

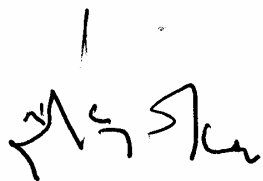


FINANCIAL *statements*

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The annual financial statements were approved by the Chief Executive Officer on 31 May 2002 and are signed by:



N. Nyoka
Chief Executive Officer

Audit Committee statement on ICASA's Financial Statements

The Audit Committee approved the Annual Financial Statements of ICASA, appearing on pages 30 to 42 of the annual report, on 15 July 2002. The Audit Committee is satisfied that these financial statements comply in all material respects with Generally Accepted Accounting Practice.

As the Audit Committee was only constituted on 26 November 2001, it met for the first time on 13 February 2002 and subsequently on 27 June and 15 July 2002. During the limited period since its formation, the Audit Committee has laid the foundation for it to comply in the future with all its obligations as set out in both its charter and the PFMA.

The initial deliberations of the Audit Committee have identified the need for it to concentrate its medium term efforts on ensuring that the ICASA Management devote the necessary attention to strengthening internal controls. Management is committed to this as demonstrated by its determination, *inter-alia*, to set up an effective Internal Audit Function and the finalisation of ICASA's Procurement Governance Policies and Procedures Manual, as well as other policies.



Graham Rosenthal
CHAIRPERSON, AUDIT COMMITTEE

Auditor General 's report

Report of the Auditor-General to Parliament on the Financial Statements of the Independent Communications Authority of South Africa for the year ended 31 March 2002



1. Audit Assignment

The financial statements as set out on pages 30 to 42, for the year ended 31 March 2002, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 16(1)(b)(iii) of the Independent Communications Authority of South Africa Act, 2000 (Act No. 13 of 2000). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. Nature and Scope

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3. Audit Opinion

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Independent Communications Authority of South Africa at 31 March 2002 and the results of its operations and cash flows for the year then ended in accordance with prescribed accepted accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

4. Emphasis of Matter

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

Matters not affecting the financial statements

4.1 Internal Audit Function

According to section 38(1)(a)(ii) of the Public Finance Management Act, 1999, (Act No. 1 of 1999) (PFMA) an audit system must be established and perform the duties as prescribed in treasury regulations 3.2.7 and 3.2.8.

Soon after the establishment of the Independent Communications Authority of South Africa (ICASA) on 1 July 2000 a consulting firm was appointed to perform the duties of internal audit. Tender procedures have however not been followed due to extraordinary circumstances, although the Authority's Council approved the appointment.

The financial administration problems that ICASA inherited from the former entities forced the Authority to alter the firm's mandate to ensure better accountability and consequently the appointed firm performed accounting and consulting services that was not in line with those of an internal audit function.

4.2 Value Added Taxation

ICASA is registered for VAT on the invoice basis as described in section 15 of the Value Added Tax Act, 1991 (Act No. 89 of 1991) (VAT Act), but the broadcasting division's output VAT was accounted for on a cash basis.

Contrary to section 8 of the VAT Act output VAT was not declared on monies received for fixed assets sold or insurance claims.

4.3 Fraud Prevention Plan

Although ICASA is in the process of developing a fraud prevention plan it has not been implemented as required by treasury regulation 3.2.2.

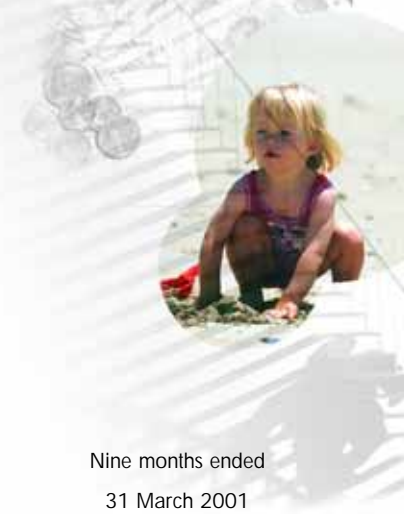
5. Appreciation

The assistance rendered by the staff of ICASA during the audit is sincerely appreciated.

Doris L.T. Dondur
For Auditor-General
Johannesburg, 20 July 2002

Balance Sheet

at 31 March 2002
Independent Communications Authority of South Africa



	Note	31 March 2002 R	Nine months ended 31 March 2001 R
Assets			
Non current assets			
Fixed assets	7	12,226,934	12,499,996
Current assets			
Licences and other receivables		10,010,096	14,237,121
Cash and cash equivalents		51,415,676	28,302,308
Total assets		73,652,706	55,039,425
Equity and liabilities			
Reserves			
Accumulated surplus/(deficit)	5	33,731,342	33,731,342
Start-up fund		37,285,233	36,068,570
Current liabilities			
National revenue fund	8	26,756,544	21,828,962
Other payables	6	10,528,689	14,239,608
Total equity and liabilities		73,652,706	55,039,425



Income Statement


for the year ended 31 March 2002
Independent Communications Authority of South Africa

	Note	31 March 2002 R	Nine months ended 31 March 2001 R
Total revenue		118,943,168	74,488,434
Operating expenditure		101,546,550	81,064,916
Net operating surplus/(deficit)	3	17,396,618	(6,576,482)

Statement of changes in Equity

for the year ended 31 March 2002

Independent Communications Authority of South Africa



	Note	Accumulate Surplus / (Deficit) R
Balance at 1 July 2000		(8,184,005)
Deficit for the 9 months ended		(5,405,352)
Balance at 31 March 2001 - as previously reported		(13,589,357)
Change in estimate - depreciation rate change	1.2, 7	(1,171,130)
Balance at 31 March 2001 - as adjusted		(14,760,487)
Surplus for the year		17,396,618
Balance at 31 March 2002	4	2,636,131

Cash flow Statement

for the year ended 31 March 2002
Independent Communications Authority of South Africa

	Note	31 March 2002 R	Nine months ended 31 March 2001 R
Cash generated by operating activities:		21,952,254	(7,647,788)
Cash received, being total income		118,943,168	74,488,434
Cash paid to employees and suppliers		(96,145,521)	74,543,172
Net cash generated / (used) by operating activities	9	22,797,647	(54,738)
Applied to the increase in working capital	10	(845,393)	(7,593,050)
Cash utilised in investing activities:		(5,127,967)	(609,900)
Acquisition of fixed assets	7	(5,755,068)	(609,900)
Proceeds on disposal of fixed assets		627,101	-
Net increase / (decrease) in cash and cash equivalents		16,824,287	(8,257,688)
Licence, application and annual fees collected and interest received	6	772,061,044	458,413,363
Licence, application, annual fees and interest paid to NRF	6	(775,771,963)	(628,812,565)
Receipt in advance from Department of Communications	8	10,000,000	-
Cash and cash equivalents at the beginning of the year		28,302,308	206,959,198
Cash and cash equivalents at the end of the year		51,415,676	28,302,308

Notes to the annual financial statements

for the year ended 31 March 2002

Independent Communications Authority of South Africa



1. Accounting policies

The annual financial statements of the Authority are prepared on the historical cost basis and incorporate the following principal accounting policies.

1.1 Income / Government grants

The Authority is financed from money appropriated by Parliament. All government grants are accounted for in the income statement in the year to which they relate.

1.2 Fixed assets and depreciation

Fixed assets are shown at cost less accumulated depreciation. Fixed assets are depreciated using the straight-line method at rates that are estimated to write off each asset over its useful life.

During the current financial year there was a change in the estimated useful life of the assets which resulted in a change in depreciation rates as follows:

	Old rate Telecommunications	Old rate Broadcasting	New rate ICASA
Cellular phones	20%	33%	100%
Computer equipment	20%	33%	33%
Computer software	50%	-	50%
Furniture and fittings	16.70%	10%	16.70%
Monitoring equipment	20%	33%	20%
Motor vehicles	20%	25%	20%
Office equipment	20%	33%	20%
PABX	20%	-	20%
Test equipment	20%	-	20%

1.3 Licence fees

All licence fees and related income are accounted for on the accrual basis. In terms of section 15(3) of the Independent Communications Authority Act No. 13 of 2000, the Authority is required to pay all licence application and annual fees received into the National Revenue Fund within 30 days after receipt of such revenue. Accordingly licence fees received are not accounted for as income of the Authority.

1.4 Interest received

All interest earned on surplus funds and licence fees received is paid across to the National Revenue Fund.

1.5 Taxation

No provision has been made for income tax as the Authority is exempted in terms of section 10 (1) (cA) (1) of the Income Tax Act, 1962 (Act No. 58 of 1962)

1.6 Retirement benefits

Pension benefits are provided for employees by means of separate pension funds to which contributions are made.

Notes to the annual financial statements

for the year ended 31 March 2002

Independent Communications Authority of South Africa



	31 March 2002	Nine months ended 31 March 2001
	R	R
<hr/>		
2. Government grants		
Grants received based on original allocation from Department of Communications	107,260,002	74,122,171
Additional funds received from Department of Communications	10,651,000	-
	<hr/>	
	117,911,002	74,122,171
	<hr/>	

2. Government grants

Grants received based on original allocation from Department of Communications

Additional funds received from Department of Communications

3. Net operating surplus / (deficit)

Included in the net operating surplus / (deficit) are the following:

Income

Profit on disposal of fixed assets

581,336

-

Insurance recovery on fixed assets stolen

125,856

-

Fixed assets adjustments

-

366,263

Operating expenditure

Auditors remuneration

72,004

576,811

Audit fees

275,000

576,811

Overprovision prior year

(202,996)

-

Councillors' remuneration - Refer note 11

3,003,409

3,657,374

Depreciation

5,508,953

6,521,744

Current year charge

5,163,263

5,350,614

Adjustment due to rate change

345,690

1,171,130

Fixed asset adjustments

473,412

-

Office accommodation

14,795,872

11,073,174

Professional fees

8,897,801

8,669,893

Notes to the annual financial statements

for the year ended 31 March 2002

Independent Communications Authority of South Africa



	31 March 2002	Nine months ended 31 March 2001
	R	R
4. Accumulated surplus/(deficit)		
Accumulated surplus/(deficit) brought forward from 30 June 2000		
IBA	17,456,147	17,456,147
SATRA	(25,640,152)	(25,640,152)
	(8,184,005)	(8,184,005)
Accumulated surplus/(deficit) for the nine months to 31 March 2001	(6,576,482)	(6,576,482)
	(14,760,487)	(14,760,487)
Surplus for the current year	17,396,618	-
Accumulated surplus/(deficit) at end of year	2,636,131	(14,760,487)

The surplus for the current year arises due to funds received during the financial year for projects in progress and/or commitments made before year end not yet spent eg. the implementation of the licencing and spectrum management system.

5. Start up fund

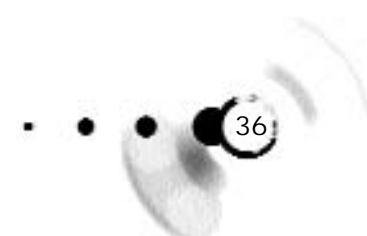
Transfer of assets to the SA Telecommunications Regulatory Authority by the Department of Communications with effect from 1 April 1997.

33,731,342	33,731,342
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6. National Revenue Fund

Revenue collected for the National Revenue Fund (NRF) was as follows:

Balance outstanding at the beginning of the year	14,239,608	184,638,810
Licence application and annual fees collected and interest received	772,061,044	458,413,363
Total revenue collected for NRF	786,300,652	643,052,173
Paid to NRF	775,771,963	628,812,565
Outstanding revenue collected to be paid to NRF	10,528,689	14,239,608





7. Fixed assets

	Office equipment R	Computer equipment R	Monitoring equipment R	Furniture and fittings R	Motor vehicle R
31 March 2002					
Cost					
Balance at 1 April 2001	1,915,990	3,596,735	19,935,187	3,535,644	4,827,514
Additions	36,947	1,906,009	156,231	6,952	52,632
Asset write off	(209,786)	(33,777)	(230,495)	(1,024)	
Disposals	(64,873)	(378,450)	(195,280)	-	(260,624)
Balance at 31 March 2002	1,678,278	5,090,517	19,665,643	3,541,572	4,619,522
Accumulated Depreciation					
Balance at 1 April 2001	1,561,411	3,492,871	18,013,963	2,084,871	4,323,204
Charge for the year	197,271	551,787	1,193,714	544,983	264,182
Rate change	21,792	(16,024)	354,917	(53,151)	4,606
Asset write off	(187,620)	(20,737)	(230,389)	(1,022)	-
Disposals	(45,567)	(377,767)	(185,817)	-	(260,624)
Balance at 31 March 2002	1,547,287	3,630,130	19,146,388	2,575,681	4,331,368
NBV at 31 March 2002	130,991	1,460,387	519,255	965,891	288,154
31 March 2001					
Cost					
Balance at 1 July 2000	1,388,178	2,974,430	29,466,005	3,652,450	4,827,514
Reclassification of assets	510,112	290,939	(9,659,546)	(225,588)	-
Additions	17,700	331,366	128,728	108,782	-
Balance at 31 March 2001	1,915,990	3,596,735	19,935,187	3,535,644	4,827,514
Accumulated Depreciation					
Balance at 1 July 2000	896,243	1,798,220	25,358,860	1,426,862	3,998,915
Reclassification of assets	483,706	797,296	(9,419,508)	(134,982)	2
Charge for the year	172,122	472,694	2,063,876	415,325	321,541
Rate change	9,340	424,661	10,735	377,666	2,746
Balance at 31 March 2001	1,561,411	3,492,871	18,013,963	2,084,871	4,323,204
NBV at 31 March 2001	354,579	103,864	1,921,224	1,450,773	504,310



Test equipment	PABX	Computer software	Other equipment	Work in progress	Total
R	R	R	R	R	R
13,589,375	1,086,997	5,868,278	3,112,493	3,557,805	61,026,018
-	80,528	2,989,626	-	526,143	5,755,068
(1,822,022)			(2,914,703)	-	(5,211,807)
(38,222)	-	-	-	-	(937,449)
11,729,131	1,167,525	8,857,904	197,790	4,083,948	60,631,830
9,787,896	691,882	5,745,298	2,824,626	-	48,526,022
1,929,657	226,959	252,704	2,006	-	5,163,263
(234,560)	(317)	239,176	29,251	-	345,690
(1,564,977)	-		(2,733,650)	-	(4,738,395)
(21,909)	-	-	-	-	(891,684)
9,896,107	918,524	6,237,178	122,233	-	48,404,896
1,833,024	249,001	2,620,726	75,557	4,083,948	12,226,934
12,971,357	1,121,375	362,355	94,649	3,557,805	60,416,118
612,574	(34,378)	5,505,923	2,999,964	-	0
5,444	-	-	17,880		609,900
13,589,375	1,086,997	5,868,278	3,112,493	3,557,805	61,026,018
7,766,309	519,816	151,866	87,187	-	42,004,278
48,540	(684)	5,430,087	2,795,543	-	0
1,656,579	168,207	78,339	1,931	-	5,350,614
316,468	4,543	85,006	(60,035)	-	1,171,130
9,787,896	691,882	5,745,298	2,824,626	-	48,526,022
3,801,479	395,115	122,980	287,867	3,557,805	12,499,996



Notes to the annual financial statements

for the year ended 31 March 2002

Independent Communications Authority of South Africa

	31 March 2002	Nine months ended 31 March 2001
	R	R
7. Fixed assets (continued)		
Capital Work in progress comprises:		
Monitoring equipment	3,557,805	3,557,805
IT Software & related project costs	526,143	-
	4,083,948	3,557,805
<p>The Authority has classified certain direction-finding equipment as capital work in progress. This equipment is still to be commissioned and therefore has not been depreciated.</p> <p>The amount of R 526 143 in respect of project and software costs relates to implementation of the JD Edwards Enterprise Resource Planning (ERP) system. This project is ongoing and it is anticipated that the system will be fully implemented during the 2002/2003 financial year.</p>		
8. Other payables		
Accounts payable		
Trade creditors and accruals	2,940,817	8,531,436
Value added tax accruals	730,456	-
Creditors other	5,446,229	5,547,841
Receipts in advance ¹		
Department of Communications	10,000,000	-
Provision for value added tax ²		
Balance at 31 March 2001	2,560,170	1,033,041
Movement for the year	460,087	1,527,129
Balance at 31 March 2002	3,020,257	2,560,170
Provision for audit fees ³		
Balance at 31 March 2001	418,362	185,768
Movement for the year	(143,362)	232,594
Balance at 31 March 2002	275,000	418,362
Provision for annual leave ⁴		
Balance at 31 March 2001	3,971,069	3,484,212
Movement for the year	(471,802)	486,857
Balance at 31 March 2002	3,499,267	3,971,069
Provision for bonus ⁵		
Balance at 31 March 2001	800,084	955,681
Movement for the year	44,434	(155,597)
Balance at 31 March 2002	844,518	800,084
	26,756,544	21,828,962

Notes to the annual financial statements

for the year ended 31 March 2002

Independent Communications Authority of South Africa

1. Receipts in advance

This amount represents funding for future expenditure on the licencing of the Second National Operator (SNO) transferred into the ICASA current account on 26 March 2002. As it relates to funding for future expenses still to be incurred, the receipt has not been accounted for as government grant income in the current financial year.

2. Provision for value added tax

ICASA is in the process of objecting to an assessment raised by SARS for outstanding VAT relating to the former IBA. A provision has been raised based on ICASA's calculations of the amount owing to SARS, including possible interest and penalties. This amount is the Authority's best estimate at this time. Refer note 12 for further information regarding a potential contingent liability.

3. Provision for audit fees

This amount represents the estimated costs of the external audit performed by the Auditor General.

4. Provision for annual leave

Employees accrue leave days on a monthly basis. This provision represents the total number of leave days accrued to employees at their current salary rate.

5. Provision for bonus

Employees are entitled to a guaranteed thirteenth cheque during the month in which their birthday falls. Provision has been made for this obligation on a pro-rata basis.

	31 March 2002	Nine months ended 31 March 2001
	R	R
9. Net cash generated /(used) by operating activities		
Net operating surplus/(deficit)	17,396,618	(6,576,482)
Adjustment for profit on sale of fixed assets	(581,336)	-
Adjustment for depreciation	5,508,953	6,521,744
Adjustment for asset write off	473,412	-
	<u>22,797,647</u>	<u>(54,738)</u>

10. Increase in working capital

Decrease/(Increase) in licences and other receivables	4,227,025	(7,208,832)
Increase / (Decrease) in current liabilities	1,216,663	(170,783,420)
Add / (Deduct) items shown separately on the face of the cash flow statement:		
Receipt in advance from Department of Communications	(10,000,000)	-
Licence,application and annual fees collected and interest received	(772,061,044)	(458,413,363)
Licence,application, annual fees and interest paid to NRF	775,771,963	628,812,565
	<u>(845,393)</u>	<u>(7,593,050)</u>



Notes to the annual financial statements

for the year ended 31 March 2002

Independent Communications Authority of South Africa

11. Council l ors' remuneration

During the financial year the annual salary packages earned by the Chief Executive Officer, Chairperson and Councillors were R 602 439, R 498 840 and R 411 066 respectively. The Chief Executive Officer's salary package was increased on 1 January 2002 to R 684 252.

	31 March 2002	Nine months ended 31 March 2001
	R	R

12. Fixed asset adjustment - abnormal item

A complete count of assets was performed during the current financial year which has necessitated that adjustments be made to the financial records to accurately reflect physical assets on hand at year end. The following fixed asset adjustments have been made to correct the accounting records to the fixed asset register:

Cost	5,211,807
Accumulated depreciation	<u>(4,738,395)</u>
	<u>473,412</u>

13. Other income

The Authority resulted from the merger of the former Independent Broadcasting Authority (IBA) and the SA Telecommunications Regulatory Authority (SATRA). The IBA was governed by the IBA Act and until 30 June 1999, the IBA was entitled to retain both licence fees and application fees. An amendment effective 1 July 1999 to the legislation made it compulsory to pay all licence fee revenue to the National Revenue Fund, whilst licence application fees could continue to be retained by the IBA.

During the course of 1998 numerous application fees from community radio stations for 4 year licences were received. Due to uncertainty as to pending amendments to legislation these receipts were allocated to deferred income and have been included in "Other payables" until now. It has now been decided to transfer these licence fees to income as they were received by the IBA before the amendment and should have been adjusted in prior years in the IBA financial statements.

14. Contingency

14.1 Until the 31 December 2001, the VAT registrations in respect of the former IBA and SATRA were still in place. With effect from 1 January 2002, the Authority requested deregistration of the IBA and SATRA as VAT vendors, and registered the merged organisation as a VAT vendor in the name of the Independent Communications Authority of South Africa.

Whilst there are no matters outstanding relating to the SATRA registration, there is a pending objection to an assessment of R 27 million raised on the former IBA. There is no consensus between the Authority and the SA Revenue Services (SARS) in ongoing discussions as to the final liability for VAT payable by the IBA. These financial statements include a provision for VAT owing of R3,7 million (refer note 8 above), however the final assessment from SARS has not been issued and ICASA reserves the right to appeal against revised assessments raised by SARS.

14.2 Pending receipt of a final assessment, ICASA has estimated that a further amount of R 16 592 821 in respect of VAT on government grants may be payable to SARS. ICASA is of the opinion that government grants should be vatable at zero percent and this matter is in the process of being referred to ministerial level.

15. Comparative figures

Comparative figures have been reclassified where considered necessary.

Detail ed Income statement

for the year ended 31 March 2002

Independent Communications Authority of South Africa

Nine months ended

	Note	31 March 2002 R	31 March 2001 R
Income		118,943,168	74,488,434
Government grants	1.3, 2	117,911,002	74,122,171
Other income - application fees	13	324,974	-
Profit on disposal of fixed assets		581,336	-
Insurance recovery on fixed assets stolen		125,856	-
Fixed asset adjustments		-	366,263
Operating expenditure		101,546,550	81,064,916
Audit fees		72,004	576,811
Audit fees		275,000	576,811
Overprovision prior year		(202,996)	-
Bad debts		-	35,809
Bank charges		96,174	78,974
Depreciation	7	5,508,953	6,521,744
Equipment rental & maintenance		1,932,168	1,354,965
Fixed asset adjustments	3, 12	473,412	-
General expenses, stores & supplies		182,259	235,348
Information technology		2,119,686	1,314,265
Insurance		1,168,930	902,988
Interest paid		16,009	-
Motor vehicle expenses		1,048,023	679,957
Office accommodation		14,795,872	11,073,174
Office maintenance and repairs		741,072	119,750
Printing & stationery		1,092,978	1,025,016
Professional fees (Consultancy)		8,897,801	8,669,893
Publications		481,756	134,268
Publicity costs		1,000,628	567,618
Restructuring costs		4,083,025	471,518
Rsc levies		147,644	137,229
Salaries & related expenses	3	51,173,953	41,341,830
Telephones, postage & fax		4,395,567	3,417,737
Training & conferences		839,940	558,669
Travelling & subsistence		1,278,696	1,847,353
Net operating surplus/(deficit)		17,396,618	(6,576,482)
Accumulated deficit at beginning of year		(14,760,487)	(8,184,005)
Accumulated surplus/(deficit) at end of year		2,636,131	(14,760,487)