

NAFISAT 2023/24

ANNUAL FINANCIAL STATEMENTS

TABLE OF CONTENTS

1	Introduction	3
2	ATNS Management Report	3
3	Agreed Upon Audit Procedures Report	5
4	Statement of Financial Position as at 31 March 2024	8
5	Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 March 2024	9
6	Statement of change in equity for the year ended 31 March 2024	9
7	Statement of cash flows for the year ended 31 March 2024	10
8	Accounting policies	11
8.1	Basis of preparation	11
8.2	Property, plant and Equipment	11
8.3	Work in progress	12
8.4	Financial Instruments	12
8.4.1	Cash and Cash Equivalents	12
8.4.2	Trade and other payables	12
8.5	Provisions	14
8.6	Revenue recognition	15
8.7	Significant accounting estimates and judgements	15
8.7.1	Estimates	16
8.7.2	Provisions	16
8.7.3	Property, plant and equipment	16
8.8	Taxes	16
8.8.1	Current tax assets and liabilities	16
9	Notes to the Annual Financial Statements	16
9.1	New standards adopted as at 01 April 2023	16
9.2	Revenue	18
9.3	Other income	18
9.4	Staff Costs	18
9.5	Administration costs	18
9.6	Other Expenses	19
9.7	Finance income	19
9.8	Income tax expense	19
9.9	Property, plant and equipment	20
9.10	Work in progress	20
9.11	Trade and other receivables	21
9.12	Deferred tax	22
9.13	Cash and cash equivalents	22
9.14	Trade and other payables	23

1 Introduction

The North East African Indian Ocean (NAFISAT) and adjacent regions use a Very Small Aperture Terminal (VSAT) satellite communication system to address communication deficiencies in the region. The Air Traffic and Navigation Services State Owned Company (ATNS) was appointed as a service provider to finance the network and recover costs through a signed cost recovery agreement with the International Air Transport Association (IATA).

The objectives for the implementation of the NAFISAT projects are to:

- a) Provide reliable, efficient, sustainable and effective aeronautical voice (ATS/DS) and data (AFTN) circuits and services;
- b) Provide additional communication functionality for future implementation of VHF remote relay, radar data transmission, ATN communication and other critical services in line with the ICAO regional CNS/ATM plan;
- c) Implement a VSAT technology platform which not only meets the user requirements, but is of modern design and has future expansion capability;
- d) Facilitate the interoperability and interconnectivity of the NAFISAT network with other VSAT networks used for aeronautical fixed communication in the AFI region; and
- e) Implement a cost-effective logistic support system and support infrastructure to allow, not only network and remote terminal maintenance to be conducted from a central point, but also “on-site” distributed maintenance to be undertaken by the individual member states.

2 ATNS Management Report

ATNS management hereby presents the financial report for the year ended 31 March 2024. The North East African Indian Ocean (NAFISAT) and adjacent regions use a Very Small Aperture Terminal (VSAT) satellite communication system to address communication deficiencies in the region. The Air Traffic Navigation Services State Owned Company (ATNS) was appointed as a service provider to finance the network and recover costs through a signed cost recovery agreement with the International Air Transport Association.

Management is responsible for the preparation, integrity and fair presentation of the financial report.

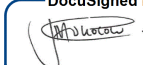
The auditors performed agreed upon procedures on the financial report presented on pages 8 to 23 in accordance with the International Standard on Related Services (ISRS4400) “Engagements to Perform Agreed-Upon Procedures regarding Financial Information”. The external auditors are responsible for independently reviewing and reporting on Air Traffic and Navigation Services SOC Limited's audited financial statements. In addition to the audit performed on ATNS (which includes the NAFISAT network), agreed upon procedures were performed by the auditors to the network and their report is on pages 5 to 7.

During the year under review revenue increased by 24.5% to \$4.02 million (2023: \$ 3.23 million) mainly due to in creased FIR crossings, having assessed the following factors, management are of the view that NAFISAT network remains a going concern:

- Monitoring of cash flow and liquidity requirements on a regular basis, using rolling forecasts, with cash reserves at the end of the reporting period being \$3.39 million (FY2023: \$1.80 million) and;
- An ongoing review of operating costs with clear cost containment measures in place.

Management is of the opinion, based on the information available to date, that NAFISAT communication network financial report fairly presents the financial position of NAFISAT network and the results of its operations and cash flow for the year ended 31 March 2024.

Management has every reason to believe that the network has adequate resources in place to be able to continue its operations for the foreseeable future.

DocuSigned by:

2ABC880A88894B3...
Chief Financial Officer



119 Witch-Hazel Avenue
Highveld Technopark
Centurion
0157
T: +27 (0) 12 682 8800
info@nexia-sabt.co.za
www.nexia-sabt.co.za

The Chief Financial Officer
Air Traffic and Navigation Services SOC Limited
Eastgate Office Park, Block C
South Boulevard Road
Bruma,
2198

16 September 2024

Dear Mr. M. Moholola

FACTUAL FINDINGS REPORT ON AGREED UPON PROCEDURES ENGAGEMENT IN RESPECT OF NORTH EAST AFRICAN INDIAN OCEAN (NAFISAT) FINANCIAL INFORMATION.

We have performed the procedures agreed with Air Traffic and Navigation Services SOC Limited (ATNS). Our engagement was undertaken in accordance with International Standards on Related Services (ISRS4400) applicable to agreed-upon procedures engagements. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the directors. Our report, requested by ATNS as per requirement by the NAFISAT Supervisory Board, is solely for this purpose and for your information and submission to the NAFISAT Supervisory Board.

The procedures that were performed did not constitute an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements and, consequently, no opinion or conclusion expressed.

Scope

NAFISAT is a division of ATNS therefore, based on discussion with management, revenue, assets and liabilities as reported on the NAFISAT financial report are scoped out from any additional evaluation in this engagement. These areas have been evaluated during the ATNS annual external audit. For the purposes of this engagement, the financial statement areas listed above will only be tested for accuracy of conversion from the Rand value to USD.

During the audit of ATNS, these financial statement areas were selected for specific testing. Expenses were tested with the exception of the allocation of costs between the various divisions as the audit opinion was on ATNS as a whole and not per division. This warranted additional testing of NAFISAT expenses.

In light of the above, we have agreed to perform the following procedures for the review of the NAFISAT financial information and prepare a report to you on the results from our work:

Audit. Tax. Advisory.

Chairperson: Mrs A Ramasike
Chief Executive Officer: Mr MF Sulaman
SAB&T Chartered Accountants Incorporated t/a Nexia SAB&T
Company Registration Number: 1997/018869/21 | IRBA Registration Number: 921297
Offices in: Bloemfontein, Cape Town, Centurion, Durban, Johannesburg, Kimberley, Nelspruit, Polokwane, Port Elizabeth, Rustenburg
B-BBEE rating: Level 1 Contributor in terms of Generic Scorecard - B-BBEE Codes of Good Practice
SAB&T Chartered Accountants Incorporated is a member of Nexia, a leading, global network of independent accounting and consulting firms.
SAB&T Chartered Accountants Incorporated is an authorised financial services provider.
* A full list of directors is available for inspection at the company's registered office or on request.

Agreed upon procedures

1. Agree NAFISAT trial balance to the final audited Air Traffic and Navigation Services SOC Limited (ATNS) trial balance to ensure the accuracy and completeness thereof.
2. Select a sample of expenses allocated to NAFISAT and perform the following procedures:
 - i. Agree the general ledger details to the invoice details for validity.
 - ii. Review the calculation and basis of allocation for shared expenses and inspect the approval of the basis of allocation.
 - iii. Inspect the relevant supporting documents for expense motivation or description to ensure that the expense has been allocated correctly to the NAFISAT division.
 - iv. Inspect the invoice date to ensure that the expense relates to the period under review.
3. Obtain the NAFISAT allocated staff costs report and reconcile it to the general ledger.
4. Obtain the NAFISAT employee listing with approved staff cost allocation rates. Select a sample and re-perform the cost allocation to ensure that the costs were allocated correctly as per the approved rates.
5. Recalculate the foreign exchange translations from ZAR to USD of the classes of transactions at average rate for the period. Follow up and resolve differences identified.
6. Recalculate the foreign exchange translations from ZAR to USD the account balances at spot rate as at 31 of March 2024. Follow up and resolve differences identified.
7. Compare the recalculated amounts to the NAFISAT trial balance.
8. Review the NAFISAT financial information as at 31 March 2024.

Findings

1. With regards to procedure 1, we agreed NAFISAT trial balance to the final audited ATNS trial balance and no exceptions were noted.
2. With regards to procedure 2;
 - (i) We agreed the general ledger details to the invoices and confirmed that the expenses are valid.
 - (ii) We reviewed the client cost allocation calculation for shared expenses. Further, we inspected the approval of the basis of allocation and no exceptions were noted.
 - (iii) We inspected the relevant expense supporting documents and confirmed that the expenses have been allocated correctly to NAFISAT.
 - (iv) We inspected the invoice and confirmed that the expense relates to the period under review.
3. With regards to procedure 3, we reconciled the staff cost report from the payroll system to the general ledger and no exceptions were noted.
4. With regards to procedure 4, we obtained NAFISAT employee listing with approved time allocation per each employee approved by ATNS management. We re-performed the cost allocation and confirmed that the costs were allocated according to approved rates. No exceptions were noted.
5. With regards to procedure 5, we recalculated the foreign exchange translations from ZAR to USD of the classes of transactions using average exchange rate for the period. No exceptions were noted.
6. With regards to procedure 6, we recalculated the foreign exchange translations from ZAR to USD of the account balances using spot rate as at 31 March 2024. No exceptions were noted.
7. With regards to procedure 7, we compared our recalculated figures above to the client's final USD trial balance and no exceptions were noted.
8. With regards to procedure 8, we reviewed the financial information presented in the 2023/24 financial report and confirmed it complies with the accounting framework adopted by ATNS. No exceptions were noted.

Because the above procedures do not constitute an audit of financial information, a review of financial information or other assurance engagement conducted in accordance with International Standards on Auditing, International Standards on Review Engagements, or International Standards on Assurance Engagements other than Audits or Reviews of Historical Financial Information, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, or had we performed an audit, review or other assurance engagement on the financial information reported in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagement, other matters might have come to our attention that would have been reported to you.

Professional Ethics and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. For the purpose of this engagement, there are no independence requirements with which we are required to comply.

The firm applies International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

Restriction on use and distribution

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statements of Air Traffic and Navigation Services State Owned Company Limited, taken as a whole.

Nexia SAB&T

Nexia SAB&T

Per: Ayisha Ramasike
Director
Registered Auditor

16 September 2024

4 Statement of Financial Position as at 31 March 2024

ASSETS	Notes	US \$ 2024	US \$ 2023
Non-Current Assets			
Property, plant and equipment	9.9	171 557	220 623
Work in progress	9.10	280 134	-
		<u>451 691</u>	<u>220 623</u>
Current Assets			
Trade and other receivables	9.11	419 549	332 416
Deferred tax asset	9.12	44 104	46 830
Cash and cash equivalents	9.13	3 398 810	1 806 359
		<u>3 862 463</u>	<u>2 185 605</u>
TOTAL ASSETS		<u>4 314 154</u>	<u>2 406 228</u>
EQUITY AND LIABILITIES			
Foreign translation reserve		55 512	259 278
Retained Earnings		906 051	713 863
Total Equity		<u>961 563</u>	<u>973 141</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	9.14	3 017 475	1 169 055
Current income tax liabilities	9.8	335 115	264 032
		<u>3 352 590</u>	<u>1 433 087</u>
Total Liabilities		<u>3 352 590</u>	<u>1 433 087</u>
TOTAL EQUITY AND LIABILITIES		<u>4 314 153</u>	<u>2 406 228</u>

5 Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 March 2024

	Note	US \$ 2024	US \$ 2023
Revenue	9.2	4 022 781	3 227 335
Other Income	9.3	64 957	137 852
Staff Costs	9.4	(408 167)	(346 582)
Administration cost	9.5	(2 300 619)	(1 716 188)
Depreciation and impairment	9.9	(54 982)	(60 312)
Other Expenses	9.6	(203 123)	(300 705)
Operating Profit		1 120 847	941 400
Finance revenue	9.7	120 320	36 494
Profit before tax		1 241 167	977 894
Income tax expense	9.8	(335 115)	(264 032)
Profit for the year		906 052	713 862

6 Statement of change in equity for the year ended 31 March 2024

	Foreign translation reserve US \$	Retained Income US \$	Total US \$
Balance as at 31 March 2023	259 278	713 863	973 141
Total comprehensive income for the year	-	-	-
Balance as at 31 March 2023	259 278	713 863	973 141
Total comprehensive income for the year	-	906 051	906 051
Transfer to ATNS	-	(713 863)	(713 863)
Movements	(203 766)	-	(203 766)
Balance as at March 31 2024	55 512	906 051	961 563

7 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2024

	US \$ 2024	US \$ 2023
Cash flow from operating activities		
Operating profit	1 120 847	941 401
Finance revenue	120 320	36 494
Adjustments for:		
Depreciation	54 982	60 312
Tax Paid	(264 032)	(121 818)
Changes in Working capital		
Trade and other receivables	(87 133)	(93 554)
Trade and other payables	1 848 420	(1 556 032)
Cash from operations	2 793 404	(733 197)
Cash flow from investing activities		
Addition on work in progress	267 218	-
	267 218	-
Net increase in cash and cash equivalent	3 060 622	(733 197)
Cash and Cash equivalent at beginning of year	1 806 359	2 503 902
Effects of currency translation	(1 468 171)	35 654
Cash and Cash equivalent at end of year	3 398 810	1 806 359

8 Accounting policies

8.1 Basis of preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in American Dollars, which is the VSAT network functional and presentation currency. Amounts presented in the financial statements were rounded off to the nearest Dollar.

Statement of compliance

The financial statements have been prepared on the going concern basis and are prepared in accordance with, IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act, No. 71 of 2008.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

8.2 Property, plant and Equipment

Property, plant and equipment is initially measured at cost.

An item of property, plant and equipment is recognized as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Spare parts which are not part of the unbundling methodology and servicing equipment are recognized in inventory and only transferred to profit or loss as they are utilised.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised. These inspection costs are depreciated over the period remaining before the next compulsory major inspection.

Depreciation on assets is calculated using the straight line method to allocate their cost to its residual value over its estimated useful life, as follows:

Item	Estimated useful life
Communication equipment	15 years

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and in a condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each balance sheet date.

NAFISAT network has made certain estimates in adjusting the carrying amounts of assets, which is resultant from assessing the present status of the company's assets and the expected future benefits and obligations associated with the assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

8.3 Work in progress

Work in progress is measured at cost less accumulated impairment.

Work in progress are both tangible and intangible assets which the company holds for its own use and which are expected to be used for more than one year. Capital working progress is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets.

Major property, plant, equipment and intangible assets that are commissioned over a period of time are reflected as capital work in progress on the statement of financial position.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

8.4 Financial Instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Financial assets: Amortised cost.

Financial liabilities: Amortised cost;

8.4.1 Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value, and subsequently recorded at amortised cost.

8.4.2 Trade and other payables

Trade and other payables, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs. Trade and other payables expose the company to liquidity risk and possibly to interest rate risk.

Derecognition

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial liabilities

Financial liabilities are not reclassified.

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any, they are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Network recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

Nafisat network makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix are presented in note 9.14.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is shown under administration costs in profit or loss as credit loss allowance (note 9.5).

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 9.14) and the financial instruments and risk management note.

Derecognition

Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

8.5 Provisions

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If the Network has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

8.6 Revenue recognition

Revenue arises mainly from services rendered from the following major sources:

- NAFISAT networks
- Spectrum service fees

North East African Indian Ocean (NAFISAT) network fees

The company operates a VSAT network satellite communication system to address communication deficiencies in the North East African Indian Ocean (NAFISAT). The company has contracts with the individual member states as well as International Air Transport Association. The probability of the customer paying for services rendered is based on the payment history of the customer and ongoing credit valuation.

The promised services to be offered, among others, include the following:

- ATS direct speech.
- Aeronautical fixed telecommunication network, eventually offering smooth migration support to the aeronautical telecommunication network. Applications, including ATS Message Handling System, ATS Inter facility Data Communication and Voice over Internet Protocol.
- Computer to computer data exchange between ATS flights data processing system.
- Operational meteorological data exchanges.

Spectrum service fees

Spectrum service fees relate to the supply of Very Small Aperture Terminal (VSAT) to Saudi Air Navigation Services (SANS). The performance obligations include spectrum costs, network management services and indirect cost recovery, these services are bundled together. The consideration charged for these services by the company is a fixed consideration. Revenue is recognised over time. The transaction price allocated to these services is recognised as receivable once the company satisfies the performance obligations.

8.7 Significant accounting estimates and judgements

The preparation of annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies in areas that involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements.

Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results may differ from these estimates.

8.7.1 Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities in the next financial year are listed below:

8.7.2 Provisions

Provisions were raised and management determined an estimate based on the information available as well as past experience.

8.7.3 Property, plant and equipment

Management has made certain estimates with regards to the determination of estimated useful lives and residual values of items of property, plant and equipment and intangible assets. In estimating the useful lives of the assets, management considered the industry standards, the present status of the assets and the expected future benefits associated with the continued use of the assets.

8.8 Taxes

8.8.1 Current tax assets and liabilities

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.

Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the balance sheet date.

9 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

9.1 New standards adopted as at 01 April 2023

Standards and interpretations effective and adopted in the current year

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

International tax reform Pillar two model rules amendments to IAS 12

The amendments incorporate into IAS 12, taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co operation and Development. As an exception, deferred tax assets and liabilities shall not be recognised, nor information about them disclosed related to Pillar Two income taxes. Disclosures about applying this exception to deferred tax are required. Any current tax income or expense related to Pillar Two income taxes is required to be disclosed separately. In addition, where the legislation is enacted or substantively enacted, but not yet in effect, management are required to disclose known or reasonably estimable information of the entity's exposure to Pillar Two taxes arising from that legislation.

The effective date of the amendment is the 23 May 2023 and the standard was effective immediately.

The company has adopted the amendment for the first time in the 2024 financial statements.

Deferred tax related to assets and liabilities arising from a single transaction: Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences. The amendments apply to transactions such as leases and decommissioning obligations.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company has adopted the amendment for the first time in the 2024 financial statements.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company has adopted the amendment for the first time in the 2024 financial statements.

The amendments have no effect on the measurement or presentation of any items in the financial statements of the entity but affect the disclosure of the entity's accounting policies.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company has adopted the amendment for the first time in the 2024 financial statements

9.2 Revenue

	2024	2023
Revenue from contracts with customers		
Revenue	4 022 781	3 227 335
	US \$	US \$
	2024	2023
Disaggregation of revenue from contracts with customers		
FIR crossings	3 961 873	3 164 594
Spectrum service fees	60 908	62 741
	<u>4 022 781</u>	<u>3 227 335</u>

9.3 Other income

	US \$	US \$
	2024	2023
Other income	34 158	137 852
Bad debts recovered	30 799	-
	<u>64 957</u>	<u>137 852</u>

Other income consists of recovered bad debts that were previously written off which was still pursued in the current financial year.

9.4 Staff Costs

	US \$	US \$
	2024	2023
Salaries and related costs	408 167	346 582
	<u>408 167</u>	<u>346 582</u>

Salaries are paid to the administrative personnel and engineers; related cost includes pension fund and medical aid.

9.5 Administration costs

	US \$	US \$
	2024	2023
Bad Debts	203 577	7 787
Bank Charges	2 080	896
Commission service fees	68 670	58 957
Management Fees	575 393	482 358
Surplus fees	1 121 129	884 743
Indirect Costs	233 271	220 962
Pre-Implementation costs	29 762	-
IATA Management Fees	76 027	48 344
Audit fees	3 286	3 055
Social function and entertainment	-	652
Contract services	(12 576)	8 435
	<u>2 300 619</u>	<u>1 716 189</u>

9.6 Other Expenses

	US \$	US \$
	2024	2023
Traveling Expenses	68 246	91 957
Telecommunications Expenses	121 003	202 398
Electronic Maintenance	13 874	6 349
	<u>203 123</u>	<u>300 704</u>

9.7 Finance income

	US \$	US \$
	2024	2023
Interest on bank deposits	120 320	36 494
	<u>120 320</u>	<u>36 494</u>

9.8 Income tax expense

	US \$	US \$
	2024	2023
Current income tax charge	335 115	264 032
	<u>335 115</u>	<u>264 032</u>
Current income tax liabilities	335 115	264 032
Foreign exchange movement	-	-
	<u>335 115</u>	<u>264 032</u>

9.9 Property, plant and equipment

US \$			
2024			
Category	Cost	Accumulated depreciation	Carrying Value
Communication equipment	1 322 146	(1 150 589)	171 557
	1 322 146	(1 150 589)	171 557

US \$			
2023			
Category	Cost	Accumulated depreciation	Carrying Value
Communication equipment	1 403 851	(1 183 228)	220 623
	1 403 851	(1 183 228)	220 623

Reconciliation of Property, plant and equipment : 2024

Category	Opening balance	Foreign exchange movement	Depreciation	Closing balance
Communication equipment	220 623	5 916	(54 982)	171 557
	220 623	5 916	(54 982)	171 557

Reconciliation of Property, plant and equipment : 2023

Category	Opening balance	Foreign exchange movement	Depreciation	Closing balance
Communication equipment	340 415	(59 481)	(60 312)	220 623
	340 415	(59 481)	(60 312)	220 623

9.10 Work in progress

	US \$	US \$
	2024	2023
Opening balance	-	-
Additions	267 218	-
foreign exchange movement	12 916	-
	280 134	-

The balance consists of the following categories of property, plant and equipment

Communication	280 134	-
	280 134	-

9.11 Trade and other receivables

	US \$ 2024	US \$ 2023
Trade receivables	743 578	634 277
Less: Impairment of trade receivables	(339 298)	(338 863)
Trade receivables - net	404 280	295 414
Other receivables	15 269	37 001
	419 549	332 415

The movement in the impairment of trade receivables allowances during the was as follows:

Opening balance in accordance with IFRS 9	(338 863)	(687 958)
Foreign exchange movement	19 922	99 667
Impairment loss recognised	(203 577)	7 787
Receivables written off during the year	183 220	241 642
Balance at 31 March	(339 298)	(338 863)

Trade receivables generally have 30 days credit terms. The company reserves the right to charge interest on overdue accounts with effect from the date the indebtedness was incurred. The rate of interest charged is prime rate plus two percentage basis points.

Other receivable includes in the main sundry debtors and indications are that at year end other receivables are not impaired.

Exposure to credit risk

The increased revenue and FIR crossings from our key customers necessitated the need to review and tighten the company's credit terms which led to the revised credit management policy.

The tightening of the credit terms led to the company maximizing the cash inflows and reduce the credit risk to an acceptable level and this was achieved by implementing aggressive collections approaches, as well as continues review and monitoring of trade receivables to identify high credit risk airlines/operators to minimize the risk and to have adequate bank guarantees in place.

The company measures the loss allowance for trade receivables by applying a simplified approach. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been reviewed and developed in the current year by making use of the company credit management policy, historic experience of past default debtors.

At year end the company assessed the credit risk of its customers and the following indicators were used for the review:

- a) Overall default on credit terms.
- b) Future cash flow forecast (April 2024).
- c) Bank guarantees and security cash deposits
- d) Airlines which are refused services.

The expected credit loss is determined as follows:

	US \$		
	2024		
	Estimated gross carrying amount at default	Impaired	Provision matrix
Not past due	406 178	28 546	7%
Past due by 0 to 30 days	63 061	43 487	69%
Past due by 31 to 60 days	33 250	26 175	79%
Past due by 61 to 90 days	19 710	19 710	100%
Past due by more than 90 days	221 379	221 379	100%
	<u>743 578</u>	<u>339 298</u>	

	US \$		
	2023		
	Estimated gross carrying amount at default	Impaired	Provision matrix
Not past due	357 081	61 667	17%
Past due by 0 to 30 days	30 395	30 395	100%
Past due by 31 to 60 days	23 904	23 904	100%
Past due by more than 60 days	8 945	8 945	100%
Past due by more than 90 days	213 953	213 953	100%
	<u>634 278</u>	<u>338 863</u>	

9.12 Deferred tax

	US \$	US \$
	2024	2023
Opening balance	46 830	45 673
Foreign exchange movement	(2 726)	1 157
Closing balance	<u>44 104</u>	<u>46 830</u>

9.13 Cash and cash equivalents

	US \$	US \$
	2024	2023
Bank balances	3 398 810	1 806 359
	<u>3 398 810</u>	<u>1 806 359</u>

Pledged as security

None of the instruments included in cash and cash equivalents were pledged as security for any financial obligations.

Credit Quality

The credit quality of cash and cash equivalents is the credit rating of the financial institutions. Cash and cash equivalents attract interest at variable rates linked to prime rate.

The credit quality of cash and cash equivalents that are neither past due nor impaired are assessed/monitored by reference to historical information about counter party default rates. Furthermore, the credit quality of cash and cash equivalents are ensured by only contracting with highly reputable financial institutions registered in terms of the Banks Act of South Africa and endorsed by National Treasury.

High credit grade - the counter party has evidenced no instances of defaults and/or re negotiations of contractual terms in prior periods. Furthermore, an assessment of the financial position of the company has not evidenced a weakening in either the financial position or liquidity of the company. As such the counter parties included in the high credit grade category pose a low credit risk to the company with the recoverability of the outstanding amounts being almost certain.

Medium credit grade - the country party has evidenced instances of defaults and/or re negotiations of contractual terms in prior periods on the repayments of outstanding amounts. An assessment of the financial position and liquidity position of the party has provided evidence of financial difficulties that may impede the recoverability of the outstanding amounts. The counter parties included in this credit grade category are active in an industry that is highly sensitive to marked fluctuations and volatility in the international economies. As such the counter parties included in the medium credit grade category pose a medium credit risk to the company.

Low credit grade - the counter party has evidenced high occurrences of defaults and/or re negotiations of contractual terms in prior periods. Furthermore, an assessment of the financial position and liquidity position of the party has provided evidence of financial difficulties that may impede the recoverability of the outstanding amounts. As such the counter parties included in the low credit grade category pose a high credit risk to the company.

Fair value

The carrying value of cash and cash equivalents approximates their fair values.

Restrictions to the use of cash

No restrictions have been imposed on the company with regards to the extent to which bank and cash balances of the company may be used.

9.14 Trade and other payables

	US \$ 2024	US \$ 2023
Trade payables	1 039	53 717
Accrued expenses	2 103 139	965 159
Loan with ATNS	913 297	150 180
	3 017 475	1 169 055

(a) Accrued Expenses

Includes accrued invoices as well as leave pay. Leave pay is raised on the unutilised leave days owing to employees at balance sheet date.

All trade and other payables are due within 30 days.

Loan with ATNS

The loan relates to a loan from Air Traffic and Navigation Services (ATNS), the loan is interest free, unsecured and has no terms of repayment.

There were no breaches or defaults on any portion (either capital or interest) of the trade and other payables during the year.

The terms and conditions attached to the instruments included in trade and other payables have not been renegotiated during the period.