

SADC VSAT II MANAGEMENT ACCOUNTS FOR THE QUARTER ENDED 31 MARCH 2021

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1. INTRODUCTION

This report outlines the performance for the period under review.

2. DETAILED ANALYSIS

The results for March 2021 are summarized below.

Table 1: Statement of Financial Performance

Description	Actual	Budget	Variance	Variance
	\$	\$	\$	%
Revenue				
VSAT II Revenue	1 091 451	2 067 648	-976 197	-47.2%
Other Revenue	3 820	0	3 820	100.0%
Total Revenue	1 095 271	2 067 648	-972 377	-47.0%
Salaries & Related Costs	383 093	485 857	102 763	21.2%
Traveling Expenses	672	104 909	104 237	99.4%
Telecommunications Expenses	230 676	234 175	3 499	1.5%
Bad Debts Expenses	63 880	553 726	489 846	88.5%
Bank Charges	339	300	-39	-13.1%
Commission Paid	14 579	29 440	14 861	50.5%
Electronic Maintenance	335	28 191	27 856	98.8%
Indirect Costs	499 784	500 653	869	0.2%
ATNS Management Fees	179 783	384 914	205 131	53.3%
IATA Management Fees	40 000	40 000	0	0.0%
Professional Fees	2 909	3 715	807	21.7%
Contract Services	9 763	3 007	-6 756	-224.7%
Operational Expenses	1 425 813	2 373 887	948 074	39.9%
EBITDA	-330 542	-306 239	-24 303	7.9%
Depreciation	147 011	149 399	2 388	1.6%
Net Loss before Interest and Tax	-477 554	-455 638	-21 917	4.8%
Finance Revenue	-5 126	-13 689	-8 563	62.6%
Interest Received	5 126	13 689	-8 563	-62.6%
Net Profit Before Tax	-472 428	-441 949	-30 480	6.9%
Taxation	<u> </u>	-	-	0.0%
Net Profit /(Loss) After Tax	-472 428	-441 949	-30 480	6.9%

2.1. REVENUE

Total SADC VSAT II revenue of \$1.0m is \$976.1k (47.2%) below budget, mainly due to declined flight information region (FIR's).

Other revenue of \$3.8k comprises recoveries from bad debts.

2.2. OPERATIONAL EXPENSES

The operational expenses are \$948.0k (39.9%) below budget. The following cost elements make up the total operating cost:

2.2.1. SALARIES AND RELATED COSTS

Salaries and related costs are \$102.7k (21.2%) below budget. The table below provides a detailed breakdown of this variance:

Table 2: Salaries and Related Costs Breakdown

Description	Actual	Budget	Variance	Variance %
Salary Packages - CTC	375 948	401 503	25 555	6.4%
Overtime	171	9 418	9 246	98.2%
Other	6 974	74 936	67 962	90.7%
Total	383 093	485 857	102 764	21.2%

- Salary packages are \$25.6k (6.4%) lower than planned. Due to the pandemic, the planned salary increases were not effected, resulting in savings;
- The overtime costs are below budget due to stricter cost control measures implemented; and
- Other expenses of \$67.9k (90.7%) are lower than anticipated. The budget included, among others, the incentive bonus. With the view of curbing the expenses, an executive decision was taken to cancel the incentive bonus.

2.2.2. TRAVELING EXPENSES

Traveling expenses are below budget by \$104.2k (99.4%) mainly due to the pandemic. Due to the pandemic, most engagements are being held

virtually, except for electronic equipment maintenance travel which is demand driven.

2.2.3. TELECOMMUNICATION EXPENSES

Telecommunication expenses are below budget by \$3.5k (1.5%) this is in line with budget.

2.2.4. BAD DEBTS EXPENSES

Bad debt expenses are below budget by \$489.8k (88.5%) due to less provision as a result of decreased revenue as compared to budget.

2.2.5. COMMISSION PAID

Commission paid, driven by the number of FIRs invoiced, is \$14.6k (50.5%) below budget due to lower collections by IATA.

2.2.6. ELECTRONIC MAINTENANCE

The electronic maintenance expenses are below budget by \$27.8k (98.8%) related to equipment failures and unplanned corrective maintenance travelling. Unplanned corrective maintenance is budgeted as a contingency and will thus be utilized only when there are equipment failures. Due to the pandemic and related travel restrictions, planned electronic maintenance couldn't be carried out.

2.2.7. OTHER OPERATIONAL EXPENSES

Other operational expenses include ATNS management fees, indirect costs, IATA management fees, and network management fees:

- Indirect costs at \$499.7k are in line with the budget;
- ATNS management fees are in line with the reduced revenues.
- IATA management fees of \$40k are in line with the budget; and
- Network management fees are a result of an agreement between ATNS and IATA whereby ATNS pays 65% of SADC VSAT profit after taxation to IATA. For the period under review, no profits were made, and this was not anticipated when the budget was prepared.

2.2.8. CONTRACT SERVICES

Contract services are above budget by \$6.7k (224.7%), due to shipping equipment freight costs.

2.2.9. DEPRECIATION

Depreciation expense of \$147.0k is in line with the budget.

3. FINANCE REVENUE

The finance revenue is \$8.6k (62.6%) below budget due to less interest earned.

Approved by: Matome Moholola – CFO

Date: