



**NAFISAT 2019/20  
ANNUAL FINANCIAL REPORT**

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## **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 2020. 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 25 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.

Management is of the opinion, based on the information available to date, that NAFISAT's financial report fairly presents the financial position of NAFISAT and the results of its operations and cash flow for the year ended 31 March 2020.

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

  
Chief Financial Officer 23-10-2020

**The Chief Financial Officer**

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

23 October 2020

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 assurance will be 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 testing in this engagement. These areas have been tested in detailed during the ATNS annual audit. For the purposes of this engagement, the financial statement areas listed above will be tested for accuracy of conversion from the Rand value to USD only.

During the audit of ATNS, these financial statement areas were selected for specific testing. Expenses were tested as well, however, the allocation of costs between the various divisions was not tested 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:

## 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 2020. 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 2020.

## 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) With regards to procedure 2(i), we agreed the general ledger details to the invoices and confirmed that the expenses are valid.
  - (ii) With regards to procedure 2(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) With regards to procedure 2(iii), we inspected the relevant expense supporting documents and confirmed that the expenses have been allocated correctly to NAFISAT.
  - (iv) With regards to procedure 2(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.
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 and 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 2020. 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 2019/20 financial report and confirmed it complies with IFRS 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 any assurance on the accompanying.

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.

**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*

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**Nexia SAB&T**

Per: C Chigora

Director

Registered Auditors

**23 October 2020**

119 Witch-Hazel Technopark, Centurion

#### 4 Statement of Financial Position as at 31 March 2020

ASSETS	Notes	US \$ 2020	US \$ 2019
<b>Non-Current Assets</b>			
Property, plant and equipment	9.9	772,275	1,286,726
Capital work in progress	9.10	-	91,970
		<u>772,275</u>	<u>1,378,696</u>
<b>Current Assets</b>			
Trade and other receivables	9.11	149,556	178,579
Deferred tax asset	9.15	34,244	42,381
Cash and cash equivalents	9.12	1,236,971	405,989
		<u>1,420,771</u>	<u>626,950</u>
<b>TOTAL ASSETS</b>		<b><u>2,193,046</u></b>	<b><u>2,005,646</u></b>
<b>EQUITY AND LIABILITIES</b>			
Foreign translation reserve		291,690	122,501
Retained Earnings		186,312	202,105
<b>Total Equity</b>		<b><u>478,002</u></b>	<b><u>324,606</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	9.13	1,490,995	1,509,973
Current income tax liabilities	9.8	185,892	126,233
Provisions for other liabilities and charges	9.14	38,157	44,834
		<u>1,715,044</u>	<u>1,681,040</u>
<b>Total Liabilities</b>		<b><u>1,715,044</u></b>	<b><u>1,681,040</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2,193,046</u></b>	<b><u>2,005,646</u></b>



**5 Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 March 2020**

	Note	US \$ 2020	US \$ 2019
Revenue	9.2	3,545,031	2,869,090
Other Income	9.3	39,357	25,892
Staff Costs	9.4	(498,293)	(495,408)
Administration cost	9.5	(1,937,168)	(1,447,851)
Depreciation and impairment	9.9	(337,079)	(370,767)
Other Expenses	9.6	(413,530)	(294,045)
Operating Profit		398,318	286,911
Finance revenue	9.7	15,509	49,357
Profit before tax		413,827	336,268
Income tax expense	9.8	(227,515)	(134,163)
Profit for the year		186,312	202,105

**6 Statement of change in equity for the year ended 31 March 2020**

	Foreign translation reserve US \$	Retained Income US \$	Total US \$
Balance as at March 31 2019	122,501	202,105	324,606
Total comprehensive income for the year	-	186,312	186,312
Additions	169,189	-	169,189
ATNS share of profits	-	(202,105)	(202,105)
Balance as at March 31 2020	291,690	186,312	478,002

**7 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020**

	US \$ 2020	US \$ 2019
<b>Cash flow from operating activities</b>		
Operating profit	398,318	286,911
Finance revenue	15,509	49,357
<b>Adjustments for:</b>		
Depreciation	337,079	370,767
Finance revenue	-	-
Profit share	(202,105)	(373,385)
Foreign currency translation reserve	-	-
Tax Paid	(167,856)	(29,720)
Movements in provisions and other non-cash items	(6,677)	2,485
<b>Changes in Working capital</b>		
Trade and other receivables	29,024	92,377
Trade and other payables	(18,978)	(1,774,804)
<b>Cash from operations</b>	<b>384,314</b>	<b>(1,376,012)</b>
<b>Investing Activities</b>		
Purchase of property, plant and equipment	-	(256,803)
<b>Cash flow from investing activities</b>	<b>-</b>	<b>(256,803)</b>
Net increase in cash and cash equivalent	384,314	(1,632,815)
Cash and Cash equivalent at beginning of year	405,989	1,219,288
Effects of currency translation	446,668	819,516
<b>Cash and Cash equivalent at end of year</b>	<b>1,236,971</b>	<b>405,989</b>

## **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 NAFISAT network functional and presentation currency. Amounts presented in the financial statements were rounded off to the nearest Dollar.

#### **Statement of compliance**

The financial statements of NAFISAT network have been prepared in accordance with and comply with IFRS as issued by the IASB and in the manner required by the Companies Act of South Africa.

#### **Summary of significant accounting policies**

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**

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.

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. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

- a) it is probable that future economic benefits associated with the item will flow to the company; and
- b) the cost of the item can be measured reliably.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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:

<b>Item</b>	<b>Estimated useful life</b>
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 Capital work in progress**

Capital work in progress is measured at cost. Major property, plant and equipment which are commissioned over a period of time are reflected as capital work in progress on the statement of financial position. Capital work in progress is transferred to property, plant, equipment when available for use.

### **8.4 Financial Instruments**

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

#### **Financial assets which are debt instruments:**

Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or

#### **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.

## **Trade and other payables denominated in foreign currencies**

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses).

Details of foreign currency risk exposure and the management thereof are provided in the trade and other payables

## **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.

## **8.4.3 Trade and other receivables**

### **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.

### **Trade and other receivables denominated in foreign currencies**

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses) (note 5).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management

### **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 9.11.

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 separate 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 9.11) 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 an entity 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:

- VSAT networks
- Sundry revenue

To determine whether to recognise revenue, the company follows a 5-step process:

- 1) Identifying the contract with a customer
- 2) Identifying the performance obligations
- 3) Determining the transaction price
- 4) Allocating the transaction price to the performance obligations
- 5) Recognising revenue when/as performance obligation(s) are satisfied

The company often enters into transactions involving a range of services, for example en-route, aerodrome and approach fees, small aerodrome services, technical maintenance services, VSAT networks and Aviation training fees. In all cases, the total transaction price for contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the company satisfies performance obligations by transferring the promised goods or services to its customers. The company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the company satisfies a performance obligation before it receives the consideration, the company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

## **VSAT Networks**

The entity operates VSAT networks satellite communication system to address communication deficiencies in the North East African Indian Ocean (NAFISAT) and Southern African Development community (SADC VSAT II). The entity 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;

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

The above performance obligations are bundled together as distinct services offered by the entity to the network users.

The price charged for network usage by the entity is a fixed consideration for each gateway utilised. Revenue from air traffic management services is recognised over time as the services are rendered. The transaction price allocated to VSAT networks services are recognised as a receivables once the entity has satisfied the performance obligations.

## **Sundry Revenue**

The network supplies aeronautical information services to both local and foreign customers and each contract is assessed for probability of the customer paying for the services.

The performance obligations includes among others survey and procedure design for routing and safe navigation of aircraft. The aeronautical information services comprise of both dynamic and static data enabling safe navigation of aircraft between the pilot and the air traffic controller. The consideration charged for aeronautical information services by the entity is a fixed consideration and, in some instances, a variable consideration is charged. Revenue is recognised over time. The transaction price allocated to these services are recognised as a receivable once the entity 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 financial statements**

### **9.1 Standards, amendments and Interpretations to existing Standard that are not yet effective and have not been early adopted by the company.**

Standard and amendments that are not yet effective and have not been early adopted by the company include;

- Conceptual Framework for Financial Reporting
- IAS 37 Provision, Contingent Liabilities and Contingent Assets
- IAS 16 Property, Plant and Equipment
- IAS 1 Presentation of Financial Statements

Management anticipates that all relevant pronouncement will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the company's financial statements.

## 9.2 Revenue

	<b>US \$ 2020</b>	<b>US \$ 2019</b>
Revenue from contracts with customers		
Revenue	3,545,031	2,869,090
	<b>US \$ 2020</b>	<b>US \$ 2019</b>
<b>Disaggregation of revenue from contracts with customers</b>		
FIR crossings	3,485,617	2,813,556
Sundry revenue	59,414	55,534
	<u>3,545,031</u>	<u>2,869,090</u>
	<b>US \$ 2020</b>	<b>US \$ 2019</b>
<b>Timing of revenue recognition</b>		
<b>Over time</b>		
FIR crossings	3,485,617	2,813,556
Sundry revenue	59,414	55,534
	<u>3,545,031</u>	<u>2,869,090</u>

The are no transaction price which has been allocated to performance obligations which are unsatisfied or partially unsatisfied at the reporting date.

## 9.3 Other income

	<b>US \$ 2020</b>	<b>US \$ 2019</b>
Bad Debts recovered	31,912	25,892
Sundry income	7,446	-
	<u>39,357</u>	<u>25,892</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

	<b>US \$ 2020</b>	<b>US \$ 2019</b>
Salaries and related costs	498,293	495,408
	<u>498,293</u>	<u>495,408</u>

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

### 9.5 Administration costs

	US \$ 2020	US \$ 2019
Bad Debts	469,721	307,950
Bank Charges	684	2,113
Commission Paid	64,128	51,405
Management Fees	515,498	419,167
Profit share	556,108	277,790
Indirect Costs	287,548	346,195
IATA Management Fees	40,000	40,000
Contract Services	-	23.25
Audit fees	3,328	3,205
Marketing Expenses	153	-
Printing & Stationery	-	3
	<u>1,937,168</u>	<u>1,447,851</u>

### 9.6 Other Expenses

	US \$ 2020	US \$ 2019
Traveling Expenses	118,304	81,234
Telecommunications Expenses	215,050	169,896
Electronic Maintenance	80,176	42,915
	<u>413,530</u>	<u>294,045</u>

### 9.7 Investment income

	US \$ 2020	US \$ 2019
Interest on bank deposits	15,509	49,357
	<u>15,509</u>	<u>49,357</u>

### 9.8 Income tax expense

	US \$ 2020	US \$ 2019
Current income tax charge	227,515	134,163
	<u>227,515</u>	<u>134,163</u>
Current income tax liabilities	227,515	126,233
Foreign exchange movement	(41,623)	-
	<u>185,892</u>	<u>126,233</u>

## 9.9 Property, plant and equipment

<b>US \$</b>			
<b>2020</b>			
<b>Category</b>	Cost	Accumulated depreciation	Carrying Value
Communication equipment	1,380,583	(608,308)	772,275
	<b>1,380,583</b>	<b>(608,308)</b>	<b>772,275</b>

<b>US \$</b>			
<b>2019</b>			
<b>Category</b>	Cost	Accumulated depreciation	Carrying Value
Communication equipment	1,708,619	(421,893)	1,286,726
	<b>1,708,619</b>	<b>(421,893)</b>	<b>1,286,726</b>

### Reconciliation of Property, plant and equipment : 2020

<b>Category</b>	Opening balance	Transferred from work in progress	Foreign exchange movement	Depreciation	Impairment	Closing balance
Communication equipment	1,286,726	91,970	(269,343)	(326,409)	(10,670)	772,275
	<b>1,286,726</b>	<b>91,970</b>	<b>(269,343)</b>	<b>(326,409)</b>	<b>(10,670)</b>	<b>772,275</b>

### Reconciliation of Property, plant and equipment : 2019

<b>Category</b>	Opening balance	Transferred from work in progress	Foreign exchange movement	Depreciation	Closing balance
Communication equipment	1,790,581	232,013	(365,101)	(370,767)	1,286,726
	<b>1,790,581</b>	<b>232,013</b>	<b>(365,101)</b>	<b>(370,767)</b>	<b>1,286,726</b>

## 9.10 Capital work in progress

	<b>US \$</b>	<b>US \$</b>
	<b>2020</b>	<b>2019</b>
Opening balance	91,970	71,479
Additions	-	256,803
Transferred to property, plant and equipment	(91,970)	(216,167)
Foreign exchange movement	-	(20,144)
	<b>-</b>	<b>91,970</b>

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

Communication	-	91,970
	<b>-</b>	<b>91,970</b>

## 9.11 Trade and other receivables

	US \$ 2020	US \$ 2019
Trade receivables	696,876	583,520
Less: Impairment of trade receivables	(576,990)	(404,941)
Trade receivables - net	119,886	178,579
Other receivables	29,670	-
	149,556	178,579

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

Opening balance in accordance with IFRS 9	404,940	321,409
Foreign exchange movement	(134,133)	(80,833)
Impairment loss recognised	469,721	307,950
Receivables written off during the year	(163,538)	(143,586)
Balance at 31 March	576,990	404,940

### Exposure to credit risk

The aviation industry is essential to the viability of the South African socio-economic development, during the year under review the industry was faced with many challenges such as key airlines going under business rescue and or being liquidated and towards the latter part of the year under review the impact of COVID 19 global pandemic also exacerbated the already struggling industry. The impact of COVID 19 has led to the National Government of South African placing regulation ban on air travel for both domestic and international travel with the exception of cargo.

These events impacted the company's cash flow negatively resulting in significant increase in credit risk. A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. 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, history experience of past default debtors and also incorporates forward looking information as results of the COVID 19 global pandemic.

The company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due. The following indicators are used:

- 1) Forward looking expected credit loss (ECL) model
- 2) The company also analysed the payment patterns for the past 12 months.
- 3) The company analyses the total amount of sales that were made during the past 12 months
- 4) The cash flow forecast for the month of April 2020 was considered
- 5) Broader range of information considered – historic and current information such as the following indicators:
  - a) Withholding of services (grounding)
  - b) Business rescue proceedings
  - c) Liquidity factors
  - d) Extended payment terms granted to the customer
  - e) Defaults on extended payment terms
  - f) Final notice to withhold services sent to the customer

The expected credit loss rate is representative of the company's credit loss for the year under review. The following is in place to address credit risk;

- a) ATNS Credit Policy guides the treatment of defaulting debtors, and  
 b) Regular credit evaluations are performed on the financial position of defaulting customers;

**The expected credit loss is determined as follows:**

<b>US \$</b>			
<b>2020</b>			
	Estimated gross carrying amount at default	Impaired	Provision matrix
Not past due	185,004	67,333	36%
Past due by 0 to 30 days	50,424	48,210	96%
Past due by 31 to 60 days	36,710	36,710	100%
Past due by more than 60 days	424,738	424,737	100%
	<u>696,876</u>	<u>576,990</u>	

<b>US \$</b>			
<b>2019</b>			
	Estimated gross carrying amount at default	Impaired	Provision matrix
Not past due	223,069	44,489	20%
Past due by 0 to 30 days	77,980	77,981	100%
Past due by 31 to 60 days	6,626	6,626	100%
Past due by more than 60 days	275,845	275,845	100%
	<u>583,520</u>	<u>404,941</u>	

Trade receivables generally have 60 days credit terms.

**9.12 Cash and cash equivalents**

	<b>US \$</b> <b>2020</b>	<b>US \$</b> <b>2019</b>
Bank balances	1,236,971	405,989
	<u>1,236,971</u>	<u>405,989</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.

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 counter 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.

#### **9.13 Trade and other payables**

	<b>US \$ 2020</b>	<b>US \$ 2019</b>
Trade payables	-	24,158
	-	24,158
Accrued expenses	536,103	1,308,922
Loan with ATNS	954,892	176,894
	<u>1,490,995</u>	<u>1,509,974</u>
<b>Non financial instrument</b>		
VAT refundable	-	(2)
	<u>1,490,995</u>	<u>1,509,972</u>

#### **(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.

#### **9.14 Provisions for other liabilities and charges**

	<b>US \$ 2020</b>	<b>US \$ 2019</b>
Provision Incentive Bonus	38,157	44,834
	<u>38,157</u>	<u>44,834</u>

##### **(a) Incentive bonus**

Employees are eligible for an annual performance related bonus payment linked to appropriate Company targets.

#### **9.15 Deferred tax asset**

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 profit nor taxable profit.

Movement on the deferred income tax account is as follows:

	<b>US \$ 2020</b>	<b>US \$ 2019</b>
Opening balance	42,381	52,638
Foreign exchange movement	<u>(8,137)</u>	<u>(10,257)</u>
Closing balance	<u>34,244</u>	<u>42,381</u>