



**NAFISAT 2020/21
ANNUAL FINANCIAL REPORT**

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 2021.....	8
5	Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 March 2021.....	9
6	Statement of change in equity for the year ended 31 March 2021.....	9
7	Statement of cash flows for the year ended 31 March 2021.....	10
8	Accounting policies.....	11
8.1	Basis of preparation.....	11
8.2	Property, plant and Equipment.....	11
8.3	Capital 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
8.4.3	Trade and other receivables.....	13
8.5	Provisions.....	14
8.6	Revenue recognition.....	15
8.7	Significant accounting estimates and judgements.....	16
8.7.1	Estimates.....	16
8.7.2	Provisions.....	16
8.7.3	Property, plant and equipment.....	16
8.8	Taxes.....	17
8.8.1	Current tax assets and liabilities.....	17
9	Notes to the financial statements.....	18
9.1	New standards adopted as at 01 April 2020.....	18
9.2	Revenue.....	19
9.3	Other Income.....	19
9.4	Staff Costs.....	19
9.5	Administration costs.....	19
9.6	Other Expenses.....	20
9.7	Investment Income.....	20
9.8	Income tax expense.....	20
9.9	Property, plant and equipment.....	20
9.10	Capital work in progress.....	21
9.11	Trade and other receivables.....	21
9.12	Cash and cash equivalents.....	23
9.13	Trade and other payables.....	24
9.14	Provisions for other liabilities and charges.....	25
9.15	Deferred tax asset.....	25

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 2021. 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.

Globally, the aviation sector has been hard hit by the impact of the COVID-19 pandemic, including the ongoing restrictions placed on local and international travel and the poor global economic outlook for the remainder of the 2021 calendar year. As NAFISAT network revenue is directly linked to the number of FIR crossings, the network recorded extremely low revenues during FY21, which did not enable the VSAT network to cover its full operational costs for the year under review. Management have considered the impact of the ongoing of the COVID-19 pandemic on the network status as a going concern. However, having assessed the following factors, management is of the view that NAFISAT network remains a going concern:

- NAFISAT network ability to raise a borrowing facility;
- 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 \$2.8 million (FY20: \$1.2 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 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 2021.

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



Chief Financial Officer

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

FACTUAL FINDINGS REPORT ON AGREED Dear Mr. M. Moholola

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 evaluation in this engagement. These financial statements areas were evaluated during the ATNS annual audit. For the purposes of this engagement, the financial statement areas listed above will be evaluated 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 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:

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:
 - a. Agree the general ledger details to the invoice details for validity
 - b. Review the calculation and basis of allocation for shared expenses and inspect the approval of the basis of allocation
 - c. Inspect the relevant supporting documents for expense motivation or description to ensure that the expense has been allocated correctly to the NAFISAT division.
 - d. 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 2021. 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 2021.

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 material 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 2021. 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 2020/21 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

Nexia SAB&T

Per: C Chigora

Director

Registered Auditors

27 July 2022

119 Witch-Hazel Technopark, Centurion

4 Statement of Financial Position as at 31 March 2021

ASSETS	Notes	US \$ 2021	US \$ 2020
Non-Current Assets			
Property, plant and equipment	9.9	686,959	772,275
Capital work in progress	9.10	242,686	-
		<u>929,645</u>	<u>772,275</u>
Current Assets			
Trade and other receivables	9.11	126,107	149,556
Deferred tax asset	9.15	45,687	34,244
Cash and cash equivalents	9.12	2,818,250	1,236,971
		<u>2,990,044</u>	<u>1,420,771</u>
TOTAL ASSETS		3,919,689	2,193,046
EQUITY AND LIABILITIES			
Foreign translation reserve		(293,645)	291,690
Retained Earnings		193,155	186,312
Total Equity		(100,490)	478,002
LIABILITIES			
Current Liabilities			
Trade and other payables	9.13	3,945,064	1,490,995
Current income tax liabilities	9.8	75,115	185,892
Provisions for other liabilities and charges	9.14	-	38,157
		<u>4,020,179</u>	<u>1,715,044</u>
Total Liabilities		4,020,179	1,715,044
TOTAL EQUITY AND LIABILITIES		3,919,689	2,193,046

5 Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 March 2021

	Note	US \$ 2021	US \$ 2020
Revenue	9.2	1,756,951	3,545,031
Other Income	9.3	26,319	39,357
Staff Costs	9.4	(410,770)	(498,293)
Administration cost	9.5	(696,457)	(1,937,168)
Depreciation and impairment	9.9	(278,959)	(337,079)
Other Expenses	9.6	(131,770)	(413,530)
Operating Profit		265,314	398,318
Finance revenue	9.7	2,956	15,509
Profit before tax		268,270	413,827
Income tax expense	9.8	(75,115)	(227,515)
Profit for the year		193,155	186,312

6 Statement of change in equity for the year ended 31 March 2021

	Foreign translation reserve US \$	Retained Income US \$	Total US \$
Balance as at March 31 2020	291,690	186,312	478,002
Total comprehensive income for the year	-	193,155	193,155
Additions	(585,335)	-	(585,335)
ATNS share of profits	-	(186,312)	(186,312)
Balance as at March 31 2021	(293,645)	193,155	(100,490)

7 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

	US \$ 2021	US \$ 2020
Cash flow from operating activities		
Operating profit	265,314	398,318
Finance revenue	2,956	15,509
Adjustments for:		
Depreciation	278,959	337,079
Finance revenue	-	-
Profit share	-	(202,105)
Foreign currency translation reserve	-	-
Tax Paid	(185,892)	(167,856)
Movements in provisions and other non-cash items	(38,157)	(6,677)
Changes in Working capital		
Trade and other receivables	23,449	29,024
Trade and other payables	2,454,069	(18,978)
Cash from operations	2,800,698	384,314
Investing Activities		
Purchase of property, plant and equipment	(217,536)	-
Cash flow from investing activities	(217,536)	-
Net increase in cash and cash equivalent	2,583,162	384,314
Cash and Cash equivalent at beginning of year	1,236,971	405,989
Effects of currency translation	(1,001,883)	446,668
Cash and Cash equivalent at end of year	2,818,250	1,236,971

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:

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 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: 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.

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 9.11).

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 New standards adopted as at 01 April 2020

Some of the accounting pronouncements which have become effective 01 April 2020 and have therefore been adopted do not have significant impact company's financial results.

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

Standard issued but not yet effective up to the date of issuance of the company's financial statements are listed below.

This listing is of standards and interpretations issued which the company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective.

Property, Plant and Equipment: Proceeds before Intended Use – (Amendments to IAS 16)

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PPE), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. Transition The amendment must be applied retrospectively only to items of PPE made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Effective for annual periods beginning on or after 1 April 2022

The adoption of this amendment will not be expected to have a material impact on the results of the company.

Classification of Liabilities as Current or Noncurrent – (Amendments to IAS 1)

The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

If an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions that existed at the end of the reporting period. The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date. Management expectations IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

Effective for annual periods beginning on or after 1 April 2023.

The adoption of this amendment will not be expected to have a material impact on the results of the company.

9.2 Revenue

	US \$ 2021	US \$ 2020
Revenue from contracts with customers		
Revenue	1,756,951	3,545,031
	US \$ 2021	US \$ 2020
Disaggregation of revenue from contracts with customers		
FIR crossings	1,721,926	3,485,617
Sundry revenue	35,025	59,414
	<u>1,756,951</u>	<u>3,545,031</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

	US \$ 2021	US \$ 2020
Bad Debts recovered	-	31,912
Sundry income	26,319	7,446
	<u>26,319</u>	<u>39,358</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 \$ 2021	US \$ 2020
Salaries and related costs	410,770	498,293
	<u>410,770</u>	<u>498,293</u>

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

9.5 Administration costs

	US \$ 2021	US \$ 2020
Bad Debts	118,487	469,721
Bank Charges	643	684
Commission Paid	32,182	64,128
Management Fees	250,775	515,498
Profit share	-	556,108
Indirect Costs	251,463	287,548
IATA Management Fees	40,000	40,000
Audit fees	2,907	3,328
Marketing Expenses	-	153
	<u>696,457</u>	<u>1,937,168</u>

9.6 Other Expenses

	US \$ 2021	US \$ 2020
Traveling Expenses	1,864	118,304
Telecommunications Expenses	172,477	215,050
Electronic Maintenance	(42,571)	80,176
	<u>131,770</u>	<u>413,530</u>

9.7 Investment Income

	US \$ 2021	US \$ 2020
Interest on bank deposits	2,956	15,509
	<u>2,956</u>	<u>15,509</u>

9.8 Income tax expense

	US \$ 2021	US \$ 2020
Current income tax charge	75,115	227,515
	<u>75,115</u>	<u>227,515</u>
Current income tax liabilities	75,115	227,515
Foreign exchange movement	-	(41,623)
	<u>75,115</u>	<u>185,892</u>

9.9 Property, plant and equipment

US \$ 2021			
Category	Cost	Accumulated depreciation	Carrying Value
Communication equipment	1,677,084	(990,125)	686,959
	<u>1,677,084</u>	<u>(990,125)</u>	<u>686,959</u>

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

Reconciliation of Property, plant and equipment : 2021

Category	Opening balance	Transferred from work in progress	Foreign exchange movement	Depreciation	Impairment	Closing balance
Communication equipment	772,275	-	193,643	(278,959)	-	686,959
	772,275	-	193,643	(278,959)	-	686,959

Reconciliation of Property, plant and equipment : 2020

Category	Opening balance	Transferred from work in progress	Foreign exchange movement	Depreciation	Impairment	Closing balance
Communication equipment	1,286,726	91,971	(269,343)	(326,409)	(10,670)	772,275
	1,286,726	91,971	(269,343)	(326,409)	(10,670)	772,275

9.10 Capital work in progress

	US \$ 2021	US \$ 2020
Opening balance	-	-
Additions	217,556	-
foreign exchange movement	25,130	-
	242,686	-

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

	US \$ 2021	US \$ 2020
Communication	242,686	-
	242,686	-

9.11 Trade and other receivables

	US \$ 2021	US \$ 2020
Trade receivables	957,099	696,876
Less: Impairment of trade receivables	(830,992)	(576,990)
Trade receivables - net	126,107	119,886
Other receivables	-	29,670
	126,107	149,556

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

Opening balance in accordance with IFRS 9	576,990	404,940
Foreign exchange movement	135,330	(134,133)
Impairment loss recognised	118,487	469,721
Receivables written off during the year	115	(163,538)
Balance at 31 March	830,922	576,990

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 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 during the year under review the impact of COVID-19 global pandemic also exacerbated the already struggling industry with most airlines operating at reduced capacity due lockdown restrictions. These events impacted the company's cash flow negatively resulting in significant increase 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. 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
 - 1.1) With the write off historic debt, the analysis of the forward-looking information indicates that the credit risk will be low leading to improved provision matrix.
 - 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 2021 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,
 - b) Regular credit evaluations are performed on the financial position of defaulting customers; and
 - c) Security deposits and bank guarantees for top clients and new operator

The expected credit loss is determined as follows:

US \$			
2021			
	Estimated gross carrying amount at default	Impaired	Provision matrix
Not past due	216,716	107,909	50%
Past due by 0 to 30 days	50,357	33,062	66%
Past due by 31 to 60 days	58,710	58,710	100%
Past due by more than 60 days	631,316	631,316	100%
	957,099	830,997	

US \$			
2020			
	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	95%
Past due by 31 to 60 days	36,710	36,710	100%
Past due by more than 60 days	424,738	424,737	100%
	696,876	576,990	

9.12 Cash and cash equivalents

	US \$	US \$
	2021	2020
Bank balances	2,818,250	1,236,971
	2,818,250	1,236,971

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.

9.13 Trade and other payables

	US \$ 2021	US \$ 2020
Trade payables	67,915	-
	<u>67,915</u>	<u>-</u>
Accrued expenses	824,797	536,103
Loan with ATNS	3,088,756	954,892
	<u>3,981,468</u>	<u>1,490,995</u>
Non financial instrument		
VAT refundable	(36,404)	-
	<u>3,945,064</u>	<u>1,490,995</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

	US \$ 2021	US \$ 2020
Provision Incentive Bonus	-	38,157
	-	38,157

(a) Incentive bonus

Employees are eligible for an annual performance related bonus payment linked to appropriate company targets. For the current year no performance incentive bonus were provided for due operational losses of the network.

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:

	US \$ 2021	US \$ 2020
Opening balance	34,244	42,381
Foreign exchange movement	11,443	(8,137)
Closing balance	45,687	34,244

