the last decade we can laud some of the successes Interfront achieved and a number of them are listed below:

- **Training and development became a focal point** with the introduction of the training plan.

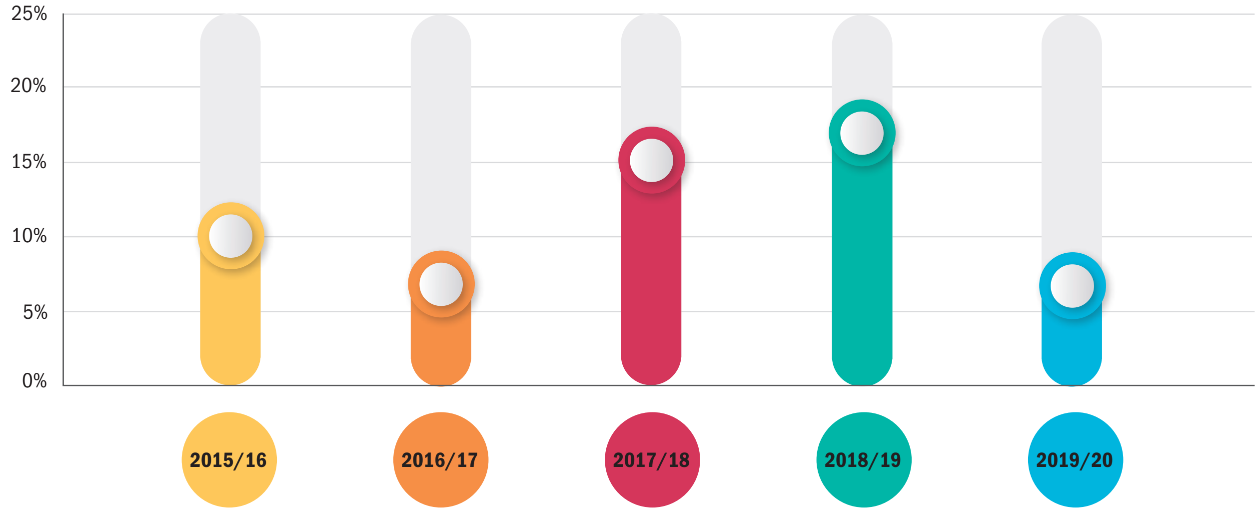
BECAUSE INTERFRONT'S DISASTER MANAGEMENT POLICY WAS ALREADY IN PLACE, THIS MEANT THAT INTERFRONT WAS ABLE TO ADAPT RAPIDLY SINCE IT WAS WELL PREPARED, ENSURING THAT WORK COULD CONTINUE.

- **Remuneration is market-aligned**, using market comparison tools.
- **A performance based remuneration programme was introduced.**
- **Created the TECHI values** using a bottom up approach where all employees participated.
- **Introduced policies for Graduate Internship and Bursary Programmes** to create a pipeline of young IT students (specifically, Computer Science degrees) to join Interfront as graduates. Since its inception, 38 graduate interns have been technically upskilled and appointed to entry level positions in the operations department. These programmes assisted in accelerating the skills pipeline growth and EE representation.
- **In 2014/15 a satellite office was established in Pretoria**, with a view to improving client liaison. The office currently has five staff members fulfilling the first point of contact in client liaison, system support, business analysis and relationship management.
- **Culture and engagement surveys were conducted.**
- **Heritage Day celebrations took place.**
- **An Employment Equity Consultative Forum (EECF) was established.**
- **Growth in EE representation increased by of 48.73%:** from 29.67% in 2010 to 78.4% in 2020. Furthermore, there was an increase of 164% in the Coloured occupational group, the largest represented group in the Western Cape, numbering 14 in 2015 to 37 in 2020.

The following strategic drivers constitute the human capital management and are graphically presented here and discussed in detail below.

2 RECRUITMENT, ON-BOARDING AND ORIENTATION

Staff Turnover



Interfront implemented various initiatives in order to limit the high staff turnover experienced in the 2017/18 and 2018/19 financial years, resulting in a positive decreased staff turnover rate of 8.93% in the current year. Considering the scarce skill environment in the IT industry where staff are sought after, these actions will have to be closely monitored by Interfront to ensure it remain effective going forward. A Skills Competency Framework is being developed, which will allow for the development and advancement of staff to ensure they can continue to grow within Interfront as one measure to retain talented staff.

EMPLOYMENT AND VACANCIES AT 31 MARCH 2020					
	2018/2019	2019/2020			% OF OVERALL VACANCIES
LEVEL	NO. OF EMPLOYEES	NO. OF EMPLOYEES	APPROVED POSTS	VACANCIES	
Top Management EXCO	3	3	3	0	0%
Senior Management	11	11	11	0	0%
Professional Qualified	36	36	36	0	0%
Skilled	55	54	54	0	0%
Semi-skilled	1	8	8	0	0%
Unskilled	3	3	3	0	0%
Total	**109**	**115**	**115**	**0**	**0%**

New employees are required to undergo an induction session/orientation when they join Interfront to introduce them to the company values and policies, as well as to the relevant departments. They are also invited to a questions and answer session with the Managing Director.

3 TRAINING, DEVELOPMENT AND TALENT MANAGEMENT

Bursary Programme

As a proactive step in building a talent pipeline for scarce skills, Interfront started offering bursaries to EE students studying for degrees or diplomas in Computer Science at South African tertiary institutions, in 2013. So far, approximately 33 EE Bursars have been supported through the programme. Key considerations in determining the correct skills are:

- identification of key areas where employee turnover is high; and
- identification of scarce skills and difficult-to-fill positions.

The vocational work and training assist our bursars in understanding the business and ways of working so that by the time they became graduate interns, they are equipped to add value.

Graduate Internship Programme

The Graduate Internship Programme is the second part of our talent pipeline. The programme has two main streams of graduates. Depending upon the need, the programme will firstly be filled by those bursars from our Bursary programme who have successfully completed their undergraduate or postgraduate studies. Secondly, Interfront may appoint additional graduates into the programme when those from our bursary programme are insufficient to meet current demands.

As part of their training, the graduate interns are placed in technical projects with teams of experienced software developers, project managers, business analysts, Dev-Ops engineers, ICT engineers and solutions architects to gain hands-on training and development experience. The technical training is supplemented with soft skills training and mentoring with the intention of ensuring the programme produces well-rounded staff members with technical, as well as soft skills such as professionalism, good communication, self- management and work ethics, to mention just a few.

"AS PART OF THEIR TRAINING, THE GRADUATE INTERNS ARE PLACED IN TECHNICAL PROJECTS WITH TEAMS OF EXPERIENCED SOFTWARE DEVELOPERS, PROJECT MANAGERS, BUSINESS ANALYSTS, DEV-OPS ENGINEERS, ICT ENGINEERS AND SOLUTIONS ARCHITECTS TO GAIN HANDS-ON TRAINING AND DEVELOPMENT EXPERIENCE.

After completing a twelve month internship, successful graduate interns are placed in technical entry level positions within Operations for an additional year of development. Since the inception of the graduate internship programme, Interfront has had 43 graduate interns of which 24 were retained in the company in various technical positions as detailed in the table below.

JAVA DEVS.	PROJ MGT.	BA	TESTERS	ICT SUPPORT	SUPPORT ANALYST	SYSTEM ENGINEER	DATA MODELLER
9	2	2	6	1	2	1	1

Employee Training and Development

In order to maintain a competitive edge in the marketplace, it is vital to invest in the training and development of employees. The Training and Development Committee oversees the training plan and training budget. Training and development comprises the following:

- formal studies whereby Interfront provides financial study assistance to staff studying at tertiary institutions;
- company driven and development interventions;
- professional training identified as part of personal development; and
- professional body affiliation/membership.

Training And Development Expenditure

BUSINESS UNIT	PERSONNEL EXPENDITURE (R)	TRAINING EXPENDITURE	TRAINING EXPENDITURE AS A % OF PERSONNEL COSTS	NO. OF EMPLOYEES AT THE END OF THE YEAR	AVERAGE TRAINING COST PER EMPLOYEE
Staff Training		314 436	0.37%	114	2 758
Bursaries		105 972	0.13%	5	21 194
Graduate interns		31 478	0.04%	10	3 148
Professional membership		20 153	0.02%	4	5 038
Staff formal study assistance		499 860	0.59%	12	41 655
Total	**84 495 036**	**971 899**	**1.15%**		


Year end function 2015


Staff receiving certificates after completing Interfront Values training

4 TRANSFORMATION AND EMPLOYMENT EQUITY

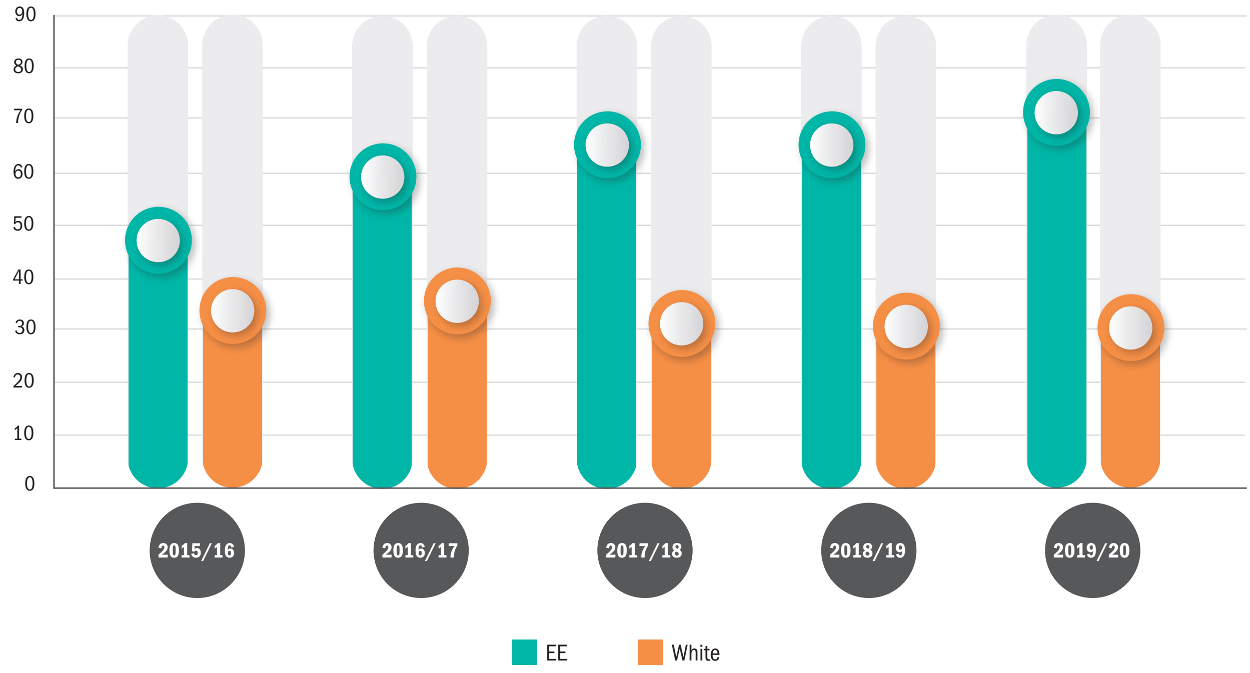
The transformation of the Interfront workplace environment as inclusive and representative of the South African population remains a priority, which is evident in the percentage growth of EE representation since Interfront's inception. Interfront is operating in a scarce skill environment, which can be a challenge when improving EE representation, specifically at senior levels where EE staff are sought after in the marketplace. As one measure to combat this barrier, Interfront has implemented the Bursary and Graduate Internship Programmes to develop staff from junior levels to ensure an increase in senior EE staff over time. So far, graduates from our programme have been appointed to entry level, junior and mid-level positions over time, with the potential to occupy senior roles in the future.

The implementation of the EECF has not only ensured compliance, but also assisted in obtaining a representative view of actions that can address barriers.

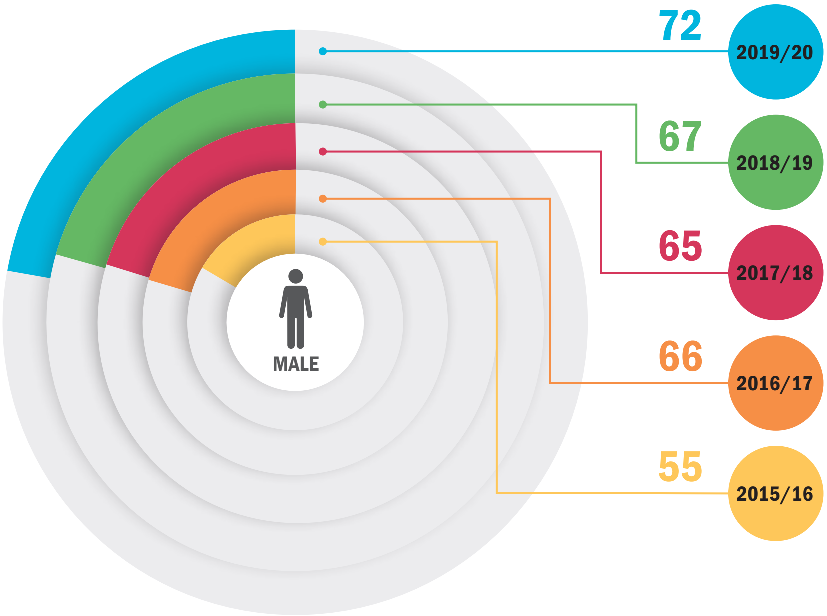
Employment Equity

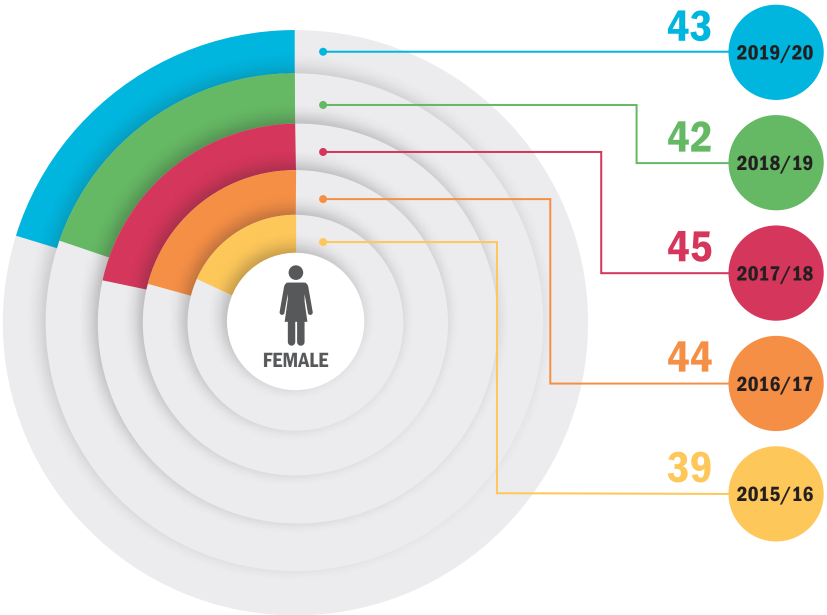
Below is a graph indicating EE growth in the last five years:

EE split by Race



Five Year EE Growth Comparison Male vs. Female





Promoting diversity is important and programmes such as Women's Day, Men's Day and Heritage Day assist in bringing together employees from different backgrounds to increase levels of social interaction. This year, Heritage Day was celebrated by means of a culture quiz based on South African cultures where staff were divided into four competing groups. This was coupled with an award for the best culturally dressed male and female.

Social Responsibility Project

For the year under review, staff joined the 16 Days of Activism for No Violence against Women and Children. A committee of volunteers identified a centre for intellectually challenged children in the surrounding community. Donations were collected from staff and were donated to (CENIDA) in Macassar.

5 ORGANISATIONAL DEVELOPMENT

Organisational development is seen as a series of planned processes aimed at developing and improving the individual, as well as the organisation in order to function more effectively in accomplishing its desired goals. For the year under review, emphasis has been on the development of the Employee Engagement Plan, which is based on the recommendations of focus groups formed after the culture and employee engagement survey results. Specific focus was placed on:

- communication and a sense of belonging;
- rewards and recognition; and
- career development.

More detail on these items is provided below, while Remuneration, Rewards and Recognition is further expanded on in clause 6.

Employee Engagement Plan

After analysing the results of the Employee Engagement and Culture survey, two focus groups were formed and mandated to compile a plan of action. The following items were implemented under the Employee Engagement Plan:

Communication and sense of belonging

- Values sessions for all new staff as part of the induction programme
- New employees have an orientation and Q&A session with the MD
- New employees are formally introduced to the entire company in two ways:
  - braai days (an informal arrangement where new employees are welcomed by Interfront employees); and
  - through the quarterly company-wide TECHI Newsletter.

Heritage day 2017

ORGANISATIONAL DEVELOPMENT IS SEEN AS A SERIES OF PLANNED PROCESSES AIMED AT DEVELOPING AND IMPROVING THE INDIVIDUAL, AS WELL AS THE ORGANISATION IN ORDER TO FUNCTION MORE EFFECTIVELY IN ACCOMPLISHING ITS DESIRED GOALS.

Interfront: Rock Stars Award Wall of Fame

Rewards and recognition

- A Rock Star award has been established to recognise employees who have excelled in our TECHI values.
- A Long Service Award was established, recognising employees who had been with Interfront for more than five years, in increments of five years:
  - 49 employees were recognised for five years' service.
  - 11 employees were recognised for ten years' service.
- An Employee Value Proposition booklet is part of the induction pack for new employees.
- The Working from Home Standard Operating Procedure was implemented from September 2019 and it formed the basis for allowing employees to work from home during the COVID-19 lockdown period.

> A SKILLS AND DEVELOPMENT COMMITTEE WAS ESTABLISHED TO DRAFT A SKILLS DEVELOPMENT FRAMEWORK TO IDENTITY THE SKILLS REQUIRED IN ORDER TO ADVANCE WITHIN SPECIFIC DISCIPLINES.

Career Development

A Skills and Development Committee was established to draft a skills development framework to identity the skills required in order to advance within specific disciplines. The Skills Development Committee started work on the development discipline as a pilot study, during the year under review.

6 REMUNERATION, REWARDS AND RECOGNITION

Interfront's remuneration policy endeavours to provide fair consideration, remuneration and incentives to all employees contributing positively to the organisation. Remuneration packages are aligned to the market with above market remuneration in scarce skills areas to ensure retention of staff in those areas. The adjustment was made in 2018 and staff turnover has subsequently reduced significantly during the year under review. Performance bonuses are paid at the discretion of the Board, with the proviso that the company has met its' objectives and that the budget allows. Bonuses are performance based when distributed to individuals.

PERFORMANCE REWARDS			
OCCUPATIONAL LEVEL	**PERFORMANCE REWARDS**	**PERSONNEL EXPENDITURE**	**% PERFORMANCE REWARDS TO TOTAL PERSONAL COST**
Top Management	500 000		0.59%
Senior Management	1 002 620		1.19%
Professional Qualified	1 385 164		1.64%
Skilled Technical	770 955	84 495 036	0.91%
Semi-Skilled	–		0.00%
Unskilled	12 018		0.01%
Total	**3 670 758**		**4.34%**

SARS Commissioner: Edward Kieswetter with Interfront Graduates


ADA Team 2017

TOTAL PERSONNEL COSTS				
OCCUPATIONAL LEVEL	PERSONNEL EXPENDITURE (R)	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST (R)	NO. OF EMPLOYEES (AVERAGE PER YEAR)	AVERAGE PERSONNEL COST PER EMPLOYEE
Top Management	7 733 548	9.14%	3.00	2 577 849
Senior Management	14 584 203	17.24%	11.58	1 259 068
Professional Qualified	33 940 810	40.11%	33.58	1 010 644
Skilled Technical	26 981 756	31.89%	63.17	427 152
Semi-Skilled	901 260	1.07%	4.42	204 059
Unskilled	353 459	0.42%	3.00	117 820
Total	**84 495 036**	**100%**	**118.75**	**711 537**

PART E

FINANCIAL INFORMATION

1. Board's Responsibility and Approval of the Annual Financial Statements
2. Report by the Board of Directors
3. Report of the Audit and Risk Committee
4. Financial Report
5. Statement of Financial Performance
6. Statement of Financial Position
7. Report of the Auditor-General to International Frontier Technologies SOC Ltd
8. Annual Financial Statements

1 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 being consistently applied and supported by reasonable and prudent judgements and estimates.

The Board acknowledges that it is ultimately responsible for the system of internal financial control established by Interfront and places considerable importance on maintaining a strongly controlled environment. To enable it to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or deficit, in a cost effective manner. The protocols 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

“ TO ENABLE IT TO MEET THESE RESPONSIBILITIES, THE BOARD SETS STANDARDS FOR INTERNAL CONTROL AIMED AT REDUCING THE RISK OF ERROR OR DEFICIT, IN A COST EFFECTIVE MANNER.

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 this company. While operating risk cannot be fully eliminated, Interfront endeavours to minimise it by ensuring that ethical behaviour, appropriate infrastructure, controls and systems are applied and managed within predetermined procedures and constraints.

WHILE OPERATING RISK CANNOT BE FULLY ELIMINATED, INTERFRONT ENDEAVOURS TO MINIMISE IT BY ENSURING THAT ETHICAL BEHAVIOUR, APPROPRIATE INFRASTRUCTURE, CONTROLS AND SYSTEMS ARE APPLIED AND MANAGED WITHIN PREDETERMINED PROCEDURES AND CONSTRAINTS.

Based on the information and explanations provided by management The Board is of the opinion 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 just 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 2021 and, in 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 the Interfront is a going concern.

Although the Board has primary responsibility 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 88.

The Annual Financial Statements set out on page 93 to 123, were approved by the Board on 18 June 2020 and were signed on its behalf by

Leilanie Janse van Rensburg
Acting Managing Director

Mustaq Brey
Chairperson of the Board

2 REPORT BY THE BOARD OF DIRECTORS

The Board submits its report for the year ended 31 March 2020.

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 deficit of Interfront was (R2 361 021) (2019: surplus R23 125 682), after taxation of R2 834 (2019: R9 837 138).

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 2020, the entity had an accumulated surplus of R75 882 042, while the total assets exceed its liabilities by R88 477 896.

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 2020 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 98 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 shareholder loan repayment of R20 million was made.

Board

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

“

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.

Secretary

The Company Secretary for the term was Ms Madelein Pepperell.

Corporate Governance

AS PART OF THIS COMMITMENT, THE BOARD SUPPORTS THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE AND THE ONGOING DEVELOPMENT OF BEST PRACTICE.

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. 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 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.

INTERFRONT'S CONTROLLING ENTITY IS THE SOUTH AFRICAN REVENUE SERVICE, ESTABLISHED BY THE SOUTH AFRICAN REVENUE SERVICE ACT, NO. 34 OF 1997.

3 REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2020 in terms of Treasury Regulations 3.1.1.9 and 10 whereby the Audit and Risk Committee is required to report amongst others on the effectiveness of the internal controls, as well as its evaluation of the annual financial statements.

Audit and Risk Committee Members and Attendance

The Audit and Risk Committee operates in terms of approved written terms of reference, which 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 consists of three external members.

"THE AUDIT AND RISK COMMITTEE OPERATES IN TERMS OF APPROVED WRITTEN TERMS OF REFERENCE, WHICH DEALS WITH ITS MEMBERSHIP, AUTHORITY AND RESPONSIBILITIES.

Audit and Risk Committee Attendance

AUDIT AND RISK COMMITTEE MEMBERS				
MEETING DATES	**26 JULY 2019**	**30 AUG 2019**	**15 NOV 2019**	**21 FEB 2020**
SATHIE GOUNDEN **Designations** Chartered Accountant (SA) Chartered Director (SA)® **Qualifications** B Compt (Unisa); Diploma in Accountancy – Post graduate (University of Durban-Westville) Certificate in Forensic Accounting & Fraud Examination (University of Pretoria) Executive Leadership Development Institute Programme (Harvard Business School & NABA) Certificate of Mediator Accreditation (Conflict Dynamics)	✓	✓	✓	✓
THABISO GERALD RAMASIKE **Designation:** CAIB (SA) – (Institute of Bankers of SA) **Qualifications:** BComm (UJ) Senior Executive Development Programme (GIBS) Global International Executive Development Programme (Rotmann School of Management & York University, Canada)	✓	✓	✓	✓
DORIS DONDUR **Designations:** Chartered Accountant (SA) Chartered Director (SA)® **Qualifications:** Bachelor of Accounting (Stellenbosch) Honours B Compt (Unisa) Global International Executive Development Programme (Wits & London Business School) International Executive Development Programme (University of Reno) Honours in Business Administration (Stellenbosch Business School) Masters in Business Administration (Stellenbosch Business School) Post Graduate Certificate in Labour Relations (Unisa) (*Cum Laude*)	✓	✓	✓	✓

IN LINE WITH THE PFMA AND THE KING IV REPORT ON CORPORATE GOVERNANCE, THE INTERNAL AUDIT FUNCTION PROVIDED THE AUDIT AND RISK COMMITTEE AND MANAGEMENT WITH ASSURANCE THAT THE INTERNAL CONTROLS ARE APPROPRIATE AND EFFECTIVE.

Audit and Risk Committee Responsibilities

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

The Effectiveness of Internal Control

The system of internal controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are 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 Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

Internal Audit Function

The Audit and Risk Committee is satisfied that Internal Audit had 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 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:

- reviewed and discussed the audited Annual Financial Statements, to be included in the annual report, with the Auditor-General
- reviewed the Auditor-General's management letters and management's responses thereto
- reviewed accounting policies

Auditor General's Report

The Audit and Risk Committee concurs with and accepts the Auditor-General's conclusions on the Annual Financial Statements.

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

Sathie Gounden
Chairperson of the Audit and Risk Committee
30 September 2020

THE AUDIT AND RISK COMMITTEE CONFIRMS THAT IT HAS BEEN ACTIVELY INVOLVED THROUGHOUT THE AUDIT PROCESS AND HAS BEEN THOROUGHLY APPRAISED OF THE ISSUES GIVING RISE TO THE AUDIT OPINION.

4 FINANCIAL REPORT

Five Year Financial Review

Table 1: Extracts from the statement of financial performance 2016–2020

	2016	2017	2018	2019	2020
Rendering of Services	93 040 483	106 091 887	136 841 054	153 986 982	112 536 279
Interest and other	2 011 166	4 167 665	5 946 988	4 738 427	4 241 825
Expenditure	(82 524 346)	(94 779 575)	(109 939 588)	(125 762 589)	(119 136 291)
EBT	**12 492 278**	**15 352 872**	**33 074 456**	**32 962 820**	**(2 358 187)**
EAT	**9 421 862**	**10 367 271**	**23 172 276**	**23 125 682**	**(2 361 021)**
EBT Margin	**13.15%**	**13.94%**	**23.13%**	**20.77%**	**-2.02%**

Table 2: Extracts from the statement of financial position 2016–2020

STATEMENT OF FINANCIAL POSITION	2016	2017	2018	2019	2020
Total Assets	138 612 988	146 925 436	128 784 969	132 208 544	107 133 230
Total Liabilities	(24 439 739)	(23 207 320)	(21 072 178)	(21 369 627)	(18 655 332)
Total Net Assets	**114 173 249**	**123 718 116**	**107 712 790**	**110 838 917**	**88 477 898**
Shareholders loan as equity	**92 595 410**	**92 595 410**	**52 595 410**	**32 595 853**	**12 595 853**
Return on equity	**10.2%**	**11.2%**	**44.1%**	**70.95%**	**-18.74%**

5 STATEMENT OF FINANCIAL PERFORMANCE

The year-end nett deficit is lower than the budgeted deficit due to some cost savings during the year under review (nett deficit R2 361 021 vs budgeted deficit: R8 047 167). The deficit is not as a result of a reduction made in the effort on the continued development of the NCAP programmes, neither is it due to an inflated increase in expenditure, but has occurred as a first step to a phased in approach to change the funding model of Interfront to more closely reflect a break-even model. This was achieved by:

- not increasing the billing rate to SARS during the year under review
- providing some value added services at no charge.

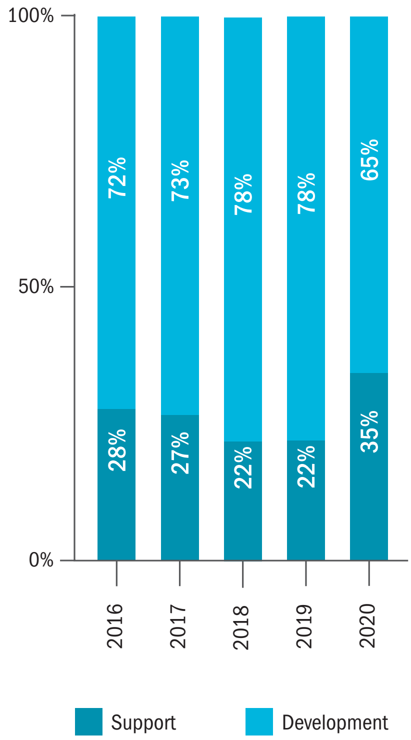
For the first time in the year under review, provision was made in the budgeted recoverability percentage for time spent on efforts classified as non-billable, such as research and development, reducing the budgeted recoverability percentage from 80% to 78%. The continued effort on the NCAP projects, considering the added efforts on research and development has resulted in a recoverability percentage that is only marginally lower than the previous year and higher than the budgeted percentage 79.4% (2019: 81.1%). This includes some value added services that were provided at no charge. The recoverability percentage, if the aforementioned are excluded, reduces to 60.9%.

Rendering of services have decreased by 26.9% in line with the new strategy. Interest revenue decreased by 20.8% due to a smaller than average cash balance, due largely to the repayment of the shareholders loan.

Cost containment continues to be one of our main priorities. As mentioned in prior year reports administrative expenditure were capped below inflation, while the average staff numbers increased over the previous five years. This was not sustainable and the impact of the correction of these (mainly attributable to increased rent and IT software costs) is reflected in the 15.9% increase in administrative expenditure.

THE YEAR-END NETT DEFICIT IS LOWER THAN THE BUDGETED DEFICIT DUE TO SOME COST SAVINGS DURING THE YEAR UNDER REVIEW (NETT DEFICIT R2 361 021 VS BUDGETED DEFICIT: R8 047 167).

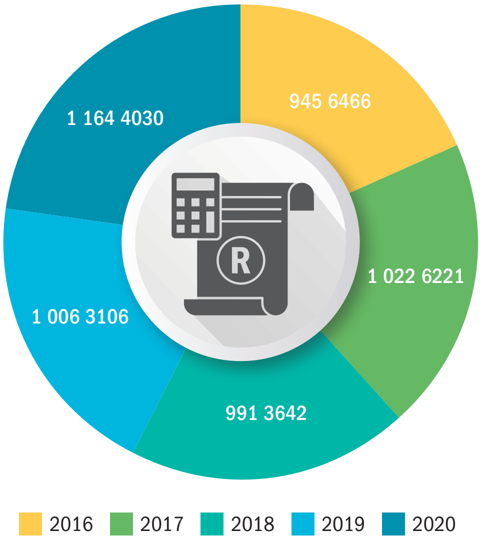
REVENUE SPLIT %



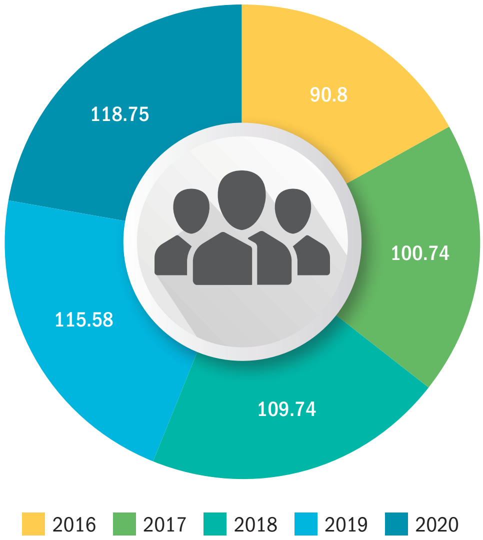
Note in the 2019 Annual Report: Increase in admin cost has been limited to below inflation over the last six years, while average staff numbers grew from 77 to 115.6

Increase above inflation due to new added office space and increased license fees.

ADMIN EXPENSES*

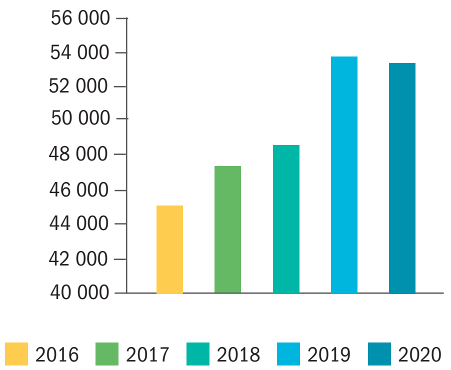


AVERAGE STAFF NUMBER



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

AVERAGE STAFF SALARY*



* Average staff salary excluding cost of directors

The 2.1% increase in employee cost can be largely attributed to the annual inflation increases in salary costs, a 2.74% growth in the average staff number (average 118.75, 2019: 115.6) countered by a reduction in the average staff cost due to an increase in the number of lower cost employees due to the scarcity of skills in the senior market. The associated risk is managed by contracting in external senior developers. Although reduced by 58.4%, the shortage of skills in the market necessitated the continued use of these external development resources. Due to an averagely weaker rand, we made a marginal forex gain during the year under review. Due to the limited risk currently associated with the foreign revenue, we do not hedge against future exchange rate fluctuations.

6 STATEMENT OF FINANCIAL POSITION

Another loan repayment on the shareholder loan, amounting to R20 million, was made during the year under review, reducing the loan that is classified as equity by 61.4%. Cash and cash equivalents decreased 43% mainly due to the same.

Non-current assets decreased as a result of the amortisation of intangible assets. Current assets decreased by 20.8%, mainly as a result of the decreased cash balance. Receivables increased significantly as the result of an abnormally large invoice to SARS in March for work in progress completed in the 2019/2020 financial year. There are no overdue receivable amounts.

Current liabilities decreased by 14.1%. The large increase in VAT payable as a result of the abnormal March invoice was countered by a decrease in provisions. Payables decreased as a result of year-on-year supplier variances.

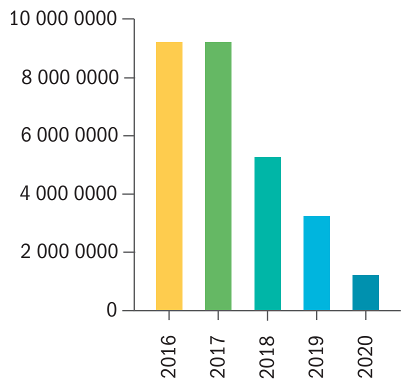
Non-current liabilities remained stable with the sole material variance being the 13.2% decrease in the deferred tax liability, as the temporary difference in intellectual property is still being reversed.

Nett assets decreased by 20.2% to R88.4 million (2018/19: R110.8million) as a result of the reduced cash balance attributable to the repayment of a portion of the shareholder loan, as well as the deficit for the year.

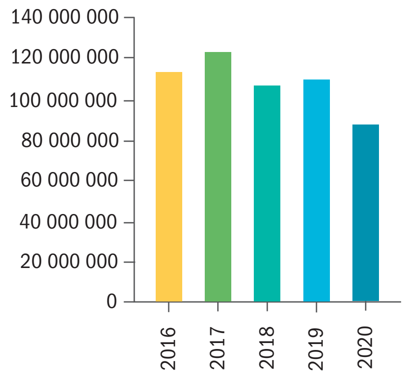
Conclusion and Outlook

As a Schedule 3A public entity and full subsidiary of SARS, the change in revenue model, to more closely reflect a break-even model, is aligned with its legal form as well as the future vision of Interfront from a shareholder perspective. Interfront remains committed to ensure it continues to operate as a going concern and to ensure the rights of all stakeholders are protected with the new model. Interfront ended the year with a strong statement of financial position and the board remains committed to ensure the company remains solvent and liquid.

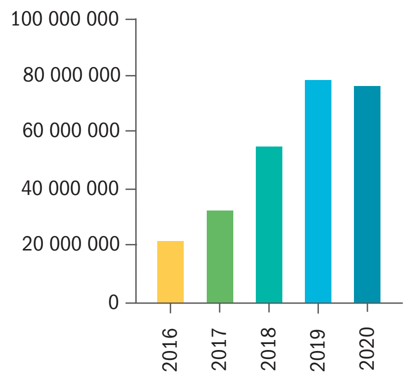
SHAREHOLDERS LOAN-EQUITY



TOTAL NET ASSET



ACCUMULATED SURPLUS



7 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 the International Frontier Technologies SOC LTD (Interfront) set out on pages 93 to 123, which comprise the statement of financial position as at 31 March 2020, 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 2020, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

BASIS FOR OPINION

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

4. I am independent of the public entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as 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 codes.

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 matter below. My opinion is not modified in respect of this matter.

UNAUDITED SUPPLEMENTARY SCHEDULE

7. The supplementary information set out on page 92, do 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 the public entity'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.

“

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.

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 on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

13. My procedures address the usefulness and reliability of 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 do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do 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.

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 objective presented in the annual performance report of the public entity for the year ended 31 March 2020.

OBJECTIVES	PAGES IN THE ANNUAL PERFORMANCE REPORT
Objective 1 – Quality software development and support	35–37

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 identify 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 35 to 39 for information on the achievement of planned targets for the year and explanations provided for the under-/overachievement of a number of targets.

Report on 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 public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

20. I did not identify any 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.

24. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

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

Auditor-General

Pretoria
29 October 2020

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
   - valuate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
   - conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of Interfront 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 my 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 operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
   - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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, actions taken to eliminate threats or safeguards applied.

8 ANNUAL FINANCIAL STATEMENTS

International Frontier Technologies SOC Ltd
Trading as Interfront
Financial Statements for the year ended 31 March 2020

INDEX

Statement of Financial Position as at 31 March 2020

ASSETS

FIGURES IN RAND	NOTE(S)	2020	2019
Assets			
Current Assets			
Current tax receivable		1 153 785	1 456 912
Receivables from exchange transactions	5	29 092 232	16 028 961
Cash and cash equivalents	6	42 040 381	73 728 243
		72 286 398	**91 214 116**
Non-Current Assets			
Property, plant and equipment	7	7 021 429	4 832 946
Intangible assets	8	27 825 403	36 161 482
		34 846 832	40 994 428
Total Assets		**107 133 230**	**132 208 544**

LIABILITIES

FIGURES IN RAND	NOTE(S)	2020	2019
Liabilities			
Current Liabilities			
Finance lease obligation	9	–	21 136
Payables from exchange transactions	10	6 315 137	7 796 436
VAT payable	11	3 064 109	948 629
Provisions	12	4 275 945	7 122 065
		13 655 191	**15 888 266**
Non-Current Liabilities			
Operating lease liability	13	455 941	244 144
Deferred tax	14	4 544 200	5 237 217
		5 000 141	5 481 361
Total Liabilities		**18 655 332**	**21 369 627**
Net Assets		88 477 898	110 838 917
Share capital	16	1	1
Shareholder's loan – equity	17	12 595 853	32 595 853
Accumulated surplus		75 882 042	78 243 062
Total Net Assets		**88 477 896**	**110 838 916**

Statement of Financial Performance

FIGURES IN RAND	NOTE(S)	2020	2019
Revenue			
Revenue from exchange transactions			
Rendering of services		112 536 279	153 986 982
Profit/(Loss) from foreign exchange transactions and other sundry income		391 451	(123 401)
Interest received – investment		3 850 374	4 861 828
Total revenue from exchange transactions		**116 778 104**	**158 725 409**
Expenditure			
Employee costs		(89 878 378)	(88 035 868)
External development services		(7 384 030)	(17 767 024)
Depreciation and amortisation		(10 334 064)	(9 896 589)
Finance costs	19	(742)	(5 095)
Loss on disposal of assets and liabilities		(20 856)	(42 528)
Administrative Expenses		(10 453 194)	(8 946 481)
Professional Services		(1 065 027)	(1 069 004)
Total expenditure		**(119 136 291)**	**(125 762 589)**
(Deficit) surplus before taxation		**(2 358 187)**	**32 962 820**
Taxation	**21**	**2 834**	**9 837 138**
(Deficit) surplus for the year		**(2 361 021)**	**23 125 682**

Statement of Changes in Net Assets

FIGURES IN RAND	SHARE CAPITAL	SHAREHOLDER'S LOAN – EQUITY	ACCUMULATED SURPLUS	TOTAL NET ASSETS
Balance at 01 April 2018	**1**	**52 595 410**	**55 117 380**	**107 712 791**
Changes in net assets				
Surplus for the year		–	23 125 682	23 125 682
Asset transfer	–	443	–	443
Payment of Shareholder's loan	–	(20 000 000)	–	(20 000 000)
Total changes	**–**	**(19 999 557)**	**23 125 682**	**3 126 125**
Balance at 01 April 2019	1	32 595 853	78 243 063	110 838 917
Changes in net assets				
Surplus for the year		–	(2 361 021)	(2 361 021)
Payment of Shareholder's loan	–	(20 000 000)	–	(20 000 000)
Total changes	**–**	**(20 000 000)**	**(2 361 021)**	**(22 361 021)**
Balance at 31 March 2020	1	12 595 853	75 882 042	88 477 896
Note(s)	16	17		

International Frontier Technologies SOC Ltd
Trading as Interfront
Financial Statements for the year ended 31 March 2020

Cash Flow Statement

FIGURES IN RAND	NOTE(S)	2020	2019
Cash flows from Operating activities			
Receipts			
Rendering of services		99 473 008	153 788 297
Interest received		3 850 374	4 861 828
Foreign exchange profit/(loss) and other sundry income		391 451	(123 401)
		103 714 833	**158 526 724**
Payments			
Employee cost		(97 262 408)	(105 802 892)
Suppliers		(12 787 723)	(9 002 332)
Movement in provisions		(2 846 120)	1 370 379
Taxes on surpluses	4	(392 724)	(12 178 082)
VAT movement		2 115 480	(340 251)
		(111 173 495)	(125 953 178)
Net cash flows from operating activities	**23**	**(7 458 662)**	**32 573 546**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(4 003 863)	(3 135 017)
Purchase of other intangible assets	8	(203 463)	(2 659 147)
Net cash flows from investing activities		**(4 207 326)**	**(5 794 164)**
Cash flows from financing activities			
Finance lease payments		(21 875)	(43 755)
Payment of Shareholders Loan		(20 000 000)	(20 000 000)
Net cash flows from financing activities		**(20 021 875)**	**(20 043 755)**
Net increase/(decrease) in cash and cash equivalents		**(31 687 863)**	**6 735 627**
Cash and cash equivalents at the beginning of the year		73 728 243	66 992 616
Cash and cash equivalents at the end of the period	**6**	**42 040 380**	**73 728 243**

Summary of Significant Accounting Policies

1. PRESENTATION OF FINANCIAL STATEMENTS

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

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

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.

Summary of Significant Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions are raised and management determines 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.

Summary of Significant Accounting Policies

1.2 Property, plant and equipment

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

Property, plant and equipment are initially measured at cost.

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

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

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

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

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Furniture and fixtures	Straight line	5–10 years
IT equipment	Straight line	3–5 years
Leasehold improvements	Straight line	Over the life of the asset or the lease period, whichever is shorter
Generators	Straight line	10 years
Security equipment	Straight line	5 years
Office equipment – leased	Straight line	Over the term of the lease

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

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

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

Summary of Significant Accounting Policies

1.2 Property, plant and equipment (continued)

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

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

1.3 Intangible assets

An intangible asset is recognised when it is probable that the expected future economic benefits or service potential that is attributable to the asset will flow to the entity; and the cost or fair value of the asset can be measured reliably.

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

The amortisation period and the amortisation method for intangible assets 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 their 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
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

Summary of Significant Accounting Policies

1.4 Financial instruments (continued)

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
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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.

Summary of Significant Accounting Policies

1.4 Financial instruments (continued)

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, waved or expires.

Presentation

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

Summary of Significant Accounting Policies

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 – lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in the statement of financial performance.

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.

Summary of Significant Accounting Policies

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 responsibility is vested with the contributing retirement benefit schemes.

Summary of Significant Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised when:

- he 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.

Summary of Significant Accounting Policies

1.13 Interest received

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

1.14 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in 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.

1.16 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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

The entity is exempt from disclosure requirements in relation to related party transactions if those transactions occur within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which are reasonable to expect the entity to have adopted, if dealing with that individual entity or person in the same circumstances and under 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. This will enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Notes to Annual Financial Statements

2. BASIS OF PREPARATION

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

3. NEW STANDARDS AND INTERPRETATIONS

3.1. Standards and interpretations effective and adopted in the current year

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

STANDARD/ INTERPRETATION	EFFECTIVE DATE	EXPECTED IMPACT
• GRAP 20: Related parties	Years beginning on or after 01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure

3.2 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 2020 or later periods:

STANDARD/ INTERPRETATION	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT
• GRAP 104 (Amended): Financial instruments	01 April 2020	Impact is currently being assessed
• GRAP 1 (Amended): Presentation of financial statements	01 April 2020	Unlikely there will be a material impact

4. TAX PAID

	2020	2019
Balance at beginning of the year	1 456 912	825 991
Current tax for the year recognised in surplus or deficit	(695 851)	(11 547 161)
Balance at end of the year	(1 153 785)	(1 456 912)
	(392 724)	**(12 178 082)**

Notes to Annual Financial Statements

FIGURES IN RAND	2020	2019

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	26 363 355	13 872 954
Prepayments and other sundry receivables	2 713 518	2 094 782
Deposits	15 359	61 225
	29 092 232	**16 028 961**
Fair value of trade and other receivables		
Trade and other receivables	29 092 232	16 028 961

Receivables past due but not impaired

Receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2020, – (2019: 2 126 051) were past due but not impaired.

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

2 months past due	–	2 126 051

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	5 963	3 417
Bank balances	33 832 118	37 367 900
Short-term deposits	8 202 300	36 356 926
	42 040 381	**73 728 243**

7. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost/ Valuation	**Accumulated Depreciation**	**Carrying Value**	**Cost/ Valuation**	**Accumulated Depreciation**	**Carrying Value**
Leasehold improvements	6 021 451	(4 557 577)	1 463 874	4 563 086	(4 399 832)	163 254
Furniture and fixtures	1 512 007	(870 566)	641 441	1 052 863	(806 858)	246 005
Office equipment – leased	109 788	(109 788)	–	109 788	(91 490)	18 298
IT equipment	16 591 114	(11 686 182)	4 904 932	14 625 382	(10 231 175)	4 394 207
Generators	203 544	(193 367)	10 177	203 544	(193 367)	10 177
Security equipment	20 108	(19 103)	1 005	20 108	(19 103)	1 005
Total	**24 458 012**	**(17 436 583)**	**7 021 429**	**20 574 771**	**(15 741 825)**	**4 832 946**

Notes to Annual Financial Statements

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment – 2020

	Opening Balance	Additions	Disposals	Depreciation	Total
Leasehold improvements	163 254	1 458 366	–	(157 746)	1 463 874
Furniture and fixtures	246 005	459 926	(113)	(64 377)	641 441
Office equipment – leased	18 298	–	–	(18 298)	-
IT equipment	4 394 207	2 085 571	(20 744)	(1 554 102)	4 904 932
Generators	10 177	–	–	–	10 177
Security Equipment	1 005	–	–	–	1 005
	4 832 946	**4 003 863**	**(20 857)**	**(1 794 523)**	**7 021 429**

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**

Assets subject to finance lease (Net carrying amount)

	2020	2019
Office equipment	–	18 298

Other information

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

	2020	2019
Property, plant and equipment	517 742	497 852

Fully depreciated assets still in use will be replaced systematically.

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2020	2019
Repairs and maintenance	1 076 297	801 376

Impairment

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

Notes to Annual Financial Statements

8. INTANGIBLE ASSETS

	2020			2019		
	Cost/ Valuation	Accumulated Amortisation & Accumulated Impairment	Carrying Value	Cost/ Valuation	Accumulated Amortisation & Accumulated Impairment	Carrying Value
Intellectual property and other rights	73 582 623	(48 718 818)	24 863 805	73 582 623	(41 360 555)	32 222 068
IT software	8 060 771	(5 099 173)	2 961 598	7 857 308	(3 917 894)	3 939 414
Total	**81 643 394**	**(53 817 991)**	**27 825 403**	**81 439 931**	**(45 278 449)**	**36 161 482**

Reconciliation of intangible assets – 2020

	Opening balance	Additions	Amortisation	Total
Intellectual property and other rights	32 222 068	–	(7 358 263)	24 863 805
IT software	3 939 414	203 463	(1 181 279)	2 961 598
	36 161 482	**203 463**	**(8 539 542)**	**27 825 403**

Reconciliation of intangible assets – 2019

	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
	41 723 221	2 659 147	(8 220 886)	36 161 482

Impairment

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

9. FINANCE LEASE OBLIGATION MINIMUM LEASE PAYMENTS DUE

	2020	2019
Minimum lease payments due		
• within one year	–	21 882
• in second to fifth year inclusive	–	–
		21 882
less: future finance charges	–	(746)
Present value of minimum lease payments	**–**	**21 136**
Present value of minimum lease payments due		
• within one year	–	21 136
• in second to fifth year inclusive	–	–
	–	**21 136**

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

The lease term was 3 years and the average effective borrowing rate was 12% (2019: 12%). Total payments of R21 879 were made during the year for the three machines.

Notes to Annual Financial Statements

FIGURES IN RAND	2020	2019

10. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	1 600 954	2 816 529
Accrued leave pay	3 003 233	2 603 932
PAYE payable	–	1 777 848
Other accruals	520 398	598 127
Revenue received in advance	1 190 552	–
	6 315 137	**7 796 436**

Payables are carried at original invoice amounts, which approximates fair value due to their short-term nature.

11. VAT PAYABLE

VAT payable	3 064 109	948 629

12. PROVISIONS

Reconciliation of provisions – 2020

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	7 122 065	4 004 934	(3 670 758)	(3 180 296)	4 275 945

Reconciliation of provisions – 2019

	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

Performance bonuses represent the estimated obligation for the current year.

13. OPERATING LEASE

Non-current liabilities	(455 941)	(244 144)
Current liabilities	–	–
	(455 941)	**(244 144)**

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

The office leases are for a period of 5 years and expire 31 August 2024, with an option to extend for a further 5 years. The lease agreements escalate annually with 7%.

Notes to Annual Financial Statements

FIGURES IN RAND	2020	2019

14. DEFERRED TAX

Deferred tax Liability		
Deferred tax	(4 544 200)	(5 237 217)
Deferred tax asset		
Reconciliation of deferred tax asset / (liability)		
At beginning of year	(5 237 217)	(6 947 239)
Temporary difference on prepayments	(12 270)	(52 757)
Temporary difference on tangible fixed assets	(136 106)	(136 317)
Movement in provision and accruals	(685 110)	511 665
Reversing temporary difference on finance lease	(5 917)	(10 827)
(Reversing) / Originating temporary difference on operating lease	91 064	(43 098)
Reversing temporary difference on Intellectual property	1 441 356	1 441 356
	(4 544 200)	**(5 237 217)**

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. The responsibility vests with the Allan Gray Retirement Annuity Fund.

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

The total economic entity contribution to such schemes	5 983 891	5 571 423

16. SHARE CAPITAL

Authorised 1 000 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.

Notes to Annual Financial Statements

FIGURES IN RAND	2020	2019

17. SHAREHOLDER'S LOAN

The loan is unsecured, bears no interest and has no fixed term of repayment. An amount of R20 million was paid on the loan during the year under review (2019: R20 million).

Opening balance	32 595 853	52 595 410
Asset transfer	–	443
Payment of Shareholder's loan	(20 000 000)	(20 000 000)
Shareholder's loan recognised in equity	**12 595 853**	**32 595 853**

18. REVENUE

Rendering of services: SARS	99 515 446	141 748 608
Rendering of services: Luxembourg	13 020 833	12 238 374
Profit/(Loss) from foreign exchange transactions	391 451	(123 401)
Interest received	3 850 374	4 861 828
	116 778 104	**158 725 409**

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

Rendering of services	112 536 279	153 986 982
Profit/(Loss) from foreign exchange transactions	391 451	(123 401)
Interest received	3 850 374	4 861 828
	116 778 104	**158 725 409**

19. FINANCE COSTS

Finance leases	742	5 095

20. AUDITORS' REMUNERATION

External Audit: Fees	636 700	600 334
Internal Audit: Fees	318 060	155 952
Subsistance and Travel: Internal Audit	38 938	135 065
Subsistance and Travel: External Audit	71 329	177 653
	1 065 027	**1 069 004**

Notes to Annual Financial Statements

FIGURES IN RAND	2020	2019

21. TAXATION

Major components of the tax expense		
Current		
Local income tax – current period	695 851	11 595 933
Local income tax – recognised in current tax for prior periods	–	(48 772)
	695 851	**11 547 161**
Deferred		
Deferred tax movement current year	(693 017)	(1 710 023)
	2 834	**9 837 138**
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting (deficit) surplus	(2 358 187)	32 962 820
Tax at the applicable tax rate of 28% (2019: 28%)	(660 292)	9 229 590
Tax effect of adjustments on taxable income		
Originating temporary differences	693 017	1 710 022
Non-deductable differences	663 126	656 321
Over provision previous year	–	(48 772)
	695 851	**11 547 161**

22. OPERATING SURPLUS

Operating surplus/(deficit) for the year is stated after accounting for the following: Loss on disposal of assets	(20 856)	(42 528)
Amortisation on intangible assets	8 539 541	8 220 886
Depreciation on property, plant and equipment	1 794 523	1 675 703

Notes to Annual Financial Statements

FIGURES IN RAND	2020	2019

23. CASH GENERATED FROM OPERATIONS

(Deficit) surplus	(2 361 021)	23 125 682
Adjustments for:		
Depreciation and amortisation	10 334 064	9 896 589
Loss on disposal of assets	20 856	42 528
Finance costs – Finance leases	742	5 095
Movements in operating lease assets and liabilities	211 797	(153 919)
Movements in provisions	(2 846 120)	1 370 378
Movement in tax receivable and payable	303 127	(630 921)
Annual charge for deferred tax	(693 017)	(1 710 023)
Deferred revenue movement	–	–
Changes in working capital:		
Receivables	(13 063 271)	(201 537)
Payables	(1 481 299)	1 169 925
VAT	2 115 480	(340 251)
	(7 458 662)	**32 573 546**

24. COMMITMENTS

Authorised operational expenditure		
Already contracted for but not provided for		
IT goods and services	57 537	2 100 571
Offices services	37 193	35 611
	94 730	**2 136 182**

This committed expenditure relates to IT and office services 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	3 971 019	2 129 279
• in second to fifth year inclusive	16 088 791	–
	20 059 810	**2 129 279**

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

Notes to Annual Financial Statements

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 International (Pty) Ltd (17.88% effective interest)
Members of Board of Directors	M.A, Enus-Brey: Chairman of the Board G.O. Randall: Managing Director J.M. Robertson: Operations Director L.L. Janse Van Rensburg: Financial Director *Y. van der Merwe: Non-Executive Director *B. Theron: Non-Executive Director *H. Smith: Non-Executive Director (appointed effective 10 Oct 2019) *V.C. Ntlhabyane: Non-Executive Director (appointed effective 10 Oct 2019) *L.J.M. Makhekhe-Mokhuane: Non-Executive Director (removed effective 11 Mar 2020) *R. Moekoena: Non-Executive Director (resigned effective 15 Nov 2019)
Members of key management	M. Peperrell N. Mohoto S. Mtsweni

* These Non-executive directors are employed by the shareholder. The Managing Director Mr G.O. Randall retired on 31 May 2020.

Related party balances	**2020**	**2019**
Loan accounts – Owing (to) by related parties		
South African Revenue Service	12 595 853	32 595 853
The loan account represents the shareholders loan and is considered an item of equity with no fixed repayment terms. The consideration provided as settlement of the loan will be cash payments made.		
Receivables from exchange transactions		
South African Revenue Services	26 363 355	10 683 877
The trade receivables with the shareholder represents amount receivable for services rendered at arms length transactions.		
Payables from exchange transactions		
South African Revenue Services	417 039	374 038
The trade payable represents amounts owing to SARS for amounts paid on our behalf for insurance and also internal audit services performed at arms length.		
Related party transactions		
Rendering of services to related parties		
South African Revenue Services	99 515 446	141 748 608

Notes to Annual Financial Statements

25. RELATED PARTIES (CONTINUED)

Remuneration of management

Management class: Executive Committee

2020

Name	Basic Salary	Annual Bonus	Subsistance and Travel	Company Contributions	Total
M. Pepperell	1 077 529	86 449	–	12 228	1 176 206
N. Mohoto	1 051 473	59 975	1 166	11 931	1 124 545
S. Mtsweni	1 116 528	63 686	35 034	12 670	1 227 918
	3 245 530	**210 110**	**36 200**	**36 829**	**3 528 669**

2019

Name	Basic Salary	Annual Bonus	Subsistance and Travel	Company Contributions	Total
M. Pepperell	919 578	105 601	2 499	10 400	1 038 078
N. Mohoto	969 656	82 100	2 319	10 967	1 065 042
S. Mtsweni	1 070 213	65 920	30 912	12 104	1 179 149
	2 959 447	**253 621**	**35 730**	**33 471**	**3 282 269**

26. DIRECTORS' EMOLUMENTS

Executive

2020

	Emoluments	Annual Bonus	Subsistance and Travel	Company Contributions	Total
J.M. Robertson	2 975 544	150 000	23 460	33 764	3 182 768
G.O. Randall	2 788 968	150 000	15 480	–	2 954 448
L.L. Janse van Rensburg	1 873 036	200 000	14 639	21 254	2 108 929
	7 637 548	**500 000**	**53 579**	**55 018**	**8 246 145**

2019

	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**

Notes to Annual Financial Statements

Non-executive

2020

	Members' fees	Committees fees	Subsistance and Travel	Total
M.A. Enus-Brey	12 622	–	4 884	17 506

2019

	Members' fees	Committees fees	Subsistance and Travel	Total
M.A. Enus-Brey	14 388	654	13 759	28 801

No fees or remuneration are payable 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, as well as equity as disclosed in the statement of financial position.

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

Financial risk management

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

Liquidity risk

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

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

At 31 March 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	No fixed term of repayment
Borrowings – Shareholders loan	–	–	–	12 595 853
Payables from exchange transactions	6 315 137	–	–	–
Operating lease contractual amounts	3 971 019	4 339 527	11 749 264	–

Notes to Annual Financial Statements

FIGURES IN RAND	2020	2019

27. RISK MANAGEMENT (CONTINUED)

At 31 March 2019	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
Payables from exchange transactions	7 796 436	–	–	–
Finance lease obligation	21 882	–	–	–
Operating lease contractual amounts	2 129 279	–	–	–

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables from exchange transactions. 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	2020	2019
Cash and cash equivalents	42 040 381	73 728 243
Receivables from exchange transactions	29 092 232	16 028 961

Interest rate risk

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due in more than five years	No fixed repayment term
Receivables from exchange transactions – normal credit terms	7.75%	29 092 232	–	–	–	–
Loans from Shareholder	–%	–	–	–		12 595 853
Cash in current banking institutions	7.75%	42 040 381	–	–	–	–
Payables from exchange transactions – normal credit terms	7.75%	6 315 137	–		–	
Operating lease obligation	7.75%	3 971 019	4 339 527	11 749 264		

Notes to Annual Financial Statements

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	2020	2019
Current assets		
Receivables from exchange transactions (EURO)	–	3 189 076
Exchange rates used for conversion of foreign items were:		
EURO		16.2088

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

Notes to Annual Financial Statements

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 ("Tatis") was placed in liquidation on 19 April 2018. The liquidators convened an insolvency enquiry into the affairs of Tatis for the purpose of *inter alia* identifying possible claims and following up *inter alia* on the agreements to which Interfront was also a party. Following on the Liquidation Inquiry conducted on 2 December 2019, no claims have been lodged against Interfront and the Board and Interfront legal representation is of the view that Interfront is not exposed to any liability. Accordingly, no provision or contingency has been included in these financial statements. 32. Irregular expenditure

32. IRREGULAR EXPENDITURE

	2020	2019
Opening balance as restated	–	–
Add: Irregular Expenditure – current	438 515	–
Add: Irregular Expenditure – prior period	964 037	–
Closing balance	**1 402 552**	**–**

Incidents

The irregular expenditure relate to findings of the Internal Auditors during their audit of November 2019.

1. National treasury approval was not obtained for deviating from a competitive bidding process for staff parking, amounting to R1 201 768 over a seven year period in Somerset West and Pretoria respectively. Interfront believed that the procurement fell within the definition of sole provider as there were no other safe parking areas available close to the Interfront offices. The rental paid for the parking was market related and the approved approval processes were followed and complied with. However, the deviation should have been Impractical for which National Treasury approval should have been obtained for the deviation.
2. Placement fees were paid to recruitment agencies where the Service Level Agreements had expired, amounting to R200 784. At the time the CVs were submitted for Interfront attention, there were no valid Service Level Agreements in place. However after concluding the interview and once the candidate passed the technical evaluation, Interfront engaged with the service providers to renew the Service Level Agreements before appointments were made.

TAX COMPUTATION

Net loss per income statement	(2 358 187)
Non-deductable/Non taxable items	
Depreciation on leasehold improvements	157 746
Amortisation permanent difference portion	2 210 563
	2 368 309
Temporary differences	
Wear and Tear March 2020	**(3 313 391)**
Depreciation	**2 818 056**
Actual payments of operating leases	**(2 729 386)**
Straight lining of operating leases – Office premises	**3 054 616**
Amortisation temp difference portion	**5 147 700**
Provision on leave pay March 2019	**(2 603 932)**
Provision on leave pay March 2020	**3 003 233**
Provision for bonuses March 2019	**(7 122 065)**
Provision for bonuses March 2020	**4 275 945**
Prepayments March 2019	**309 765**
Prepayments March 2020	**(353 589)**
Finance cost on finance leases	**746**
Finance lease payments	**(21 879)**
Scrapping allowance	**9 242**
	2 475 061
Taxable income	**2 485 183**
Tax thereon @ 28%	**695 851**
Tax liability	
Amount owing/(prepaid) at the beginning of year	**(1 456 912)**
Tax owing/(prepaid) for the current year	
Normal tax	
Per calculation	695 851
2nd provisional payment	(878 275)
Other receipts	485 551
	303 127
Amount owing/(prepaid) at the end of year	**(1 153 785)**

The supplementary information presented does not form part of the financial statements and is unaudited

PART F

ANNEXURE

Annexure A: Statement of Responsibility and Confirmation of Accuracy for the Annual Report

2015 Product Chart

2020 Product Chart

List of Abbreviations / Acronyms

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 freed 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: Financial Information) 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 that 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.

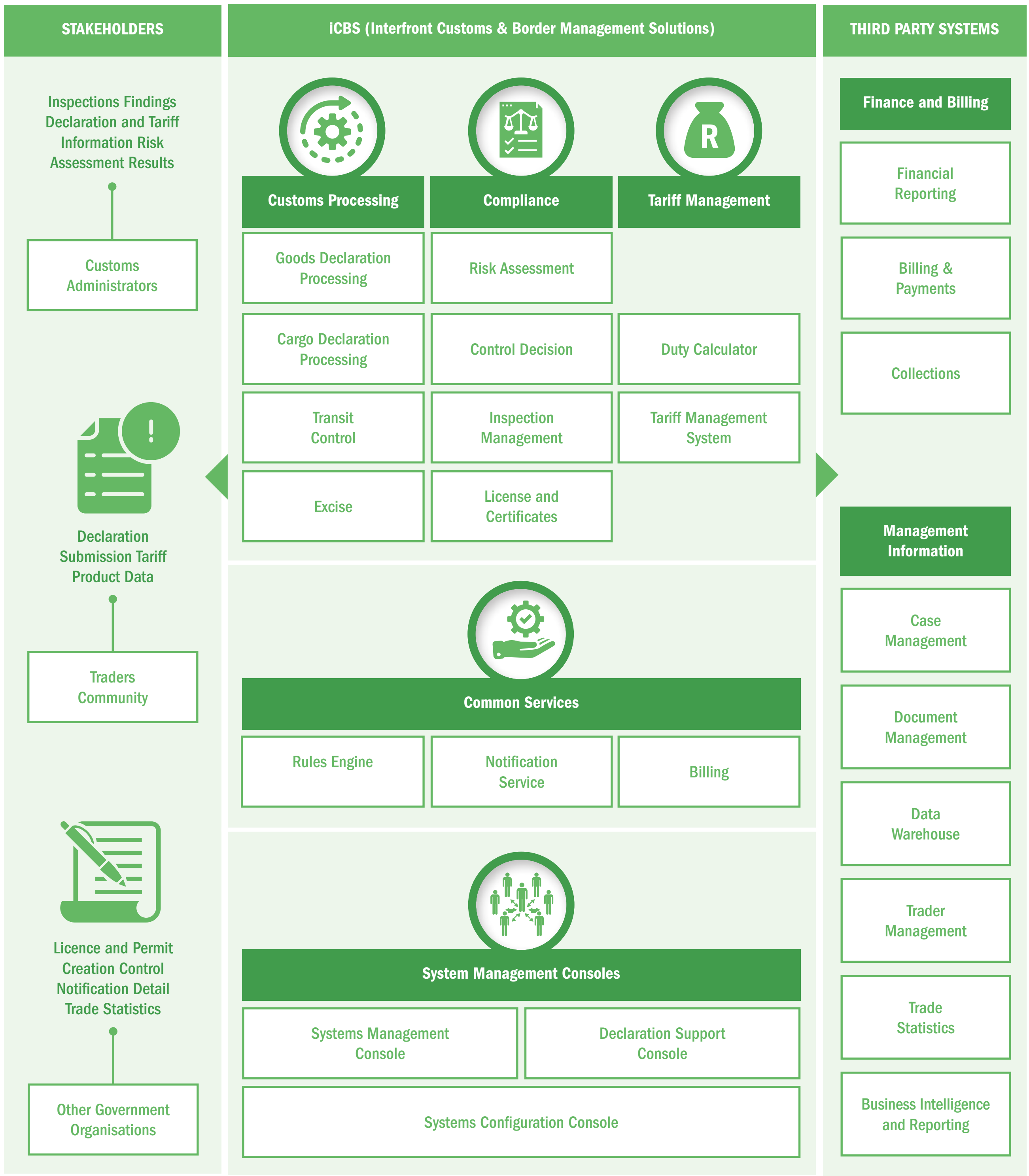
In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of Interfront for the financial year ended 31 March 2020.

Yours faithfully

Leilanie Janse van Rensburg

Acting Managing Director

2015 Product Chart



2020 Product Chart

STAKEHOLDERS

Inspections Findings Declaration and Tariff Information Risk Assessment Results Trader Registration, Licensing & Accreditation Cargo Tracking Case & Penalty Management

Customs Administrators

Declaration Submission Tariff Product Data Registration & Relationships

Trader Community

License & Permit Creation Control Notification Detail Trade Statistics

Other Government Agencies

Manifest Submission Receive Compliance Reports

Cargo Handlers

iCBS (Interfront Customs & Border Management Solutions)

Frontend Applications

- Customs Trader Web Application
- Customs Operational Web Application
- Customs Support Web Application

Goods Declaration Processing

- Goods Declaration Processing
- Risk Assessment
- Duty Calculation
- Tariff Management System
- Inspection Management
- Control Decision
- License & Certificates
- Rules Engine
- Notification Services
- Billing

Cargo Declaration Processing

- Cargo Manifest Processing
- Transit Control
- Part-Shipment Tracking
- Goods to Cargo Matching
- Risk & Penality Case Management
- Cargo Compliance Reporting

Registration, Licensing & Accreditation

- Registration, Licensing & Accreditation
- Trader Relationship Management
- Workflow Engine
- Registration Case Management

THIRD PARTY SYSTEMS

Finance and Billing

- Financial Reporting
- Billing & Payments
- Collections
- Refunds

Management Information

- Inspection Case Management
- Document Management
- Data Warehouse
- Trader Management
- Trade Statistics
- Trader Compliance
- Business Intelligence and Reporting
- Correspondence Management

List of Abbreviations/Acronyms

ADA	Administration des Douanes et Accises
AGSA	Auditor-General South Africa
BPM	Business Process Management
Clean Audit	Unqualified audit report with no material findings on reporting on performance objective or non-compliance with legislation
COE	Centre of Excellence
Companies Act	Companies Act, No.71 of 2008
CPS	Cargo Processing System
DPR	Goods Declaration Processing
DPS	Declaration Processing System
DR	Disaster Discovery
EAT	Earning After Tax
EBT	Earnings Before Tax
EE	Employment Equity
EECF	Employment Equity Consultative Forum
EU	European Union
EXCO	Executive Committee
Forex	Foreign Exchange
GIBS	Global Executive Development Programme
GRAP	Generally Recognised Accounting Practice
GUI	Graphical User Interface
HR	Human Resources
iCBS	Interfront Customs and Border Management Solutions
ICT	Information and Communications Technology
ISMC	Information Systems Management Committee
IT	Information Technology
KELs	Known Error List
MPR	Manifest Processing System
MSA	Master Services Agreement
NCAP	New Customs Act Programme
PAA	Public Audit Act, No. 25 of 2004
PFMA	Public Finance Management Act, No. 1 of 1999
RCG	Reporting of Conveyances and Goods
RLA	Registration Licensing and Accreditation
SARS	South African Revenue Service
SOC	State-Owned Company
TMS	Tariff Management System
UNISA	University of South Africa
UI	User Interface Design
UX	User Experience Design
VAT	Value Added Tax

interfront

Smart Systems. Better Borders.

Gleneagles Building
Somerset Links Office Park
De Beers Avenue, Somerset West
Postnet Suite #10, Private Bag X15
Somerset West, 7129, South Africa

T: +27 (0) 21 840 3400

F: +27 (0) 21 840 3401

www.interfront.co.za