interfront

Smart Systems. Better Borders.

Annual Report 2021

Performance Results 2020/2021

Develop iCBS to support SARS projects

Four project releases delivered to SARS:

RLA 2 (ECP 739 bank account management), carbon tax

RLA 2 (ECP 802; RCG code validation) Africa Free Trade Agreement

RLA 2 (ECP 833, 720. 710 balance of client types)

RLA 2 (ECP reconsideration into SARS QA) AIP,

DPS eCommerce (Simplified, Periodic declarations),

RCG number plates recognition

Achieved

Provide effective software support services for SARS and ADA

SARS: meet service levels

Achieved

Delivery of fixes and enhancement releases:

IETA (2 releases)

ICS (2 releases)

Deliver KELs solutions before EU required dates

Achieved

Maintain and develop a skilled, diverse and engaged workforce

Maintain staff complement at a minimum of 110

Partly Achieved

Retention of management team and staff

Staff turnover less than 14%

Achieved

Maintain and grow a Centre of Excellence (CoE)

Five graduates

Achieved

Establish and support effective governance

Clean Audit Report for 2019/2020 financial year

Achieved

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.

Assurance

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

Reporting structure and frameworks

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

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PART A

General Information

1 Corporate Information

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

Registered Office and Business Address
Gleneagles Building
Somerset Links Office Park
De Beers Avenue, Somerset West, 7130

Postal Address
PostNet Suite # 10
Private Bag X15
Somerset West, 7129

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

Bankers: ABSA Bank Limited
External Auditors: The Auditor-General of South Africa (AGSA)

Company Secretary
M Pepperell
LLB graduate and Associate of the Chartered Governance Institute of Southern Africa
Gleneagles Building, Somerset Links Office Park
De Beers Avenue
Somerset West, 7130

2 Strategic Overview

Interfront is a wholly owned subsidiary of SARS. The main purpose behind the creation of Interfront was to develop an IT based solution for the SARS customs modernisation programme and the New Customs Acts Programme (NCAP). Interfront has delivered major systems, which it supports and maintains, whilst development on future modules continues.

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 their turn supported by six activities, which serve as our key performance indicators.

A detailed report on the performance of each forms the substance of Part B: Performance Report.

OUR VISION

The best partner in border solutions

OUR MISSION

We deliver smart solutions, creating better borders

T Trust

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

E Excellence

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

C Camaraderie

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

H Humility

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

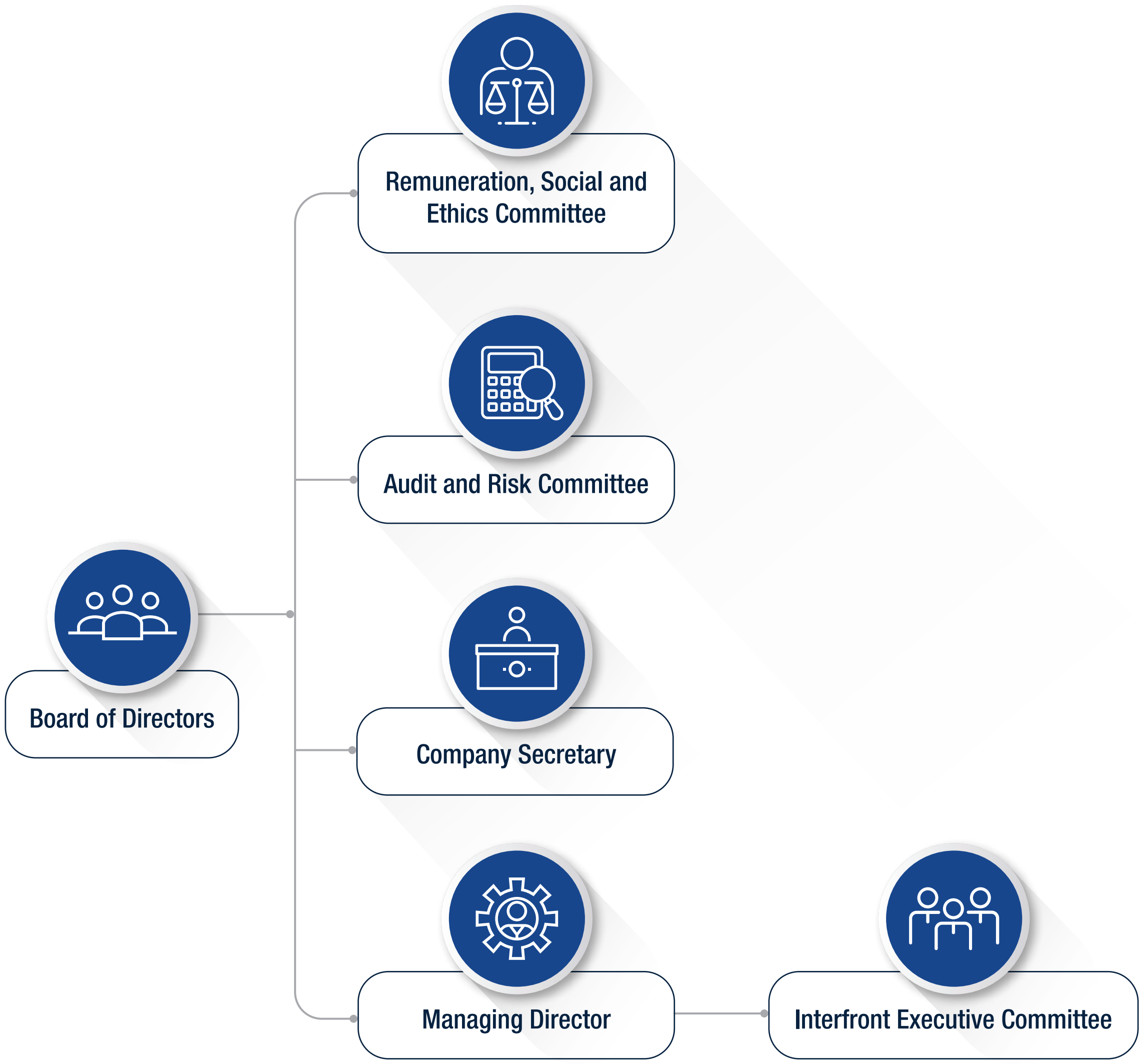
I Integrity

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

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



LEILANIE JANSE VAN RENSBURG
Acting Managing Director

MADELEIN PEPPERELL
Company Secretary/ Manager Corp Services

LEILANIE JANSE VAN RENSBURG
Financial Director

REGAN RANDELHOFF
Manager
Finance

NOMBULELO MOHOTO
Executive
Talent

JOHN ROBERTSON
Operations Director

SAMUEL MTSWENI
Executive
Relationship Manager/ Pretoria Office Manager

TERENCE FRY
Manager
Business Analysis

FRANCOIS SMIT
Manager
Software Development

LOUISE TALJAARD
Manager
Systems Support

DOMINIC HURST
Manager
PMO

RIAAN V DEVENTER
Manager
ICT & DevOps

JASON BAIN
Manager
QA & Data Services

RYAN ADRIAANSE
Manager
Systems Engineering

Mustaq Enus-Brey
13 September 2021

5 Foreword by the Chairperson

Introduction

With some sense of normality gradually returning to the world after the onset of the COVID-19 pandemic, Interfront entered its second decade of operations. It has proven itself to be a robust and reliable partner to its customers. Classified as an essential service during the continued national lockdown considering its role in the border and customs management of country, Interfront continues to provide world-class service to its clients, enhancing its credibility as a partner within the customs and border management solutions arena.

Our Customers

Considering the pressure on the fiscus and after consultation with SARS, Interfront's Shareholder and main customer, the Interfront Board resolved to change its financial model from a profit driven model to a break-even model. The reformulated five-year Master Services Agreement was concluded between SARS and Interfront, effective 1 April 2020. The close of the financial year and the benefit of hindsight has provided us the opportunity to reflect on and adjust our *modus operandi* where necessary. In addition, the current ADA Service Level Agreement will expire at the end of December 2021; negotiations for its renewal for a further three years, effective 1 January 2022, are in process.

Performance for the year under review

interfront is predominately tasked with two central strategic objectives:

- Quality software development and support to its two customers; and
- Maintaining a Centre of Excellence, ensuring high performing, engaged staff, good governance in the public sphere as well as contributing to the growth and advancement of young South Africans in the IT industry.

> With some sense of normality gradually returning to the world after the onset of the COVID-19 pandemic, Interfront entered its second decade of operations.

Apart from meeting one target, maintaining the staff complement at 110, Interfront achieved all its other performance targets. Those staff with the required specialised skills remain under considerable pressure in both monetary and human terms, this is expected to remain a challenge in the short- to medium-term.

Operationally, our team excelled under difficult circumstances. Staff losses in scarce and key areas resulted in increased pressure on the remaining staff. This caused pressure on delivering timelines, however the team managed to achieve its targets in these challenging times.

With the widespread corruption, mismanagement and state capture being laid bare in news articles and being investigated by various role players I am proud to say that Interfront as a SOC, has once again received a clean and unqualified audit opinion for the 2020/2021 financial year.

Going forward Interfront's main challenge will be to ensure its primary asset, the collective intellectual capital vested in its staff, is protected in an ever-changing world where IT resources are becoming more and more sought after to ensure it remains able and ready to support its customers in their future needs.

Appreciation

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.

Leilanie Janse van Rensburg
13 September 2021

6 Overview by the Acting Managing Director

Introduction

After celebrating Interfront's first decade at the end of 2020, it was determined that some adaptations were warranted going forward. In the first instance, we were faced with enforced changes arising from the global COVID-19 pandemic. The presidential declaration of a nationwide State of Disaster and the associated series of lockdowns compelled us to introduce a remote working environment. Interfront and its staff, embraced and transitioned seamlessly to the new reality. This way of working, digitally and remotely, is now globally considered the "new normal". In the second instance, a change in the company's finance and operating model was required. This was to align it more closely to that of a PFMA Schedule 3A public entity. This requirement was introduced on 1 April 2020, which meant our internal ways of working needed to be aligned accordingly. Now, a year later and with the benefit of hindsight, we are offered the opportunity to assess what is and is not operationally viable and to further improve this new model as well as ensuring its effectiveness for both Interfront and its stakeholders.

While our model may have changed, our mission and vision remain consistent and our main objective continues to be one of increasing value for our Shareholder, clients and staff.

"While our model may have changed, our mission and vision remain consistent and our main objective continues to be one of increasing value for our Shareholder, clients and staff.

Covid-19 Pandemic

The unprecedented and sudden impact of the COVID-19 pandemic meant that companies had to rapidly adapt to working digitally and remotely in order to continue their operations; this, all at very short notice. Some of the negative consequences thereof is the ease of which staff can be recruited to work remotely both locally and abroad as well as the increased demand for software development skills in the short and medium term. This in turn is increasing the already high risk of staff turnover in this key operating area.

Staff safety was prioritised as a critical feature in this time. Interfront implemented the necessary safety measures as well as procuring the correct PPE to ensure the safety of our staff and other visitors to the Interfront office. To further reduce the risk of viral transmission, our staff worked and still work mostly from home; with our offices being used on limited occasions.

Performance for the year under review

The year under review has been a difficult one on many fronts. The global pandemic and, nationally, its impact on South Africa's economy continues to affect Interfront and its staff directly and indirectly. Nevertheless, with the exception of one area, Interfront has met all its' performance targets for the year under review. Detailed information may be found in Part B of this report.

The entity continued to support its production systems for both of its clients. Development of new modules for SARS to support objectives such as the New Customs Act Programme (NCAP) and enhancements to production modules for the African Free Trade Agreement, Carbon tax and duties on Scrap metals were completed. Important system upgrades and improvements were also made to ensure that the production modules developed remain relevant and supportable.

Seven (7) system releases were deployed into production by Luxembourg Customs (ADA); these included various enhancements, scripts and 'bug fixes' to the current import/export and cargo systems. A further two releases were delivered as part of the technical upgrade to the import/export system, due for deployment by ADA during the period under review.

The main operational challenge was balancing increased customer demands against those of a reduced number of available staff hours. Contributing factors to this challenge included: the addition of modules in production; a lack of technical resources due to vacancies in the said scarce skill fields at Interfront and its local customer, SARS; a loss of systems' knowledge as well as delays due to the steep learning curve in upskilling new employees. These challenges have increased the residual value of some of Interfront's risks, post year-end. Reduced resources, due to the reprioritising of funds available to public entities in general, resulted in reduced budgets. The limitations imposed by this drastic necessity have decreased the number of mitigating actions that could be implemented. In that the situation is ongoing, creative ways will need to be found to attract and keep skilled human resources.

Financially, Interfront ended the year within budget and although the Financial Statements indicate an accounting loss, Interfront did end the year with a nett cash surplus, in line with the new financial model. Actual expenditure was less than anticipated due to cost savings and cost deferment because of the national lockdown and subsequent work-from-home policy. Interfront was funded by a capitalised Shareholder's loan, with the final loan repayment made during the year under review. As a SOC and an entity in the public sphere, Interfront is proud to once again have received a clean audit report, indicating good governance as well as effective and accurate financial and performance reporting.

Appreciation

I would like to offer my sincere thanks and appreciation to the Chairperson and the members of the Board for their continued guidance and support; the Board Committees for their oversight and the Interfront management team for their support and assistance. Finally, I offer my sincere thanks to our staff, who have embraced all the challenges thrown at them over the last months like the champions they are!

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 2021.

Leilanie Janse van Rensburg
Acting Managing Director
13 September 2021

Mustaq Enus-Brey
Chairperson of the Board
13 September 2021

8 Our Business Model and Capitals

VALUE PROPOSITION

Customisation
The NCAP programme is being developed to allow for the implementation of the Customs Control Act and the Customs Duty Act in SARS

Cost reduction
Maintenance of older systems can be expensive

Risk reduction
Tracking of goods in transit from port of departure to delivery, combating illicit trade

Core Declaration System in ADA (Luxembourg Customs) supports the flexibility required to adapt to regular amendments to policies

KEY RESOURCES

Intellectual Capital
The IP vested in our staff

Financial Capital
To attract and retain staff

Human Capital
Developing IT skills Contribute to empowerment within Interfront, SARS and the wider public sector

Manufactured Capital
IT – Infrastructure and 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

KEY PARTNERS

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

KEY ACTIVITIES

Development
Of customs and border management solutions

Providing
Maintenance and support for operational systems

CUSTOMER RELATIONS

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

Maintenance and Support Schedule
Is reviewed and agreed to annually with SARS

Service Level Agreement
In place with ADA regulating the support and maintenance of the system in operation

REVENUE STREAM

SARS Development Services
R65 886 445 (2019/20 – R73 301 103)

SARS Support Services
R27 892 062 (2019/20 – R26 214 344)

ADA Support Services
R15 922 752 (2019/2020 – R13 020 833)

CUSTOMER SEGMENTS

Revenue Authorities
SARS and ADA

COST STRUCTURE

Quality Software Development and Support
R94 532 865 (2019/20 – R95 309 033)

Maintain a Software Development Centre of Excellence
R23 633 216 (2019/20 – R23 827 258)

9 Stakeholder Framework

Our Strategic Pillars

Maintain a Software Development Centre of Excellence

Quality Software Development and Support

	HUMAN CAPITAL	MANUFACTURED CAPITAL	INTELLECTUAL CAPITAL
Our enablers	Comprises the people we employ and our contracted resources. We depend on the well-being and motivation of our employees to generate value	Is our financial investment in the purchase, development and maintenance of property, plant and equipment that has given us the capacity to generate long-term returns	The skills and knowledge of well-trained staff, which contributes to us building a trustworthy brand and reputation
Our activities	• Bursary Programme • Internship Programme • A skilled and diverse executive leadership team living our values • Adopting policies and practices to enhance retention • Competitive and market related salaries • Long- service awards • Development of a Skills Competency Framework • Growing our EE representation	• Leasehold improvements • Replacing redundant furniture and fittings • Replacing redundant laptops and monitors • Upgrade data storage unit • Replacing redundant servers and networking equipment • Software licences	• Ongoing training and development of our staff • Re-training staff and developing skills from within the organisation to ensure the upskilling and relevance of skills • Providing financial support to staff in the form of formal study assistance to pursue a degree or qualification aligned to their position in the company • Encourage staff to belong to and pay for membership of professional bodies • Contracting to external resources at peak delivery times.
Outcomes	• Increase in staff turnover from 8.93% (2019/20) to 10.14% • Staff numbers reduced from 115 (2019/20) to 104 • R100 461 paid in Bursaries from R105 972 for the 2019/20 financial year • Increase in training and development expenses of the Graduate Internship Programme from R31 478 (2019/20) to R37 350 • Reduction in the payment of performance rewards from R3 670 758 (2019/20) to R3 653 695 • Reduction in Personnel Expenditure from R84 495 036 (2019/20) to R82 447 166 • Recognising staff employed by Interfront for five years and more • Staff Engagement Plan based on the engagement results • Identified critical skills for the development of the Skills Competency Framework	• Revisiting current office space requirements with a view to reducing space and allowing staff to continue to work from home with hot seating available • Replacing redundant furniture and fittings resulted in a more modern and attractive working environment for staff • Replacing redundant laptops and monitors accommodate the latest technology required by staff • Assessing Cloud landscape options to reduce costs as a result of expensive hardware upgrades	• Increase in staff development and training from R814 296 (2019/20) to R930 129 • Increase in professional membership fees from R20 153 (2019/20) to R21 568
Future and ongoing actions to enhance outcomes	• Continue monitoring the implementation of the Staff Engagement Plan and the establishment of the Staff Engagement Committee to monitor and drive the implementation • Review and updated policies and processes to stay relevant • Re-implementation of annual positioning • Revisit retention strategies to reduce staff turnover in a highly competitive market • Complete and implement the Skills Competency Framework • Growing our female representation • Increasing our overall EE representation especially at senior level Refer to Part D: Human Capital Management for more information	• Review usage of software to ensure relevance as well as no over-supply of licences • Review layout and reduce office space, moving Data Centre to SARS Bellville Refer to Part B: Information and Communication (ICT) and Part E: Financial Information for more information	• Provide technical staff with more opportunity to attend to Research & Development • Ongoing training and development of staff to ensure a high-performance culture and retention Refer to Part D: Human Capital Management for more information

Our Stakeholders

01 Customers ADA & SARS

02 Interfront Executive Committee

03 Luxembourg & South African Public

04 Shareholder SARS

05 Board of Directors

06 Employees

07 External Resources

PART A

FINANCIAL CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL	NATURAL CAPITAL
Interfront moved 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	Developing and maintaining trusted relationships is the foundation for value creation	We have a low environmental impact, our facilities reflect a culture of safety and concern for the environment
• Changing the financial model where income from SARS is aligned to the budgeted expenditure for the year • Managing expenditure and costs wherever possible	• Apply the provisions of the Preferential Procurement Framework Act, No. 5 of 2000 (PPPFA), which provides for the procurement of goods and services from groups disadvantaged by unfair discrimination • Donate “replaced” computer equipment to educational institutions	• Maintaining and regular servicing of our electrical equipment, airconditioning units and generator • Using our generator solely as a back-up to the one installed by the body corporate to service the office park • Recycling redundant IT hardware through a certified third party, supported by documented proof • With staff forced to work from home during the COVID-19 pandemic, systems had to be automated faster than originally envisaged • Extending the useful life of equipment • Reducing our paper trail
• To review the implementation and effectiveness of the new Master Services Agreement (MSA) with SARS at its one-year anniversary • Reducing our reliance on external contractors by providing for knowledge transfer • Repaid the balance of the shareholders’ loan in the amount of R12.6 million	• Reduction in the procurement of goods and services from R12 787 723 (2019/20) to R10 444 826 • Donated replaced computer equipment	• Ensuring that our equipment is maintained and serviced at regular intervals to ensure optimal use and energy savings, which results in further savings due to limiting breakdowns or the replacement of equipment • Less fuel is consumed by the use of a single generator operated by the office park, rather than when each business operates their own • Automation of systems resulted in a significant reduction in our paper trail • Extending the useful life of equipment results in costs savings, as well as reducing our environmental footprint
• Ongoing review of expenses • Maintaining the staff complement or increase it if customer demand dictates • Review the implementation of the MSA to ensure value for money for the client and sustainability of Interfront • Renewing and renegotiating the contract with ADA for an additional period of two years • Ensure that knowledge transfer from external contractors takes place Refer to Part D: Human Capital Management and Part E: Financial Information for more information	• Continue to apply the provisions of the PPPFA • Introduce Staff volunteering projects Refer to Part D: Human Capital Management and Part E: Financial Information for more information	• Continue with the atomisation of processes and apply the lessons learned while working from home during the COVID-19 pandemic to reduce paper usage even further. • Continues review of the useful lives of equipment • Continue recycling paper and plastic Refer to Part E: Financial Information for more information

10 Financial Review

TABLE 1: Extracts from the statement of financial performance 2017–2021

STATEMENT OF FINANCIAL PERFORMANCE	2017	2018	2019	2020	2021
Rendering of Services	106 091 887	136 841 054	153 986 982	112 536 279	109 701 258
(Loss)/profit from exchange transactions	(127 105)	225 992			
Interest and other	4 167 665	5 946 988	4 738 427	4 241 825	1 450 850
Expenditure	(94 779 575)	(109 939 588)	(125 762 589)	(119 136 291)	(118 166 081)
EBT	**15 352 872**	**33 074 456**	**32 962 820**	**(2 358 187)**	**(7 013 973)**
EAT	**10 367 271**	**23 172 276**	**23 125 682**	**(2 361 021)**	**(5 646 546)**
EBT Margin	**13.94%**	**23.13%**	**20.77%**	**–2.02%**	**–6.31%**

TABLE 2: Extracts from the statement of financial position 2017–2021

STATEMENT OF FINANCIAL POSITION	2 017	2018	2019	2020	2021
Total Assets	146 925 436	128 787 821	132 208 544	106 960 416	86 202 838
Total Liabilities	(23 384 922)	(21 075 031)	(21 369 627)	(18 482 521)	(15 967 338)
Total Net Assets	**124 540 514**	**107 712 790**	**110 838 917**	**88 477 895**	**70 235 500**
Shareholders loan as equity	**92 595 410**	**52 595 410**	**32 595 853**	**12 595 853**	**–**
Return on equity	**11.20%**	**44.10%**	**70.95%**	**–18.74%**	**–**

PART B

Performance Report

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

2 Overview

Interfront was established in 2010 with its focus of being a development partner for SARS, in the pursuit of modernising its customs systems. In the first decade Interfront further concluded two marketing agreements with the aim of making its product available to other customs authorities. When the agreements lapsed in 2018 and 2020 respectively, the Board reconsidered the Interfront product offering and strategy going forward and directed that the focus should be on its two existing customers. With the change in strategy, attending to the change in the financial model was the next logical step. The new model is better aligned to that of a schedule 3A public entity.

3 Situational Analysis

Service Delivery Environment

The 2020/21 financial year was the first year of the new "break-even" operating model. The new model is closer aligned to the legal form of Interfront as a Schedule 3A public entity, as a subsidiary of SARS.

The new model required Interfront to be more efficient and find innovative ways to deliver on its approved Annual Performance Plan, which *inter alia,* included a revision of its approved establishment.

Organisational Environment

As a software development house that operates in an environment where skills are in high demand, Interfront recognises the risk of losing the intellectual capital vested in our staff as our biggest risk. High staff turnover leading to the lack of experienced senior staff members can have an adverse impact on project timelines and quality. The current economic environment and the pressure on the fiscus further contributed to the increase in the risk rating. As a result of these inherent and external contributing factors, Interfront experienced a number of challenges in maintaining a stable capacity of suitably skilled staff during the year under review and lost several senior staff. The risk was managed in the short term by continuing the use of contracted resources.

As a SOC and a subsidiary of SARS, the Interfront Board resolved that Interfront salary increases should be aligned to those of SARS. The SARS wage agreement concluded with NEHAWU and the PSA for the 2019/2020 to 2020/22 financial years provided that SARS will continue to implement increases of the projected CPI as per National Treasury plus 2% for qualifying staff, across the board.

HIGH RISK

Staff turnover in scarce skill environment

The annual increases for staff in qualifying grades was approved by the Interfront Board, effective 1 April 2020. However, due to fiscal constraints, a decision was made by SARS not to grant salary increases to staff graded 7 and above. The same principle was therefore adopted by Interfront. This resulted in certain market anomalies concerning remuneration for these staff, posing a risk to Interfront with regard to staff turnover. To mitigate this risk, at its meeting of 17 September 2020, the Interfront Board approved a 1% positioning pot based on the annualised Interfront salary bill in order to correct large anomalies compared to market norms.

MEDIUM RISK

COVID-19 Pandemic

The COVID-19 pandemic continues to have a significant impact on the economy and most businesses are continuing to experience challenges in this regard. Interfront staff continues to mainly work from home, which significantly reduces their health and safety 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.

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

4 Operational Highlights

SARS' operational support functioned effectively in the period under review and consistently met the Service Level Agreement targets for each month of the reporting period. Over this period, Interfront provided 116 releases to SARS, of which, fifty-four (54) were deployed to production

First line technical support to SARS was significantly stepped up, resulting in 45% more time booked to production support services

Registration, Licencing and Accreditation (RLA) packaged releases were delivered to SARS in each quarter. These included functionality for Bank account management and balance of client types

Achieved significant improvement in the Goods accounting (GAC) matching criteria by analysing data and tuning the Cargo Processing System (CPS) and GAC production systems. This improved the required alignment and system accuracy, which in turn positively impacted the declaration to manifest matching. Interfront thus catered for a broader range of operational scenarios as identified by production data analysis

The Carbon Tax and the African Continental Free Trade Agreement (AfCFTA) projects were deployed into production in September 2020 and December 2020, respectively

The front-end graphical user interface (GUI) was upgraded on various systems to improve supportability and ensure alignment to Interfront's front-end architecture roadmap. The upgrades for the Cargo Processing System (CPS COP) and Customs Support Portal (CSP COP) were delivered to SARS in February 2021 and March 2021, respectively

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

5 Operational Challenges

MEDIUM RISK

Missing Project Milestones

- We have noticed an increase in production operational support provided to SARS in the past financial year. This is most likely attributable to the RLA module (Registration, Licencing and Accreditation) going into Production, together with a simultaneous loss of technical skills at SARS. Consequently, Interfront resources have had to be split between production support and development
- As the new Registration application went live, additional support for SARS was initiated to address Trade queries
- The additional technical support required for the various SARS environments, the overlapping of different application versions and systems in these environments as well as 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.

6 Operational Outlook

- Interfront intends to proceed with the planned technology upgrades for Declaration Processing System (DPS) and the Tariff Management System (TMS) together with the planned development of RLA Phase 2 (package 3), due for production towards the end of 2021
- SARS looks to support its operations and use new and emerging technological developments to improve services and trader experience. Interfront is pursuing the opportunity to participate in and partner with SARS in this regard, through the enablement of digital platforms
- ADA confirmed that they will be replacing the Interfront modules in production. A request for a further three-year contract was received to ensure smooth transition.

7 Information and Communication Technologies (ICT)

Considering the COVID-19 pandemic and its impact on the way that Interfront staff worked and engaged with each other, ICT played a key role in ensuring that disruptions were kept to a minimum, while supporting staff who predominantly worked remotely.

IT Security: With the implementation of two-factor authentication (2FA), access to the Interfront network was reinforced, further reducing the risk of unauthorised access to the network. Security awareness sessions were not possible, but staff were reminded of security hazards and threats through information posted on the company's messaging platform.

Infrastructure: Certain hardware upgrades planned for the year were placed on hold to assess Cloud landscape options. The adoption of Cloud platforms and services are growing at a phenomenal rate, globally. Progress has been made regarding development of the Cloud capability. However, before considering running workloads in the Cloud, some work still needs to be done.

MEDIUM RISK

Cybercrime

Techi's working from home.

ICT Governance, Risk and Compliance: The Interfront Information Systems Management Committee (ISMC) facilitates IT governance. This committee met each quarter to address security matters and ensure compliance.

Data centre relocation: The Interfront board decided to vacate the Gleneagles building in the short to medium term. The SARS office in Bellville has been identified as a suitable location to host Interfront's infrastructure. The planning for moving all equipment to the new site is at an advanced stage.

8 Strategic Objectives

HIGH RISK

Misquoting on fixed price contracts

The primary purpose for Interfront's establishment was to assist with the development of SARS' Customs systems and to support its production systems. The 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 augmenting 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 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

  No in-year amendments were made to the 2018/2019–2022/2023 Strategic Plan or to the Annual Performance Plan (APP) for the 2020/21 financial year.

PART B

9 Performance Report

The Interfront Board approved the publication of Interfront performance results as set out below at its meeting held on 10 June 2021.

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. When necessary, contracted resources (Key Partners) augment this capacity to meet peak delivery times.

MEDIUM RISK

Reputational Risk

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 in Interfront. Projects are delivered in 'slices' of functionality, known as 'sprints', and are based on the SARS approved NCAP Business Plan.

MEASURE	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	PLANNED TARGET	ACTUAL ACHIEVEMENT
	2017/2018	2018/2019	2019/2020	2020/2021	2020/2021
The NCAP programme needs to be delivered in accordance with specified timelines determined by SARS, which stretch over several years. Meet the timeframes as set by SARS	**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	**Achieved** Four project releases delivered to SARS one per quarter: RLA Release 4 RLA Release 5 RLA Release 6 RLA Release 7	Four project releases delivered to SARS: Carbon Tax Africa Free Continental Trade Agreement (AfFCTA) RLA 2 (ECP 739 bank account management) RLA 2 (ECP 802; RCG code validation) AfFCTA RLA 2 (ECP 833, 720. 710 balance of client types) RLA 2 (ECP reconsideration into SARS QA) Advance Import Payment (AIP) DPS eCommerce (Simplified, Periodic declarations) RCG number plates recognition	**Achieved** Quarterly RLA releases were delivered to SARS, Carbon Tax, Africa Free Trade Agreement
COMMENT ON DEVIATION	N/A				

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

- **Phase 1** – Registration Licencing and Accreditation (RLA): required for re-registration of all SARS customs 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 2020/21 financial year Interfront focused on the following areas: Registration Licencing and Accreditation (RLA), Cargo Processing, Goods Accounting, eCase, ePenalty and Declaration Processing.

Declaration Processing (DPS)

The main project changes within Declaration Processing were the Carbon Tax project introduced to facilitate the transition to a low-carbon economy and the implementation of the AfCFTA to enhance trade integration on the African Continent. Carbon Tax was deployed into production on 11 September 2020, with AfCFTA following into production on 04 December 2020.

Cargo Processing, Goods Accounting, eCase and ePenalty

A dedicated team was established to review, analyse and update the GAC and ePenalty systems to improve requirement alignment and system accuracy. The alignment process involved a comparative analysis between SARS expectations of production data and the ePenalty system. Several system enhancements were made: a mixture of requirement updates and system bugs as well as a broader range of operational scenarios resulting from the comparison process. The upgrades have led to a marked improvement in the system's accuracy in triggering an ePenalty.

Registration, Licensing and Accreditation (RLA)

RLA has been running in production since October 2019. Interfront has dedicated considerable effort to stabilising the production environment, growing the competency at SARS on the RLA system, delivering on Phase 2 of the RLA programme and upgrading the Angular front-end framework. The first part of RLA Phase 2 was deployed to production on 23 April 2021.

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

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

MEASURE	ACTUAL ACHIEVEMENT 2017/2018	ACTUAL ACHIEVEMENT 2018/2019	ACTUAL ACHIEVEMENT 2019/2020	PLANNED TARGET 2020/2021	ACTUAL ACHIEVEMENT 2020/2021
To annually meet SARS Service Levels as per the Support Agreement	**Achieved** Met or exceeded service levels for each month of the year	**Achieved** Service Level Agreement reports show that service levels are met	**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
COMMENT ON DEVIATION	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. Interfront operational support handled a total of 1 060 incidents: 934 of those were for production support, while 126 related to project support incidents.

MEASURE	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	PLANNED TARGET	ACTUAL ACHIEVEMENT
	2017/2018	2018/2019	2019/2020	2020/2021	2020/2021
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 scale	**Partly achieved** An average satisfaction score of 3 out of 5 was achieved for 4 questions presented.	**Partly achieved** 3 of 5 was achieved	**Achieved** Delivery of fixes and enhancement releases: IETA (2 releases) and ICS (2 releases) Deliver KELs solutions before EU required dates	Delivery of fixes and enhancement releases: IETA (2 releases) and ICS (2 releases) Deliver KELs solutions before EU required dates	**Achieved**
COMMENT ON DEVIATION	N/A				

Ten Import/Export releases and seven 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 been delivered to ADA to increase the lifespan of the product. An environmental technology upgrade is also in progress on the Import Control System.

The target is to achieve regular software updates to ADA with a minimum of two releases for both the Import/Export and Cargo systems and to resolve all KELs (Known Error Lists) items by the date set by the European Union. Interfront Customer Relationship with ADA is regulated through a Service Level Agreement that ends on 31 December 2021 with a further renewal for three years being finalised.The agreement provides for the phasing out of some Interfront systems in this period, as they are being replaced.

CORE OUTCOME 2

Maintain a Software Development Centre of Excellence

The sustainability of Interfront, as well as the sustainability of its contribution to its stakeholders, is dependent on maintaining the intellectual capital vested in its employees.

HIGH RISK

Lack of experienced staff

PART B

Performance Indicator Retention of management team and staff

The successful management- and retention of Interfront's human capital is key to meeting company objectives and crucial to its success. As a software development company that operates in a scarce skill environment, retaining key staff is a vital objective. The global pandemic that made remote working the new normal and increased job opportunities all over the world, resulted in some internal staff losses; new ways of retaining staff should be investigated going forward. These factors have also significantly increased the difficulty of attracting new talent. Staff retention is judged to be the number one risk post year-end.

The APP sets out the percentage of staff turnover that should be maintained for the period under review; for the upcoming two years the staff turnover target was set to be equal to or less than 14%.

Turnover statistics table for the past five years:

EMPLOYEE TURNOVER STATISTICS				
2016/17	2017/18	2018/19	2019/20	2020/21
8.90%	17.43%	19.18%	8.93%	10.14%

MEASURE	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	PLANNED TARGET	ACTUAL ACHIEVEMENT
	2017/2018	2018/2019	2019/2020	2020/2021	2020/2021
Percentage of staff turnover	Not Achieved 17.43%	Not Achieved 19.18%	Achieved 8.93%	Less than 14%	Achieved 10.14%
COMMENT ON DEVIATION	N/A				

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

For the year under review staff movement was as follows:

ITEM	NO OF EMPLOYEES
No of new appointments	4
No of EE appointments	2
No of terminations	11
No of current vacancies	12
No of retirees	2

Interfront's objective for the year under review has been to maintain a staff compliment of 110 employees. Due to the current economic climate as well as the pressure on the national fiscus, we concentrated on replacing key and scarce skills positions only. As a result we were not able to achieve the target of 110 employees and concluded with a year-end staff number of 104.

MEASURE	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	PLANNED TARGET	ACTUAL ACHIEVEMENT
	2017/2018	2018/2019	2019/2020	2020/2021	2020/2021
Expand staff complement, successful appointment and on-boarding	**Not Achieved** Net growth of 2	**Not Achieved** Negative growth (1)	**Achieved** 115	Maintain staff complement at a minimum of 110	**Partly Achieved** 104
COMMENT ON DEVIATION	Budget pressures and scarce skill in certain environments resulted in a lower than targeted staff compliment.				

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

EMPLOYMENT AND VACANCIES AT 31 MARCH 2021					
	2019/2020	2020/2021			% OF OVERALL VACANCIES
LEVEL	NO. OF EMPLOYEES	NO. OF EMPLOYEES	APPROVED POSTS	VACANCIES	
Top management EXCO	3	2	3	1	8.33%
Senior management	11	11	11	0	0%
Professional qualified	36	33	36	3	25.00%
Skilled	54	46	54	8	66.67%
Semi-skilled	8	9	9	0	0%
Unskilled	3	3	3	0	0%
TOTAL	**115**	**104**	**116**	**12**	**0%**

*Table excludes graduates and temporary employees

Performance Indicator Maintain and Grow a Centre of Excellence

The Interfront graduate internship programme is offered to students who have successfully completed a course of study or training in the Information Technology sphere. More recently, the programme focussed specifically on students who completed their studies specialising in Java development. Interfront firstly appoints individuals from its own bursary scheme and should the programme have additional openings, other high achievers are considered. This creates a pipeline of young employees and provides Interfront with an opportunity to develop and mould them to Interfront-specific needs. The target varies annually as set out in Interfront's APP.

MEASURE	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	PLANNED TARGET	ACTUAL ACHIEVEMENT
	2017/2018	2018/2019	2019/2020	2020/2021	2020/2021
Successful appointment of Graduates	**Achieved** 7 Graduates	**Achieved** 10 Graduates	**Achieved** 5 Graduates	5 Graduates	**Achieved** 5 Graduates
COMMENT ON DEVIATION	N/A				

More information on our Graduate Internship Programme can be found in Part D: Human Capital Management.

Performance Indicator Establish and Support Effective Governance

Interfront prides itself in being an ethical company and as such has set a target of a clean audit opinion since the 2019/20 financial year. A clean audit opinion entails that in addition to a financially unqualified audit opinion on the annual financial statements, there were no material findings reported on performance objectives, non-compliance with legislation or internal control deficiencies.

MEASURE	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	ACTUAL ACHIEVEMENT	PLANNED TARGET	ACTUAL ACHIEVEMENT
	2017/2018	2018/2019	2019/2020	2020/2021	2019/20
2019/2020–2022/2023 Clean Audit Report **2016/2017–2018/2019** Unqualified Audit Report	**Achieved**	**Achieved** Unqualified and clean audit opinion for the 2017/18 financial year	**Achieved** Unqualified and clean audit opinion for the 2018/2019 financial year	Clean Audit Opinion for the 2019/2020 financial year	**Achieved** Clean Audit Opinion for the 2019/2020 financial year
COMMENT ON DEVIATION	N/A				

The 2019/2020 year sees the tenth consecutive unqualified audit report on the annual financial statements and five consecutive years in which Interfront has received a clean audit opinion, nine in total. The report from the AGSA for the 2020/2021 financial year is included in Part E: Financial Information.

10 Linking Performance with Budgets

OBJECTIVE	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	2020/21 BUDGET EXPENDITURE	2020/21 ACTUAL EXPENDITURE	2020/21 (OVER) /UNDER EXPENDITURE
Quality Software Development and Support	103 824 836	100 610 071	3 214 765	99 532 288	95 309 033	4 223 255	105 940 782	94 532 865	11 407 917
Maintain a software development Centre of Excellence	25 956 209	25 152 518	803 691	24 883 072	23 827 258	1 055 814	26 485 195	23 633 216	2 851 979

SOURCE OF REVENUE	2018/2019 BUDGET REVENUE	2018/2019 ACTUAL AMOUNT RECEIVED	2018/2019 (OVER)/UNDER	2019/2020 BUDGET REVENUE	2019/2020 ACTUAL AMOUNT RECEIVED	2019/2020 (OVER)/UNDER	2020/21 BUDGET REVENUE	2020/21 ACTUAL AMOUNT RECEIVED	2020/21 (OVER)/UNDER
SARS	144 755 734	141 748 608	3 007 126	99 304 348	99 515 446	(211 098)	93 043 478	93 778 506	735 028
Luxembourg (ADA)	7 750 000	12 238 374	(4 488 374)	12 964 124	13 020 833	(56 709)	13 142 780	15 922 752	2 779 972

PART C

Governance

1 Overview

The fundamental purpose of corporate governance is to set up a system of rules, policies and practices in order to be accountable in all aspects of the business. All parties involved in the operations of the company, i.e. the Shareholder, Board of Directors, the Executive Management Team and the employees are responsible to each other, thereby ensuring their accountability.

Below is a schematic overview of corporate governance as addressed in this section of the Annual Report.

2 Executive Authority

Oversight responsibility rests largely on the prescripts of the PFMA.

The Minister of Finance appointed the Interfront Board at incorporation. Subsequent renewals and replacements of board members have been approved by the Commissioner of SARS in the capacity of Shareholder, in terms of section 68 (1) of the Companies Act and Interfront's MOI.

3 Interfront Board

Introduction

The unique nature of a SOC requires its Directors to seek responsibility, always be accountable and act in an unbiased and professional manner at all times. Professionalism in the current context requires a greater measure of reliance on one's own expertise and self-regulations and a lower degree of dependence on compliance management. The Board is required to ensure that the SOC behaves in a manner that is fair and equitable. Furthermore, in dealing with matters reserved for its attention, the board must do so without being influenced by personal feelings, prejudices or making decisions, which favour an individual or group of individuals.

"The board is required to ensure that the SOC behaves in a manner that is fair and equitable.

Role of the 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, as well as the annual budgets and the Annual Performance Plan
- Ensuring that the performance objectives of the Shareholder are achieved
- Managing potential conflict of interest situations
- Ensuring financial records are maintained and that financial statements are prepared free of material error or omissions
- Ensuring that induction sessions are conducted
- Maintaining the integrity, responsibility and accountability of Interfront.

Terms of Reference

> As recommended by the King Code on Corporate Governance (King IV) the Interfront Board adopted a Terms of Reference agreement, which sets out its responsibility.

As recommended by the King Code on Corporate Governance (King IV) the Interfront Board adopted a Terms of Reference agreement, which sets out its responsibility.

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

The Board is additionally 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

The Interfront Board currently comprises seven Directors, an independent, non-executive Chairperson, two executive Directors and four non-executive Directors. The four non-executive Directors currently serving on the Interfront Board are also employees of the Shareholder and are considered nominee Directors. However, in the exercise of their powers and in deciding what is in the best interest of the company, the Directors must exercise *bona fide* independence and unfettered discretion, meaning that the affairs of the company must be considered in an unbiased and objective manner. The duty to exercise independent judgment is particularly important to nominee Directors. Emphasis was placed on this requirement for independence at the induction 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 and had completed nine 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 & 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 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.

HIGH RISK

Board Composition

BOARD MEMBERS

MUSTAQ ENUS-BREY (67)

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

Qualifications and Experience

Mustaq is a founder member and CEO of of the JSE-listed company Brimstone Investment Corporation Ltd. He is a qualified Chartered Accountant and serves as the Chairperson of two JSE-listed companies: the Equities Property Fund Limited and Oceana Fishing Group Limited. He serves as Director on a number of boards, including Lion of Africa Insurance Co Ltd and FPG Investments (Pty) Ltd as well as being a trustee of various trusts, including the Jakes Gerwel Family Trust and the Solly and Zohra Noor Foundation.

BEYERS THERON (55)

Non-Executive Director

Qualifications and Experience

Beyers commenced his career as a Customs Officer in the then Department of Finance, in 1983, followed by a lengthy tenure in Customs training. In the late 1990's Beyers played a leading role in the Customs transformation programme, which was a SARS-wide programme, known as Siyakha, where he was tasked with the full organisational restructuring of the Customs component within SARS. He was appointed as Head of Customs Operations at SARS where he 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. Subsequent to that, he was appointed as Head: Customs: Border Operations, Ports of Entry and Customs Compliance as of 1 April 2020.

YOLANDÈ VAN DER MERWE (44)

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

Qualifications and Experience

Yolandè is a Chartered Accountant with extensive experience in the public sector. She started her career as an auditor managing various large public sector audits from both 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 has held various roles in the organisation and was appointed in 2010 as the Executive: Own Accounts, responsible for the corporate finance portfolio, holding this position until 2016, when she was appointed as Group Executive: Own Accounts, responsible for the entire Own Accounts portfolio. She currently holds the position of Chief Financial Officer, overseeing the Finance and Procurement functions in SARS.

PART C

VONANI CALPHORNIA NTLHABYANE (44)

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

Qualifications and Experience

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

HERMAN SMITH (53)

Non-Executive Director

Qualifications and Experience

Herman has extensive experience in the public as well as private sectors. His career spans multiple disciplines ranging from programme management, business effectiveness, consulting, information technology and operations management. He has been with SARS for many years and contributed directly to the transformation of the organisation's modernisation programme. He is currently the Head: Operational Enabling & Production Planning with the responsibility of the functioning of the operational aspect of the organisation.

JOHN ROBERTSON (61)

Executive Director – Operations

Qualifications and Experience

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

LEILANIE JANSE VAN RENSBURG (39)

Executive Director: Finance/Acting Managing Director

Qualifications and Experience

Leilanie qualified as a Chartered Accountant in 2008 and has both private and public sector experience in accounting and auditing. She has managed various audits including those of 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 and managing the corporate division in Interfront. She has been acting as the managing director of Interfront since June 2020.

4 Board Committees

The Terms of Reference of the Board committees is reviewed and approved by the Interfront Board, except for the joint SARS/Interfront Audit and Risk Committee, whose Terms of Reference is 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

> Interfront's financial statements are reviewed by the Audit and Risk Committee whereafter the statements are recommended for Board approval.

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 has the necessary financial literacy, skills and experience to discharge its duties effectively and efficiently. The Internal Audit attends all committee meetings and the AGSA is invited to all meetings and presents their reports on completion of the audit to the committee.

Interfront's financial statements are reviewed by the Audit and Risk Committee whereafter the statements are recommended for Board approval. The Interfront Risk Register and a report on progress regarding mitigating actions, are likewise tabled at committee meetings.

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

PART C

Remuneration, Social and Ethics Committee

The Terms of Reference for the Remuneration, Social and Ethics Committee, provide that the Committee shall consist of not less than three members and shall have at least two meetings per financial year. The Committee comprises the following members Ms Yolandé van der Merwe as Chairperson, with Ms Vonani Calphornia Ntlhabyane and Mr Mustaq Enus-Brey as members. The Executive Directors and the Executive: Talent, are permanent invitees.

The Committee conducted two meetings for the year under review as provided for in its Terms of Reference.

Interfront Executive Committee

The Interfront EXCO comprises the Operations Director, Financial/Acting Managing Director, the Executive: Talent, as well as the Executive: Relationship Manager and the Company Secretary/ Manager Corporate Services.

The Terms of Reference provide that the Committee meet on a monthly basis and is responsible for the implementation of Interfront's strategy and Annual Performance Plan, taking key business decisions as well as for the day-to-day management.

The Committee draws up company-wide policies and procedures, reviews the financial viability of the entity and deals with operational matters that require its attention.

Board and Committee Meeting Attendance

NAME	DATE APPOINTED/ REMOVED	BOARD		REMUNERATION, SOCIAL AND ETHICS COMMITTEE		AUDIT AND RISK COMMITTEE
		NO. ATTENDED	NO. OF MEETINGS	NO. ATTENDED	NO. OF MEETINGS	See Audit and Risk Committee Report
Mustaq Enus-Brey	18 October 2011	4	4	2	2	
Beyers Theron	28 September 2018	2	4			
Yolandè van der Merwe	28 September 2018	4	4	2	2	
Herman Smith	10 October 2019	3	4			
Vonani Ntlhabyane	10 October 2019	4	4	2	2	
John Robertson	1 September 2011	4	4	2	2	
Leilanie Janse van Rensburg	1 October 2011	4	4	2	2	

5 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:

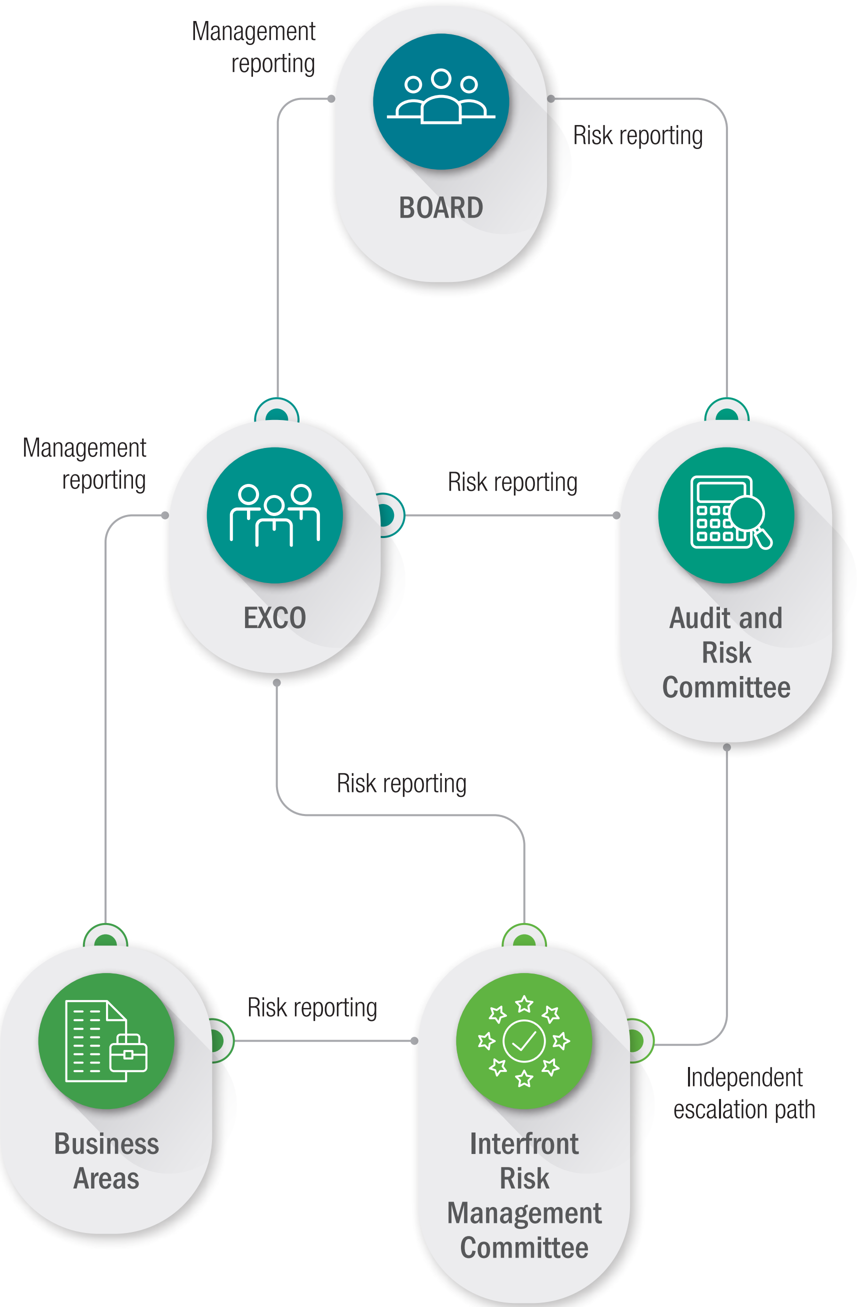
CATEGORY CLASSIFICATION A1 (PART-TIME MEMBERS)		
Remuneration	2019/2020	
Chairperson	R5 230 per day	R654 per hour
Members	R3 888 per day	R486 per hour

Mr Mustaq Enus-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 and to the independent, non-Executive Director is set out in Part E: Financial Information. No fees or remuneration is payable by Interfront to the non-executive Directors who are also employees of the Shareholder.

6 Risk Management

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



At the start of the 2020/21 financial year, Interfront assessed its risk and included the details in its Annual Performance Plan.

The risks were periodically reviewed during the financial year and our top five risks as of 31 March 2021, are set out below.

Top Five Risks as of 31 March 2021

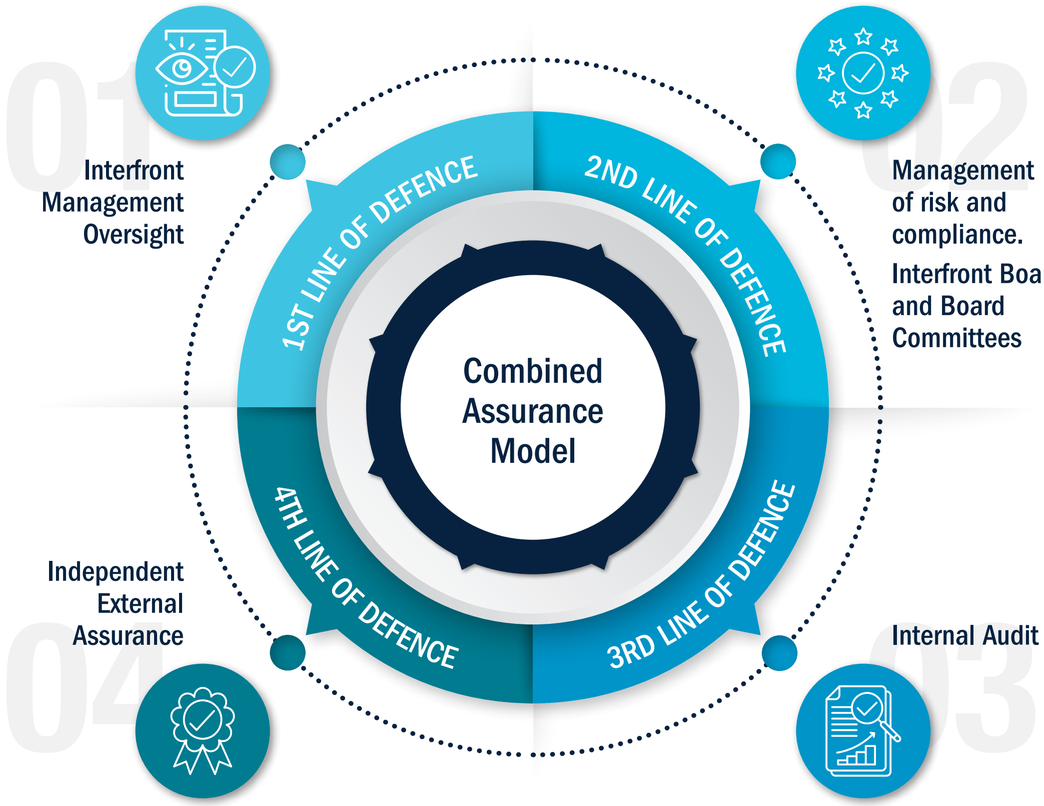
	1	2	3	4	5
Risk	Going Concern	Misquoting on fixed price contracts	Board Composition	COVID-19 Pandemic	Missing project milestones
RRR	16	16	16	12	12
Mitigation Action	Continuous engagement with client at various levels to agree strategy and work orders for the upcoming financial year	Agree the business model and placement of Interfront	Agree the business model and placement of Interfront	• Ongoing awareness campaigns • Travel restrictions and reporting incidents of contact with travellers • Providing staff with adequate and recommended PPE • Applying the working-from-home policy	Match resources to scope and timelines
SO Title	Maintain a Software Development Centre of Excellence	Maintain a Software Development Centre of Excellence	Maintain a Software Development Centre of Excellence	Maintain a Software Development Centre of Excellence	Quality Software Development and Support

Subsequent to year end, the number one risk changed to lack of experienced staff with a residual risk rating of 25.

7 The Combined Assurance Model

The King III report on corporate governance introduced the Combined Assurance Model as a recommended governance practice. King IV expanded on this concept but does not prescribe the design of the model 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 has appointed SARS' Internal Audit to provide assurance. A representative of Internal Audit attends all the Audit and Risk Committee meetings, 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. A representative of the AGSA are invited to attend meetings of the Audit and Risk Committee where they present their audit plan, their findings as well as their audit report 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

The Internal audit unit reviewed and provided an opinion on the adequacy and/or effectiveness of Interfront's controls within the supply chain environment.

An audit of the Interfront deviations register was conducted by Internal Audit who found that the deviations approved for the offsite parking for its staff was erroneously approved, based on the service providers being the sole suppliers. Their report expressed the view that the deviations should have been based on an issue of impracticality and prior approval should have been obtained from National Treasury too.

In addition, Internal Audit noted that ineffective controls were in place in the Human Resources Department to ensure goods and services are procured from vendors with a valid and enforceable Master Service Agreement (MSA), Contract and/or Service Level Agreement. The finding relates to the situation 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 and 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.

After condonation requests were submitted to National Treasury, the Interfront Board condoned the expenditure as allowed for in the National Treasury Irregular Expenditure Framework.

8 Ethics

Compliance with Laws and to Regulations

Compliance with the Companies Act, PFMA, and adherence to Treasury Regulations, procurement guidelines and instructions as well as the King Report, is routinely assessed by means of a compliance checklist. A review of the human resources and procurement processes and policies will be an Interfront area of focus, to be updated and aligned in light of the internal audit findings.

A suite of policies was developed to ensure that Interfront was ready and compliant when the requirements of the POPIA Act became operational. The first policy within this area, that is, the Retention of Records policy, was adopted during the year under review.

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 that has created and provided Interfront with a dedicated email address and telephone number, where matters of fraud and corruption can be reported, has been appointed by Interfront. The email address and telephone number are monitored by the said service provider and anonymity provides for the protection of whistle blowers. The service provider furnishes Interfront with monthly reports on matters being reported, if any. To date, no incidents have been reported.

Conflicts of Interest

All Interfront employees are annually required to declare any private outside interest that may create a situation where the employee's private interest interferes with or has the potential to interfere with their ability to discharge their duties honestly and openly. The employees' declarations extend to the interest of their partners, spouses and dependent children and are reviewed to determine if a possible conflict exists. In such an instance, it is reported to EXCO and the employee is engaged to explain the circumstances and to determine any corrective action.

Interfront's non-executive Directors are required to submit a Declaration of Private Interest document at the time of their appointment and these are regularly updated.

> 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.

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, including anti-bribery and corruption, compliance with human rights and labour standards as well as health and safety regulations. In terms of the said Code, Interfront reserves the right to demand that corrective measures be taken should the service provider not comply or alternatively the transgression is of such a nature that corrective action cannot remedy the situation, Interfront may terminate the contract.

9 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 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 they continue to work remotely. The office, nonetheless, is available for use by staff as and when required and they are allowed access with the necessary precautions in place.

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 staff celebrating 10 years of service.

10 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 provided to the Board in all matters relating thereto
- Ensuring compliance with all the statutory provisions of the Companies Act
- Ensuring compliance with the Memorandum of Incorporation.

Declaration by the Company Secretary

I, the undersigned Madelein Pepperell, in my capacity as Company Secretary, certify that the company has lodged with the Companies and Intellectual Property Commission all such returns as are required 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
13 September 2021

PART D

Human Capital Management

1 Overview

The year under review has been unprecedented and marked with imposed changes brought about by the COVID-19 pandemic. The old method of operating became a thing of the past and working from home quickly became the norm. As an employer, this brought about new risks and challenges, of which ensuring the safety of staff, visitors and services providers at the workplace and retaining talented staff in the new norm, were the most noteworthy.

The need for a more agile workforce structure became evident very early and business needed to adapt to meet the changing needs of current and prospective employees to ensure a sustainable, high performing organisation. One of the biggest challenges that Interfront is facing in these changing circumstances, is the impact that remote working has on staff retention in the IT world. Remote working provided new opportunities, in an already scarce skills market, for staff to be employed anywhere in the world, while working from the comfort of their own home office. With the most significant deterrent factor, the commute or relocation out of the way, the impact became evident in the staff losses that we have experienced over the last number of months, most notably in the scarce skill areas. While Interfront has implemented certain mitigating measures to combat this risk, nevertheless, operating in a difficult economy with significant pressures on the fiscus, has limited the mitigating actions that we have been able to implement. New ways to decrease the risk will need to be investigated on an ongoing basis.

2 Human Capital Strategic Objective

Maintain and develop a skilled, diverse and engaged workforce

Graduate and Internship Programmes

As part of our People Strategy, Interfront supports the development of skilled human capital by offering bursaries as well as graduate internship programmes to qualifying candidates. This creates a pipeline of suitably qualified staff while contributing to the overall skills development of the country, in this scarce skill environment.

PART D

The Graduate Programme is a perfect initiative to provide for the development and moulding of the ideal Interfront technical employee. Through this, Interfront is able to attract young talent, growing them from the graduate internship programme through to a senior level employee over time. These programmes assist the business in building a pipeline for the future and therefore adding value to our talent pool.

The programme aims to have the following growth path in the example of a developer:

YEAR 1	YEAR 2	YEAR 3–4	YEAR 5–8	YEAR 9+
Graduate intern developer	Entry level developer	Junior developer	Intermediate developer	Senior developer

Training Costs

The aspect, training and development, is one of the most important pillars of our retention strategy. Employees are encouraged to continuously build on their personal development either through formal studies at tertiary institutions or short-term courses, seminars and workshops. Online learning is becoming more and more relevant and this option widens the scope of learning opportunities.

It is imperative to invest in the training and development of employees to maintain a competitive edge in the marketplace. Focus is placed on providing development opportunities to employees to help them excel in their current roles as well as developing skills for future roles and responsibilities.

"The aspect, training and development, is one of the most important pillars of our retention strategy.

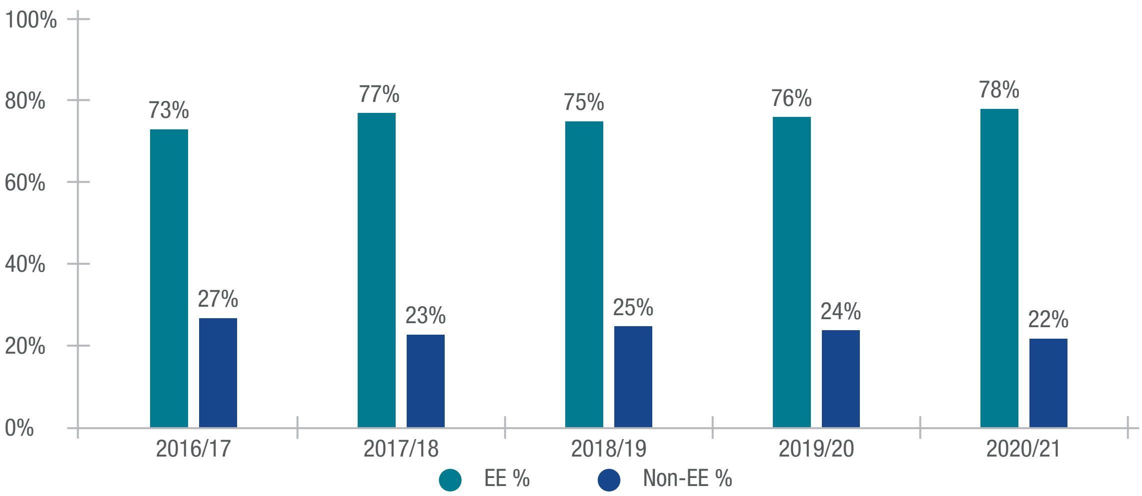
Investment in training is detailed in the table below:

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		736 459	0.89%	115	6 404
Bursaries		100 461	0.12%	2	50 230
Graduate interns		37 350	0.05%	5	7 470
Professional membership		21 568	0.03%	4	5 392
Staff formal study assistance		193 670	0.23%	8	24 209
Total	82 447 166	1 089 508	1.32%		

Transformation and Employment Equity

The Interfront transformational journey is a key strategic objective aimed at creating a diverse and inclusive workforce, while creating equal opportunities for all through the elimination of unfair discrimination. We recognise that EE is critical for the achievement of sustainable development, economic growth and equality. Our appointment process recognises this and our annual EE plan indicates the specifics that we are aiming for when filling vacancies. We ended the year with an overall EE representation of 78%.

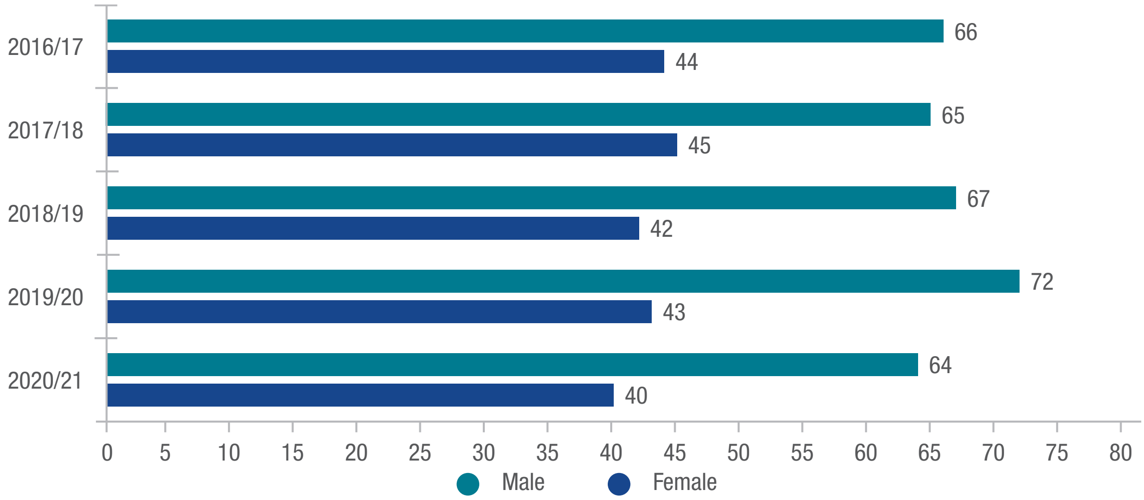
FIGURE 1: Five year EE Representation chart



Facing a severe shortage of highly skilled employees in the IT field is posing a serious challenge in attracting high calibre individuals. Interfront is addressing this in part by developing our employees internally through training and development to ensure they are ready to advance to the next level when the opportunity presents itself. Interfront prides itself on the calibre of employees it is nurturing. In a small company, where growth into certain levels become limited, we have released a number of highly skilled EE candidates into the IT market. Interfront endeavours to keep contact with these individuals to reappoint them when the opportunity presents itself.

Interfront is further focussed on increasing gender diversity in a technical environment that is male dominated. To date, this has been challenging and the female representations have remained fairly consistent over the last number of years. Additional focus will be placed on increasing the female representation in our bursary programmes.

FIGURE 2: Five Year EE Growth Comparison Male vs. Female



Remuneration

Interfront aims to remunerate its staff fairly and according to market benchmarks, taking factors like experience, qualification and performance into consideration. A wages and salary benchmark exercise is annually undertaken to ensure material anomalies are corrected. Our exit interview results attest to this as most staff members who have left the employment of Interfront indicated that they felt their remuneration was fair. As a SOC, Interfront is also, through its shareholder, indirectly subjected to the wage increases approved by the minister. The wage increase moratorium announced by the Minister of Finance, Tito Mboweni has therefore limited the annual inflation adjustments specifically to our senior staff members, who were not part of the unionised wage negotiations during the year under review. The associated increase in the staff turnover risk is evident, specifically in the scarce skill fields, where we have lost several staff members over the last financial year. The annual positioning exercise is decreasing the risk to some extent, although the risk remains high and need to be carefully monitored over the next 12–24 months.

While annual performance bonuses were paid to staff during the year under review the Board made the decision that due to the current economic situation and the pressure on the overall fiscus, no bonuses would be paid to the Executive Directors.

The breakdown of the remuneration and rewards costs for Interfront for the year under review is tabled below.

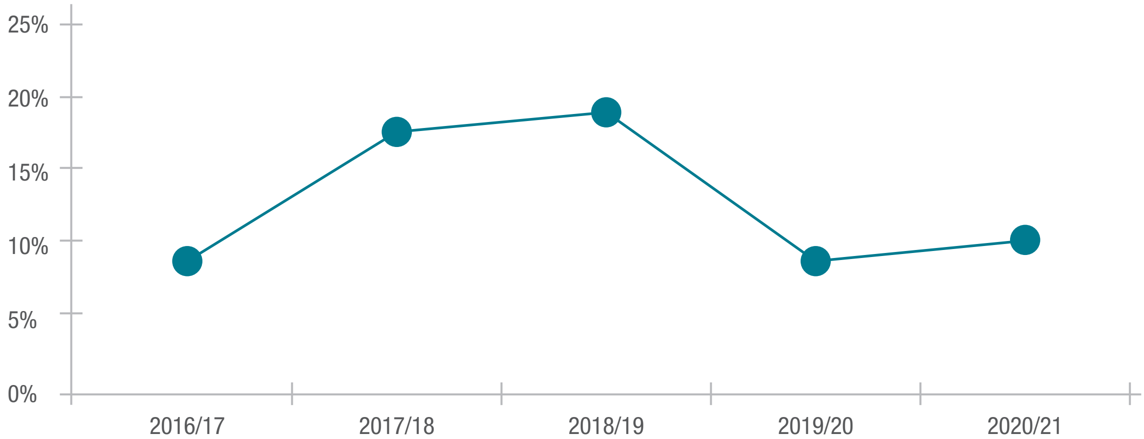
OCCUPATIONAL LEVEL	PERSONNEL EXPENDITURE (R)	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST (R)	NO OF EMPLOYEES (AVERAGE PER YEAR)	AVERAGE PERSONNEL COST PER EMPLOYEE
Top Management	5 490 339	6.65%	2.17	2 534 002
Senior Management	14 395 864	17.45%	11.00	1 308 715
Professional Qualified	33 262 628	40.35%	33.00	1 007 958
Skilled Technical	27 491 752	33.32%	59.75	460 113
Semi –Skilled	1 428 161	1.73%	6.75	211 579
Unskilled	378 422	0.50%	3.00	126 141
Total	82 447 166	100%	115.67	712 800

OCCUPATIONAL LEVEL	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE	% PERFORMANCE REWARDS TO TOTAL PERSONAL COST
Top Management	–	82 447 166	0.00%
Senior Management	1 106 209		1.34%
Professional Qualified	1 612 968		1.95%
Skilled Technical	917 218		1.11%
Semi-Skilled	4 510		0.01%
Unskilled	12 790		0.02%
Total	3 653 695		4.43%

Terminations

Interfront ended the year with a staff turnover percentage of 10.14% well within the target of 14%. However, the majority of the staff that left were developers, one of Interfront's core business areas. As the development field is a scarce skill environment, replacing these staff is becoming increasingly difficult. It follows that retaining current staff is becoming more critical and new retention strategies need to be developed to ensure long-term sustainability.

FIGURE 3: Staff Turnover 5 year period



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. Report of the Auditor-General to International Frontier Technologies SOC Ltd
6. Annual Financial Statements

1 Board's Responsibility and Approval of the Annual Financial Statements

It is the responsibility of the Board to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year …

The PFMA requires the Board to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information, included in this report. It is the responsibility of the Board to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flow 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 the entity and place considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across Interfront. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviours are applied and managed within predetermined procedures and constraints.

The Board is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied upon 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 loss.

The Board has reviewed the entity's budgeted forecast for the year to 31 March 2022 and, in the light of this review and the current financial position, is satisfied that the entity 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 entity is a going concern.

Although the Board is primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors. The external auditors are responsible for independently reviewing and reporting on the entity's Annual Financial Statements. The Annual Financial Statements have been examined by the entity's external auditors and their report is presented on pages 76 to 80.

The Annual Financial Statements set out on pages 81 to 114, were approved by the Board on 13 September 2021 and were signed on its behalf by

Leilanie Janse van Rensburg
Managing Director
13 September 2021

Mustaq Enus-Brey
Chairperson of the Board
13 September 2021

2 Report by the Board of Directors

The Board submits its report for the year ended 31 March 2021.

1 Incorporation

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

2 Review of Activities

The entity is primarily engaged to hold, invest in and develop customs and border management software solutions for use by border control and revenue agencies around the globe.

The operating results and state of affairs of the entity are fully set out in the attached Annual Financial Statements and in our opinion, do not require any further comment. The net deficit of the entity was R5 646 546 (2020: Deficit R2 361 021) and is in line with the newly adopted cash break-even finance model.

3 Going Concern

The Annual Financial Statements have been prepared based on 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 of 31 March 2021, the entity had an accumulated surplus of R70 235 499, while the total assets exceed its liabilities by the same.

4 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 of 31 March 2021 and the results of its operations and cash flow information for the year then ended.

5 Subsequent Events

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

6 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 pages 86 to 99 of the Annual Financial Statements.

7 Share Capital

There were no changes in the authorised or issued share capital of the entity during the year under review. Interfront was capitalised by way of an interest free Shareholder's loan. The loan was fully repaid during the year under review.

8 Distributions to Owners

No dividends were declared or paid during the year.

9 Board

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

10 Secretary

The Company Secretary for the term was Ms Madelein Pepperell.

11 Corporate Governance

General

The Board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Board supports the highest standards of corporate governance and the ongoing development of best practice. Interfront adheres to the statutory duties and responsibilities set out in the Companies Act and the PFMA. The entity confirms and acknowledges its responsibility for compliance with the Code of Corporate Practices and Conduct ("Code") laid out in the King Report on Corporate Governance for South Africa 2016. The Board members discuss the responsibilities of management in this respect and monitor the entity's compliance with the code at Board meetings. The salient features of the entity's adoption of the Code can be found in Part C: Governance in this report.

Board of Directors

The Board:

- Retains full control over the entity, its plans and strategy
- Acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication, both internally and externally by the entity
- Is of a unitary structure comprising:
  - A non-executive independent Director as Chairperson
  - Non-executive Directors, employed by the Shareholder
  - Executive directors.

Chairperson and Managing Director

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

Remuneration

The remuneration of the Acting Managing Director/Financial Director and the Director of Operations, who are the only two Executive Directors of the entity, was determined by the controlling entity upon appointment and the Board will determine the increase in remuneration within limits.

Other

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

Internal Audit

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

Controlling Entity

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

Auditors

In line with the requirements of the Public Audit Act, 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.

3 Report of the Interfront Audit and Risk Committee

The Audit and Risk Committee ("the Committee") is established as an independent statutory committee in terms of the Public Finance Management Act (PFMA). The Committee functions within approved terms of reference and complies with relevant legislation, regulation and governance codes.

The Committee submits this report for the financial year ended 31 March 2021, as required by Treasury Regulations 27.1.7 and 27.1.10(c) issued in terms of sections 51(1)(a)(ii) and 76(4)(d) of the PFMA.

1 Audit and Risk Committee Membership

The Committee consists of three Independent Members and is chaired by Ms Doris Dondur.

The Committee is required to meet at least four times per annum as per its approved terms of reference. Four ordinary (4) meetings and three (3) special meetings were held for the financial year ended 31 March 2021.

2 Audit and Risk Committee Responsibility

The Audit and Risk Committee is satisfied that it has complied with its responsibilities as outlined in Section 51(a)(ii) of the PFMA and Treasury Regulation 3.1. The Committee also reports that it has adopted and reviewed formal terms of reference as its Audit Committee charter, and has discharged all its responsibilities as contained therein.

3 The Effectiveness of Internal Controls

The PFMA requires the Accounting Authority to ensure that the organisation has and maintains effective, efficient and transparent systems of financial, risk management and internal control, whilst it is the Committee's role to review the effectiveness of internal controls and oversee risk management. Reviews on the effectiveness of the internal controls were conducted and they covered financial, operational, compliance and risk assessment.

In line with the PFMA and King IV Report on Corporate Governance, Internal Audit provides the Committee and management with reasonable assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement.

Through the Committee's analysis of the audit reports and engagement with the Management team, the Committee reports that the system of internal controls for the period under review was adequate and effective.

4 The Quality of the Quarterly Management Reports

The Audit and Risk Committee has reviewed the quarterly management reports and is satisfied with the quality thereof.

5 Enterprise Risk Management

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

6 The Effectiveness of Internal Audit

Internal Audit is responsible for reviewing and providing assurance on the adequacy and effectiveness of the internal control environment across all of the significant areas of the organisation and its operations.

The Committee is responsible for ensuring that the organisation's internal audit function is independent and has the necessary resources, skills, standing and authority to enable it to discharge its responsibilities effectively. The Internal Auditors have unrestricted access to the Committee.

The Committee reviews and approves the Internal Audit Plan annually. Internal audit's activities are measured against the approved internal audit plan and the head: Internal Audit tables progress reports in this regard to the Committee.

A periodic annual assessment for the 2020/21 financial year was conducted in accordance with the IIA standards and the Internal Audit Methodology on the following audits:

- Recruitment and selection
- Procurement
- Audit of predetermined Objectives (AoPO)

In the year under review, the Internal Audit Activity developed and implemented a risk based strategic and operational coverage plan that encompassed the following areas:

- Audit of predetermined Objectives (AoPO)
- Stakeholder Relations Management (SRM)
- COVID-19 Response Measures

The table below summaries the internal audit overall opinion which was determined based on the audit results for the financial year under review:

No	Process	Opinion
1	Control Environment	Adequate and/or Effective

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.

7 Evaluation of Financial Statements

The Committee reviewed the Annual Financial Statements of the organisation and is satisfied that they comply with the applicable Accounting Standards and that the accounting policies used are appropriate. The Annual Financial Statements were reviewed with the following focus:

- Significant financial reporting judgements and estimates
- Clarity and completeness of disclosure and whether disclosures made have been set properly in context;
- Changes in the Accounting Policies and Practices;
- Significant adjustments resulting from the Audit;
- Compliance with accounting standards and legal requirements;
- Explanation for the accounting treatment adopted;
- Reasons for year-on-year fluctuations;
- Asset valuations and revaluations; and
- Re-assessment of the useful life of the assets.

The review of Annual Financial Statements and the Annual Report for the 2020/21 financial year was done at the Committee's meeting held on 13 September 2021.

8 External Auditor: Auditor-General South Africa

The Committee, in consultation with the Accounting Authority, noted to the terms of the Auditor-General of South Africa's engagement letter, audit strategy and audit fees in respect of the 2020/21 financial year.

The Audit Committee has also had in committee meetings with the Auditor-General of South Africa.

The Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General of South Africa.

9 Conclusion

The Committee has reviewed the Auditor-General of South Africa's management and audit reports for the financial year ended 31 March 2021 and concurs with their conclusions. The Committee therefore accepts the audit opinionm and conclusion expressed by the Auditor-General of South Africa on the annual financial statements, annual performance report and annual report.

Signed on behalf of the Audit and Risk Committee by:

Ms Doris Dondur
Chairman of the Audit and Risk Committee
13 September 2021

4 Financial Report

FIVE YEAR FINANCIAL OVERVIEW

TABLE 1: Extracts from the statement of financial performance 2017–2021

FINANCIAL MODEL	COST PLUS SURPLUS MARGIN			COST RECOVERY	
Statement of financial performance	2 017	2018	2019	2020	2021
Rendering of Services	106 091 887	136 841 054	153 986 982	112 536 279	109 701 258
Interest and other	4 167 665	5 946 988	4 738 427	4 241 825	1 450 850
Expenditure	(94 779 575)	(109 939 588)	(125 762 589)	(119 136 291)	(118 166 081)
EBT	**15 352 872**	**33 074 456**	**32 962 820**	**(2 358 187)**	**(7 013 973)**
EAT	**10 367 271**	**23 172 276**	**23 125 682**	**(2 361 021)**	**(5 646 546)**

TABLE 2: Extracts from the statement of financial position 2017–2021

FINANCIAL MODEL	COST PLUS SURPLUS MARGIN			COST RECOVERY	
Statement of financial position	2 017	2018	2019	2020	2021
Total Assets	146 925 436	128 784 969	132 208 544	106 960 416	86 202 839
Total Liabilities	(23 207 320)	(21 072 178)	(21 369 627)	(18 482 521)	(15 967 338)
Total Net Assets	**123 718 116**	**107 712 790**	**110 838 916**	**88 477 896**	**70 235 501**
Shareholders loan as equity	**92 595 410**	**52 595 410**	**32 595 853**	**12 595 853**	**0**
Return on equity	**11.2%**	**44.1%**	**70.95%**	**–18.74%**	**N/A**

1 Overview

Interfront's finance model was changed during the previous financial year from a surplus driven model, to a "cash break-even" model. This is evident in the financial result. The new model is closer aligned to the legal form of Interfront as a Schedule 3A public entity and a subsidiary of SARS. Interfront remains committed to be a good custodian of its finances as part of the public sphere and is committed to the cost savings initiatives by National Treasury.

2 Statement of Financial Performance

The year-end results reveal an accounting nett deficit in line with the cash-break even funding model adopted. The nett deficit is lower than the budgeted deficit due to cost savings during the year under review because of the national lock down (nett deficit R5 646 546).

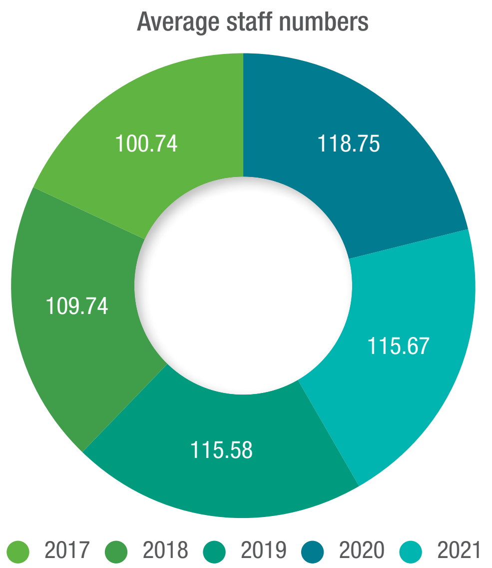
The recoverability percentage was on par with that budgeted at 78% (budget 78%, 2020 actual 79%). The continued development effort for the NCAP projects, together with the support of our systems in SARS and ADA, contributed to this figure. Non-recoverable time accounts for leave, administration and training as well as time that is spent on research and development. Rendering of services has decreased by 2.5% in line with the new financial model which is linked to cost recovery. Interest revenue decreased significantly by 65.8% due to the large reduction in interest rates as a result of the national pandemic.

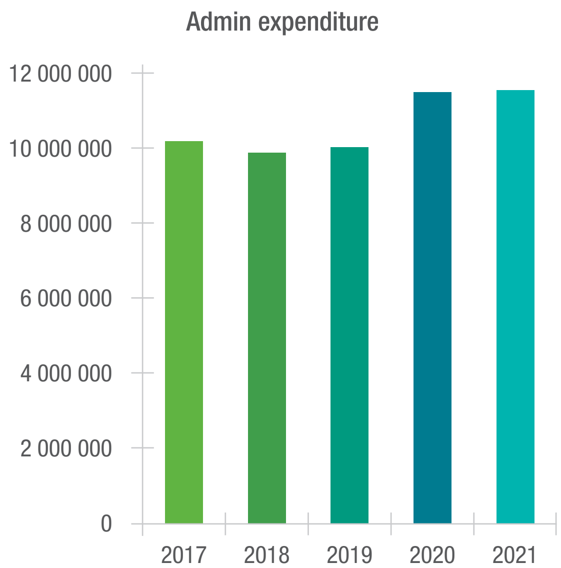
Overall expenditure decreased by 4% in real terms due to reduced expenditure resulting from the national lock down. The decrease was countered by an increase in administrative expenditure due to the rise in rental expenditure with the newly acquired office space that is fully reflected for the first time in the year under review. Employee cost decreased in real terms as a result of a 2.6% reduction in the average staff number, (2021: 115.7 2020: 118.8).

Average employee cost decreased in real terms (R59 396*, 2020: R59 246*) due to a moratorium on increases for senior staff members because of budget constraints in the public sector.

* Average staff salary excluding cost of directors

Due to the volatility of the Rand, a marginal forex loss was accounted 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.





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

3 Statement of Financial Position

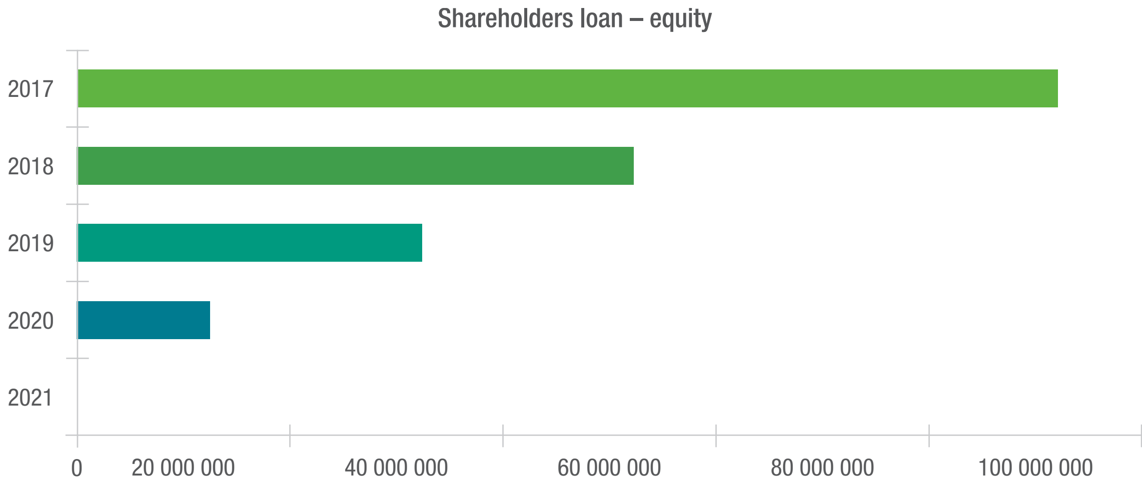
The Shareholder's loan, classified as equity, was fully repaid during the year under review. Trade and other receivables reduced materially by 84.6% due to an abnormally large year-end balance at the end of the previous financial year. The amount was cleared shortly after year-end resulting in an increase in cash and cash equivalents of 32.6% and a 16% decrease in total current assets.

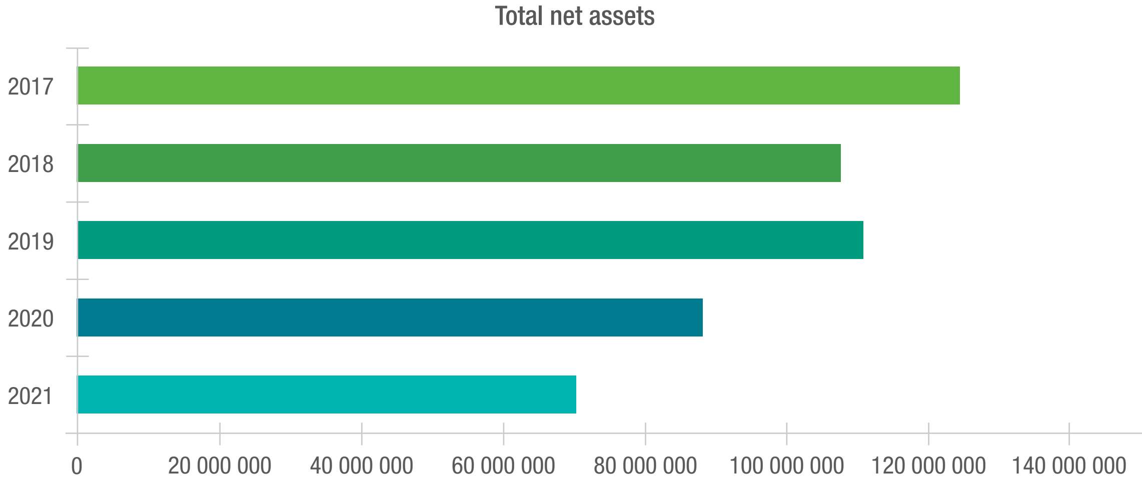
Non-current assets decreased because of the amortisation of intangible assets.

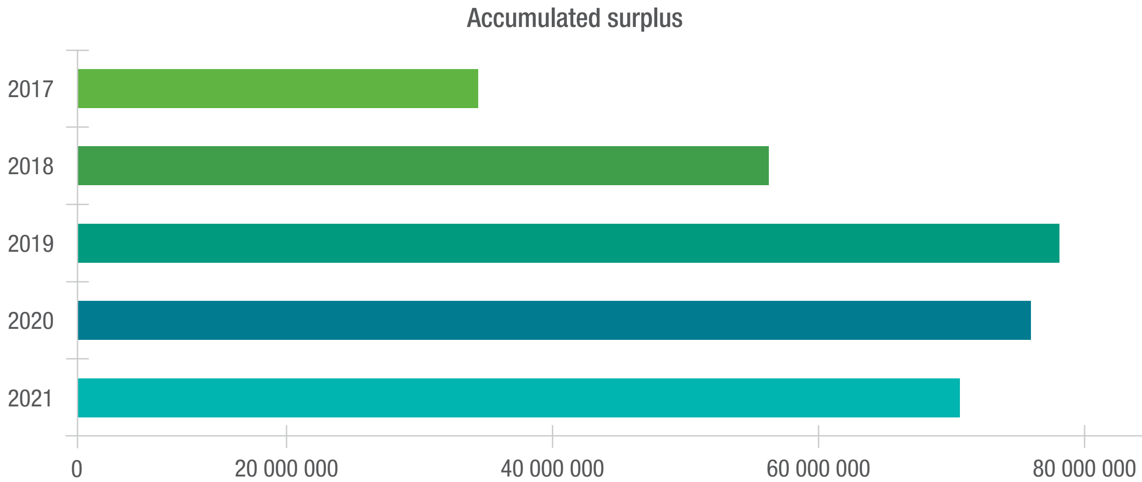
Current liabilities decreased by 13.3%. The large increase in VAT payable in the previous financial year as a result of the abnormal March 2020 invoice, was not repeated and the VAT payable reduced to a normalised R819 392. Payables increased by 16.2% because of year-on-year supplier variances.

Non-current liabilities remained stable with the sole material variance being the 23.1% decrease in the deferred tax liability, as the temporary difference in intellectual property is still being reversed.

Nett assets decreased by 20.6% to R70.2 million (2019/20: R88.4million) because of the repayment in the Shareholder's loan as well as the accounting deficit for the year.







4 Conclusion and Outlook

Interfront management remains committed to ensure the entity continues to operate as a going concern and the rights of all stakeholders are protected with the change in the finance model. Interfront ended the year with a strong statement of financial position and the Board remains committed to ensuring the company remains solvent and liquid.

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of International Frontier Technologies SOC LTD set out on pages 81 to 114, which comprise the statement of financial position as at 31 March 2021, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as 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 International Frontier Technologies SOC LTD as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 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 my report.

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

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

Other matter

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 114 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting authority for the financial statements

8. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act 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 the selected objective 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 public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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 public entity's annual performance report for the year ended 31 March 2021.

OBJECTIVE	PAGES IN THE ANNUAL PERFORMANCE REPORT
Objective 1 – quality software development and support	29–32

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 this 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 29 to 32 for information on the achievement of planned targets for the year and explanations provided for the achievement of 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 the selected objective presented in the annual performance report that has 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 on it.

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 objective 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

13 September 2021

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 the selected objective and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
   - conclude on the appropriateness of the 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 the public entity 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

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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

6 Annual Financial Statements

PART E

INDEX

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Statement of Financial Position
AS AT 31 MARCH 2021

Assets

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Current tax receivable	3	366 590	980 971
Receivables from exchange transactions	4	4 474 535	29 092 232
Cash and cash equivalents	5	55 757 374	42 040 381
		60 598 499	**72 113 584**
Non-Current Assets			
Property, plant and equipment	6	5 804 468	7 021 429
Intangible assets	7	19 799 871	27 825 403
		25 604 339	**34 846 832**
Total Assets		**86 202 838**	**106 960 416**

Liabilities

Figures in Rand	Note(s)	2021	2020 Restated*
Liabilities			
Current Liabilities			
Payables from exchange transactions	8	7 337 836	6 315 140
VAT payable	9	819 392	3 064 109
Provisions	10	3 679 735	4 275 945
		11 836 963	**13 655 194**
Non-Current Liabilities			
Operating lease liability	11	769 439	455 941
Deferred tax	12	3 360 936	4 371 386
		4 130 375	**4 827 327**
Total Liabilities		**15 967 338**	**18 482 521**
Net Assets		**70 235 500**	**88 477 895**
Share capital/contributed capital	14	1	1
Shareholder's loan – equity	15	–	12 595 853
Accumulated surplus		70 235 499	75 882 041
Total Net Assets		**70 235 500**	**88 477 895**

* See Note 30

PART E

Statement of Financial Performance

AS AT 31 MARCH 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	16	109 701 258	112 536 279
Profit/(Loss) from exchange transactions and other sundry income	16	(531 699)	391 451
Interest received – investment	16	1 982 549	3 850 374
Total revenue from exchange transactions		**111 152 108**	**116 778 104**
Expenditure			
Employee costs		(90 014 801)	(89 878 378)
External development services		(6 227 045)	(7 384 030)
Depreciation and amortisation		(10 334 583)	(10 334 064)
Finance costs	17	–	(742)
Loss on disposal of assets and liabilities	6	(26 125)	(20 856)
Administrative Expenses		(10 696 845)	(10 453 194)
Auditors' remuneration	18	(866 682)	(1 065 027)
Total expenditure		**(118 166 081)**	**(119 136 291)**
Deficit before taxation		**(7 013 973)**	**(2 358 187)**
Taxation	19	(1 367 427)	2 835
Deficit for the year		**(5 646 546)**	**(2 361 022)**

* See Note 30

Statement of Changes in Net Assets
AS AT 31 MARCH 2021

Figures in Rand	Share capital	Shareholder's loan – Equity	Accumulated surplus	Total net assets
Balance at 01 April 2019	**1**	**32 595 853**	**78 243 063**	**110 838 917**
Changes in net assets				
Surplus for the year	–	–	(2 361 022)	(2 361 022)
Payment of Shareholder's loan	–	(20 000 000)	–	(20 000 000)
Total changes	–	(20 000 000)	(2 361 022)	(22 361 022)
Balance at 01 April 2020	**1**	**12 595 853**	**75 882 045**	**88 477 899**
Changes in net assets				
Surplus for the year	–	–	(5 646 546)	(5 646 546)
Payment of Shareholder's loan	–	(12 595 853)	–	(12 595 853)
Total changes	–	(12 595 853)	(5 646 546)	(18 242 399)
Balance at 31 March 2021	**1**	**–**	**70 235 499**	**70 235 500**
Note(s)	14	15		

* See Note 30

PART E

Cash Flow Statement

AS AT 31 MARCH 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Rendering of services		134 318 955	99 473 008
Interest received		1 982 549	3 850 374
Foreign exchange profit/(loss) and other sundry income		(531 699)	391 451
		135 769 805	**103 714 833**
Payments			
Employee cost		(96 241 846)	(97 262 408)
Suppliers		(10 227 332)	(12 787 723)
Movement in provisions		(596 210)	(2 846 120)
Taxes on surpluses	3	971 358	(392 724)
VAT movement		(2 244 717)	2 115 480
		(108 338 747)	(111 173 495)
Net cash flows from operating activities	21	**27 431 058**	**(7 458 662)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(786 571)	(4 003 863)
Purchase of other intangible assets	7	(331 645)	(203 463)
Net cash flows from investing activities		**(1 118 216)**	**(4 207 325)**
Cash flows from financing activities			
Finance lease payments		–	(21 875)
Payment of Shareholder's loan		(12 595 853)	(20 000 000)
Net cash flows from financing activities		**(12 595 853)**	**(20 021 875)**
Net increase/(decrease) in cash and cash equivalents		**13 716 989**	**(31 687 862)**
Cash and cash equivalents at the beginning of the year		42 040 381	73 728 243
Cash and cash equivalents at the end of the period	5	**55 757 370**	**42 040 381**

* See Note 30

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 91(1) of the Public Finance Management Act (Act 1 of 1999).

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Summary of Significant Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty *(continued)*

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 of expected future cash flows are prepared for each group of assets. Expected future cash flows used to determine the value-in-use of intangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including projected future revenue forecasts and economic factors such as inflation, exchange rates and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in Note 10 – 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.

Summary of Significant Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty *(continued)*

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 and deficit when there is objective evidence that debtors are impaired. The impairment is measured as the difference between the debtors' carrying amount 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 subsequently require material adjustment to the carrying value of the intangible asset.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Summary of Significant Accounting Policies

1.2 Property, plant and equipment *(continued)*

Property, plant and equipment are 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 lease period, whichever is shorter
Generators	Straight-line	10 years
Security equipment	Straight-line	5 years
Office equipment – leased	Straight-line	Over the term of the lease

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

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

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

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see Note 6).

Summary of Significant Accounting Policies

1.3 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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

Intangible assets are derecognised:

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

Summary of Significant Accounting Policies

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be reliably estimated. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Summary of Significant Accounting Policies

1.4 Financial instruments *(continued)*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash
- a residual interest of another entity or
- a contractual right to
    - receive cash or another financial asset from another entity or
    - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

PART E

Summary of Significant Accounting Policies

1.4 Financial instruments *(continued)*

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

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

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.

Summary of Significant Accounting Policies

1.5 Tax *(continued)*

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 are therefore included in surplus or deficit for the period.

1.6 Leases

A lease is classified as a finance lease if it substantially transfers all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not substantially transfer all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is expensed in each period.

Summary of Significant Accounting Policies

1.6 Leases *(continued)*

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 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 are 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

At each reporting date the entity assesses 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.

Summary of Significant Accounting Policies

1.10 Employee benefits *(continued)*

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.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

Provisions are not recognised for future operating deficits.

1.12 Revenue from exchange transactions

Measurement

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

Summary of Significant Accounting Policies

1.12 Revenue from exchange transactions *(continued)*

Rendering of services

When the outcome of a transaction involving the rendering of services can be reliably estimated, 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 reliably estimated when all of 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 reliably measured and
- the costs incurred for the transaction and the costs to complete the transaction can be reliably measured.

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

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.

Summary of Significant Accounting Policies

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

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

Exchange differences arising on the settlement of monetary items or on translating monetary items from 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 to the foreign currency amount 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 those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

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

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

Notes to the Financial Statements

Figures in Rand	2021	2020

2 Changes in accounting policy

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

3 Tax refunded (paid)

Balance at beginning of the year	980 971	1 456 912
Current tax for the year recognised in surplus or deficit	356 977	(868 665)
Balance at end of the year	(366 590)	(980 971)
	971 358	**(392 724)**

4 Trade and other receivables

Trade debtors	1 257 168	26 363 355
Prepayments and other sundry receivables	3 202 008	2 713 518
Deposits	15 359	15 359
	4 474 535	**29 092 232**
Fair value of trade and other receivables		
Trade and other receivables	4 474 535	29 092 232
Trade and other receivables past due but not impaired		

Trade and other receivables which are less than 3 months past due are not considered to be impaired. There were no amounts past due at 31 March 2021 or 31 March 2020.

5 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 518	5 963
Bank balances	47 186 730	33 832 118
Short-term deposits	8 565 126	8 202 300
	55 757 374	**42 040 381**

PART E

Notes to the Financial Statements

6 Property, plant and equipment

	2021			2020		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Leasehold improvements	6 021 451	(4 727 709)	1 293 742	6 021 451	(4 557 577)	1 463 874
Furniture and fixtures	1 772 315	(969 041)	803 274	1 512 007	(870 566)	641 441
Office equipment – leased	109 788	(109 788)	–	109 788	(109 788)	–
IT equipment	16 591 377	(12 895 107)	3 696 270	16 591 114	(11 686 182)	4 904 932
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	**24 718 583**	**(18 914 115)**	**5 804 468**	**24 458 012**	**(17 436 583)**	**7 021 429**

Reconciliation of property, plant and equipment – March 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold improvements	1 463 874	–	–	(170 132)	1 293 742
Furniture and fixtures	641 441	260 308	–	(98 475)	803 274
Office equipment – leased	1	–	–	–	1
IT equipment	4 904 932	526 263	(26 125)	(1 708 800)	3 696 270
Generators	10 177	–	–	–	10 177
Security equipment	1 005	–	–	–	1 005
	7 021 430	**786 571**	**(26 125)**	**(1 977 407)**	**5 804 469**

Reconciliation of property, plant and equipment – March 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**

Other information

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

Property, plant and equipment	523 936	517 742

Fully depreciated assets still in use will be systematically replaced. A significant portion of the above amount is expected to be disposed of in the next 12 months.

Notes to the Financial Statements

6 Property, plant and equipment *(continued)*

Figures in Rand	2021	2020
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in the Statement of Financial Performance		
Repairs and maintenance	682 779	1 076 297

Impairment

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

7 Intangible assets

	2021			2020		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intellectual property and other rights	73 582 623	(56 077 080)	17 505 543	73 582 623	(48 718 818)	24 863 805
IT software	8 392 416	(6 098 088)	2 294 328	8 060 771	(5 099 173)	2 961 598
Total	**81 975 039**	**(62 175 168)**	**19 799 871**	**81 643 394**	**(53 817 991)**	**27 825 403**

Reconciliation of intangible assets – March 2021

	Opening balance	Additions	Amortisation	Total
Intellectual property and other rights	24 863 805	–	(7 358 262)	17 505 543
IT software	2 961 598	331 645	(998 915)	2 294 328
	27 825 403	**331 645**	**(8 357 177)**	**19 799 871**

Reconciliation of intangible assets – March 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**

Impairment

As per GRAP 26, management undertook an assessement to ascertain whether there was any indication that the intangible assets were impaired. None were identified.

PART E

Notes to the Financial Statements

Figures in Rand	2021	2020

8 Trade and other payables

Trade payables	1 501 100	1 600 957
Accrued leave pay	3 264 437	3 003 233
PAYE payable	1 752 089	–
Other accruals	820 210	520 398
Revenue billed in advance	–	1 190 552
	7 337 836	**6 315 140**

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

9 VAT payable

VAT payable	**819 392**	3 064 109

10 Provisions

Reconciliation of provisions – March 2021

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	4 275 945	3 679 735	(3 653 695)	(622 250)	3 679 735

Reconciliation of provisions – March 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

Performance bonuses represent the estimated obligation for the current year.

11 Operating lease

Non-current liabilities	(769 439)	(455 941)
Current liabilities	–	–
	(769 439)	**(455 941)**

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

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

Notes to the Financial Statements

Figures in Rand	2021	2020

12 Deferred tax

Deferred tax liability		
Deferred tax	(3 360 936)	(4 371 386)
Reconciliation of deferred tax asset\(liability)		
At beginning of year	(4 371 386)	(5 237 217)
Temporary difference on prepayments	(19 615)	(12 270)
Temporary difference on tangible fixed assets	(232 455)	(136 106)
Movement in provision and accruals	(266 615)	(512 296)
Reversing temporary difference on finance lease	–	(5 917)
Originating temporary difference on operating lease	87 779	91 064
Reversing temporary difference on Intellectual property	1 441 356	1 441 356
	(3 360 936)	**(4 371 386)**

13 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	6 017 113	5 983 891

14 Share capital

Authorised		
1 000 Ordinary shares of R1 each	1 000	1 000
Reconciliation of number of shares issued:		
Reported as at 01 April 2020	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 the Financial Statements

Figures in Rand	2021	2020

15 Shareholder's loan

The loan is unsecured, bears no interest and has no fixed term of repayment. An amount of R12 595 853 was paid on the loan during the year under review (2020: R20 million).

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

16 Revenue

Rendering of services: SARS	93 778 506	99 515 446
Rendering of services: Luxembourg	15 922 752	13 020 833
Profit/(Loss) from exchange transactions	(531 699)	391 451
Interest received	1 982 549	3 850 374
	111 152 108	**116 778 104**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	109 701 258	112 536 279
Profit/(Loss) from exchange transactions	(531 699)	391 451
Interest received	1 982 549	3 850 374
	111 152 108	**116 778 104**

17 Finance costs

Finance leases	–	742

18 Auditors' remuneration

External Audit: Fees	592 564	636 700
Internal Audit: Fees	208 534	318 060
Subsistance and Travel: Internal Audit	–	38 938
Subsistance and Travel: External Audit	65 584	71 329
	866 682	**1 065 027**

Notes to the Financial Statements

Figures in Rand	2021	2020

19 Taxation

Major components of the tax (income)/expense		
Current		
Local income tax – current period	(327 702)	868 665
Local income tax – recognised in current tax for prior periods	(29 275)	–
	(356 977)	**868 665**
Deferred		
Deferred tax movement current year	(1 010 450)	(865 830)
	(1 367 427)	**2 835**
Reconciliation of the tax expense		
Reconciliation between accounting deficit and tax expense.		
Accounting deficit	(7 013 973)	(2 358 187)
Tax at the applicable tax rate of 28% (2020: 28%)	(1 963 912)	(660 292)
Tax effect of adjustments on taxable income		
Originating temporary differences	1 010 450	865 830
Non-deductable differences	625 760	663 127
Over provision of tax in prior year	(29 275)	–
	(356 977)	**868 665**

20 Operating deficit

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

Loss on disposal of assets	(26 125)	(20 856)
Amortisation on intangible assets	8 357 176	8 539 541
Depreciation on property, plant and equipment	1 977 407	1 794 523

Notes to the Financial Statements

Figures in Rand	2021	2020

21 Cash generated from operations

Deficit	(5 646 546)	(2 361 022)
Adjustments for:		
Depreciation and amortisation	10 334 583	10 334 064
Loss on disposal of assets	26 125	20 856
Finance costs – Finance leases	–	742
Movements in operating lease assets and liabilities	313 498	211 797
Movements in provisions	(596 210)	(2 846 120)
Movement in tax receivable and payable	614 381	475 941
Annual charge for deferred tax	(1 010 450)	(865 830)
Deferred revenue movement	–	–
Changes in working capital:		
Trade and other receivables	24 617 697	(13 063 271)
Trade and other payables	1 022 697	(1 481 299)
VAT	(2 244 717)	2 115 480
	27 431 058	**(7 458 662)**

22 Commitments

Authorised operational expenditure		
Already contracted for but not provided for		
• IT goods and services	85 639	57 537
• Offices services	35 226	37 193
• HR services	8 858	–
	129 723	**94 730**

Total operational commitments		
Already contracted for but not provided for	129 723	94 730

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	4 339 527	3 971 019
– in second to fifth year, inclusive	11 749 264	16 088 791
	16 088 791	**20 059 810**

Operating lease payments represent rentals payable by the entity for its office properties. Refer to Note 12 for more detail.

Notes to the Financial Statements

23 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 (In Liquidation) (17.88% effective interest)
Members of Board of Directors	M.A. Enus-Brey: Chairman of the Board
	G.O. Randall: Managing Director (retired 31 May 2020)
	J.M. Robertson: Operations Director
	L.L. Janse Van Rensburg: Financial Director (and Acting Managing Director from 1 June 2020)
	*Y. van der Merwe: Non-Executive Director
	*B. Theron: Non-Executive Director
	*H. Smith: Non-Executive Director
	*V.C. Nthabyane: Non-Executive Director
Members of key management	M. Peperrell
	N. Mohoto
	S. Mtsweni

* These Non-Executive directors are employed by the Shareholder

	2021	2020
Related party balances		
Loan accounts – Owing (to)/by related parties		
South African Revenue Services	–	12 595 853
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. The loan was repaid in full during December 2020.		
Receivables from exchange transactions		
South African Revenue Services	–	26 363 355
The trade receivables with the shareholder represents amount receivable for services rendered at arm's length transactions.		
Payables from exchange transactions		
South African Revenue Services	208 534	417 039
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.		
Rendering of services to related parties		
South African Revenue Services	93 778 506	99 515 446

Notes to the Financial Statements

23 Related parties *(continued)*

Remuneration of management

Management class: Executive management

2021	Basic salary	Annual bonus	Subsistance and travel	Company contributions	Total
Name					
M. Pepperell	1 113 001	89 776	997	13 078	1 216 852
N. Mohoto	1 067 210	77 554	6 000	12 540	1 163 304
S. Mtsweni	1 133 239	82 353	10 449	13 316	1 239 357
	3 313 450	**249 683**	**17 446**	**38 934**	**3 619 513**

2020	Basic salary	Annual bonus	Subsistance and travel	Company contributions	Total
Name					
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**

24 Directors' emoluments

Executive

2021	Emoluments	Annual bonus	Subsistance and travel	Company contributions	Total
J.M. Robertson	3 018 876	–	14 400	35 472	3 068 748
G.O. Randall (retired 31 May 2020)	471 830	–	689	–	472 519
L.L. Janse van Rensburg	2 063 113	–	10 737	23 496	2 097 346
	5 553 819	**–**	**25 826**	**58 968**	**5 638 613**

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**

Notes to the Financial Statements

24 Directors' emoluments *(continued)*

Non-executive

2021	Members' fees	Committees fees	Subsistance and travel	Total
M.A. Enus-Brey	16 546	972	–	17 518

2020	Members' fees	Committees fees	Subsistance and travel	Total
M.A. Enus-Brey	12 622	–	4 884	17 506

No fees or remuneration are payable to the Non-executive Directors who are also employees of the Shareholder.

25 Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Risk management is carried out by the Board. The Board provides written policies for overall risk management, as well as a review covering specific areas.

Liquidity risk

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

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 not significant.

At 31 March 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	No fixed term of repayment
Payables from exchange transactions	7 337 836	–	–	–
Operating lease contractual payments	4 339 527	4 643 293	7 105 971	–

At 31 March 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	No fixed term of repayment
Borrowings – Shareholder's 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 the Financial Statements

25 Risk management *(continued)*

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	2021	2020
Cash and cash equivalents	55 757 374	42 040 381
Receivables from exchange transactions	4 474 535	29 092 232

Market risk

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 three years	Due in three to four years	Due after five years
Receivables from exchange transactions	7.00%	4 474 535	–	–	–	–
Cash in current banking institutions	7.00%	55 757 374	–	–	–	–
Payables from exchange transactions	7.00%	7 337 836	–	–	–	–
Operating lease obligation	7.00%	4 339 527	4 643 293	7 105 971	–	–

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.

Figures in Rand	2021	2020
Foreign currency exposure at statement of financial position date		
Current assets		
Receivables from exchange transactions (EURO)	36 167	–
Exchange rates used for conversion of foreign items were:		
EURO	17.38	

Notes to the Financial Statements

26 Going concern

The 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.

27 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 those disclosed.

28 Reconciliation between budget and statement of financial performance

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

29 Irregular expenditure

Figures in Rand	2021	2020
Opening balance as previously reported	1 402 552	–
Opening balance as restated	**1 402 552**	–
Add: Irregular Expenditure – current	–	438 515
Add: Irregular Expenditure – prior period	–	964 037
Irregular expenditure condoned and to be removed	(1 402 552)	–
Closing balance	**–**	**1 402 552**

Notes to the Financial Statements

29 Irregular expenditure *(continued)*

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 CV's were submitted for Interfront's 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.

The irregular expenditure was condoned by the Board on 10 June 2021 as there was no indication of fraud, malicious intent or financial losses.

30 Prior-year adjustments

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

Statement of financial position
2020

	Note	As previously reported	Correction of error	Restated
Current tax receivable	3	1 153 785	(172 814)	980 971
Deferred tax	12	4 544 200	(172 814)	4 371 386
		5 697 985	**(345 628)**	**5 352 357**

Notes to the Financial Statements

30 Prior-year adjustments *(continued)*

Errors

It was identified that Income received in advance was not taken into account in the Income tax calculation. This resulted in a larger current tax liability and a corresponding decrease in Deferred tax. This was corrected with the effects on the financial statement line items indicated above.

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) of the PMFA. There were no further developments in the current financial year.

2. Tatis International (Pty) Ltd, with whom SARS and Interfront were contracted through a sale of business agreement, was placed in liquidation on 19 April 2018. The liquidators convened an insolvency enquiry into the affairs of Tatis International (Pty) Ltd, for the purpose of *inter alia* identifying possible claims and following up *inter alia* on the agreements to which Interfront was a party. Tatis International (Pty) Ltd, has indicated its intention to proceed with arbitration against Interfront for alleged breach of contract and Interfront agreed to participate in a without prejudice mediation process, as is required in terms of the sale of business agreement. Interfront, as well as its legal representation remains of the view that it is not liable for any claim. Accordingly, no provision or contingency has been included in these financials.

ANNEXURE A
Statement of Responsibility and Confirmation of Accuracy for the Annual Report

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

All information and amounts disclosed in the annual report is consistent with the Annual Financial Statements audited by the AGSA.

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

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

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

The accounting authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

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

The external auditors are engaged to express an independent opinion on 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 2021.

Yours faithfully

Leilanie Janse van Rensburg
Acting Managing Director
13 September 2021

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
DPS	Declaration Processing System
EAT	Earning After Tax
EBT	Earnings Before Tax
EE	Employment Equity
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
IT	Information Technology
KELs	Known Error List
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
VAT	Value Added Tax

interfront

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