



# annual report 2004/05



# Power Institute for East and Southern Africa (PIESA)

PIESA is a voluntary regional electricity technology sharing association with a particular focus on the distribution industry. It aims to improve electrification in East and Southern Africa through sharing information, research, technology, skills and experiences for the benefit of customers and suppliers in the distribution industry.



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# Vision & Strategy

## Vision:

- To be the catalyst for sustainable regional technological co-operation in expanding the Electricity Distribution Industry for regional growth and development.

## Strategy:

- To encourage participation from all regional electricity distributors and supporting industries;
- To compile, optimise and maintain a centralised integrated information system for technology related to the distribution of electricity including technical equipment specifications and codes of practice that are appropriate for the regional environment;
- To provide a mechanism for the continuous capturing of experiences of members in order to improve efficiency;
- To encourage the use of local resources and manufacture of equipment for use in the distribution industry;
- To promote applied research in areas that are relevant for the effective performance of the members;
- To develop a culture of technology transfer and skills development among the members;
- To develop strategic alliances and partnerships with other related organisations involved in or with the distribution industry;
- To promote long-term sustainability for growth and development.

# Chairman's Statement

Mr Greg Tosen  
PIESA Board Chairman  
Eskom, South Africa



It is most encouraging to report on growth of PIESEA membership with a new member Kenya Power and Lighting Co Ltd and two new affiliate members Aberdare Cables and Circuit Breaker Industries. We were disappointed to receive a resignation from Swaziland Electricity Board and hope that this will not remain a permanent decision.

The PIESEA Board met on two occasions during the financial year. The Annual General Meeting followed by a Board meeting were hosted by Uganda Electricity Distribution Company in Kampala. The second Board meeting hosted by Eskom was held in Richards Bay after the Board Members had attended the AMEU Technical Conference.

The PIESEA was represented at a number of conferences during the year. Two papers were presented at the Power Africa Conference in Johannesburg being "Electrification in Africa Through Shared Technology" and "Infrastructure to Support Reliable Power Supply, the Role of Standards and Standardisation". A paper was presented at the EAPIC Conference in Nairobi on "PIESA Standard 1048 Power Quality".

The PIESEA was formally represented at the official launch and Constitutive Assembly of the SADC Business Forum in Johannesburg and at the SADCSTAN Annual Meeting in Mauritius. I represented PIESEA at the Fourth International Electricity Research Exchange Council General Meeting in Poland and was honoured to receive the IERE Annual Award for technology development in Africa and contributions to the IERE. Agreement in principle has been reached between the IERE and PIESEA to hold a combined workshop to be known as an Africa Forum in Zambia in 2007.

Two training workshops were held during the year. A course on Standardisation Training for the Standardisation Working Group and interested persons from industry was held at the Kafue Gorge Regional Training Centre. A course on Distribution Protection was held for the Power Systems Analysis Working Group in Johannesburg. A one day workshop was held in Malawi with the Standardisation Working Group, Engineers from ESCOM Malawi and representatives from the Malawi Standards Board.

As reported last year PIESEA signed a Declaration of Intent with SADCSTAN to work towards a Memorandum of Understanding to establish a framework for co-operation on standardisation. What has subsequently been signed is a "Statement of Technical Co-operation between the Southern African Development Community Co-operation in Standardisation (SADCSTAN) and the Power Institute for East and Southern Africa (PIESA)

Concerning Co-operation in Harmonization of Standards". Presently being developed in support of this Technical Co-operation Agreement is a draft for "Procedures for the Consideration of Standards Prepared by PIESA as Harmonised Regional Standards".

Even though the SAPP has a focus on transmission level electricity trading and the PIESA has a focus on distribution and electrification development there has been further communication between the two organisations to ensure that there is no conflict of interests. It is recognised that occasions could arise in the areas of technical standards and environmental practices that would need input from both organisations.

The detail work in PIESA continues to be done by the five working groups which deal with Standardisation, Low Cost Electrification, Reduction of Non-technical and Revenue Losses, Power Systems Analysis and the Environment. Participation in these working groups enables Affiliate Members to make non-propriety contributions. Visible outputs external to PIESA are the production of PIESA Standards which are formally approved by the PIESA Management Board before public release.

The progress of the working groups has been mainly restricted to communication by mail due to the high cost of travel in the region. With this in mind an application for donor funding was made to Programme Manager of the Regional Trade Facilitation Programme but was not successful as the submitted outputs were not accepted within the restricted range of activities for support.

May I thank everyone who assisted in making PIESA accomplish it's objectives in the past year particularly the PIESA Board Members and the Members of the five Working Groups for their valuable contributions and commitment and to our Secretariat for their administrative support.

Greg Tosen  
PIESA Chairman

# Members of the PIESA Board



**Mr Greg Tosen**

PIESA BOARD Chairman  
General Manager, Research,  
Development &  
Demonstration  
Eskom, South Africa



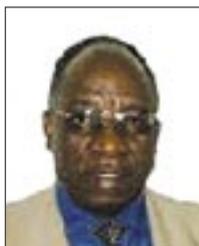
**Dr Alex Chiwaya**

Managing Director  
ESCOM Ltd  
Malawi



**Mr Bhukosi Siso**

Distribution Services Manager  
Zimbabwe Electricity Supply  
Authority (ZESA)  
Zimbabwe



**Mr Simon Mhaville**

Managing Director  
Lesotho Electricity  
Corporation (LEC)  
Lesotho



**Mr Alex Kabata Okien**

Director of Studies and  
Standards  
Societe Nationale  
d'Electricite (SNEL)  
DR Congo



**Mr Musonda Chibulu**

Director of Engineering  
Development  
ZESCO Ltd  
Zambia



**Eng David Mwangi**

Chief Manager Planning  
Research and Performance  
Monitoring  
Kenya Power & Lighting Co Ltd  
(KPLC) Kenya



**Mr Said Balaba**

General Manager  
Technical & Customer Services  
Uganda Electricity Distribution  
Company Limited (UEDCL)  
Uganda



**Mr Neil Croucher**

Directorate Electricity  
Services, City of Cape Town  
Association of Municipal  
Electricity Undertakings  
(AMEU) South Africa

# Profile of PIESA

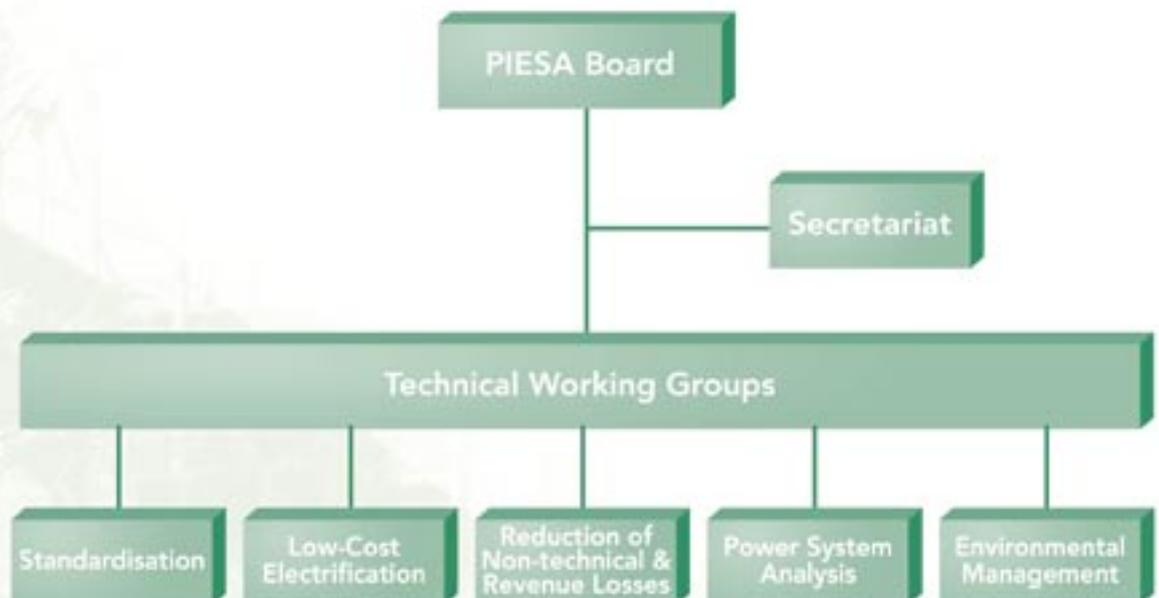
The Power Institute for East and Southern Africa (PIESA) is a regional power utility association established on 28 February 1998. It aims to improve electrification in the region through sharing of information, experiences, skills, technology, and research to improve the electricity distribution industry. PIESA's main focus is on technical rationalisation to achieve economies of scale with local manufacturers in an effort to enhance electrification in the region.

PIESA's membership comprises eight electrical power utilities, three affiliate members and an association of municipal undertakings with observer status. The revised PIESA Constitution now encourages affiliate membership of manufacturers and suppliers of electrical equipment as well as individuals or organisations from academic and research institutions.

A Management Board comprising representatives from member utilities provides policy and direction whilst work activities are conducted through Technical Working Groups. The Technical Working Groups are established as required to address improvements on common issues pertaining to power distribution and electrification. The five current working groups focus on the issues of Standardisation, Low-Cost Electrification, Reduction of Non-technical and Revenue Losses, Power Systems Planning and Environmental Management.

Secretariat and administration services in support of PIESA activities have been contracted out to SAD-ELEC Secretarial Services (Pty) Ltd in Johannesburg.

## Organisational Structure



# Technical Working Groups

## Standardisation Working Group

**Mr Paul Johnson**  
Convenor, Eskom, South Africa



The Standardisation Working Group vision is that in Africa, PIESA standards are recognized by electricity distribution utilities, their suppliers, and their funding agencies, as the preferred standards for electricity distribution. The objectives are to ensure that a credible process of consensus for developing distribution standards is in place for PIESA, that there is co-operation and commitment of utilities and their suppliers for the use of PIESA standards and that there is co-operation with other stakeholders to avoid duplication.

During the year the working group successfully drafted and published four new standards, which were approved by the PIESA Board for publication. The first deals with cable terminations and live conductors within air insulated enclosures. The second deals with corrosion protection of mild steel fabricated equipment. The third deals with ring-main units and the fourth with metal clad switchgear. There are currently six active projects. The PIESA website includes a listing of all finalised and draft specifications. A successful standardisation training course has been developed and the first course took place at the Kafue Gorge Regional Training Centre which was well attended by PIESA members.

The consideration of PIESA published standards has been included in the work programme of the UPDEA Standardisation Study Committee. A MoU is in effect with StanSA for publishing and sale of the approved PIESA standards. In furtherance of establishing regional acceptance and usage of the standards a document has been signed with SADCSTAN titled Statement of Technical Co-operation between the SADC in Standardisation and the PIESA Concerning Co-operation in Harmonisation of Standards.

## Low-Cost Electrification

**Mr Douglas Chitsenga**  
Convenor, ZESA, Zimbabwe

The Low Cost Electrification Working Group have reviewed a number of systems and practices to ascertain those that could be adopted as best practices for the region. Insulated shield wire systems will require considerable research and design before further consideration. The use of single wire earth return systems, distributed generation in grid connected rural networks and the application of load limiters are already in use on various distribution networks. Advanced operating such as distribution automation and the application of dynamic thermal conductor ratings are still under review. It is now intended to do a comparison between insulated and bare overhead conductor systems.

The collection and comparison of established electrification practices throughout the region is ongoing. The focus being on voltage, system and capacity standards as well as construction and structure standards. The sharing of project experiences will identify both cost effective electrification practices and failures.

Electrification schemes can never be shown to be economically viable and do require cross subsidised funding. The working group recognises the need to develop stronger motivations for electrification schemes through load forecasting, network planning, design and costing methodologies specifically focused on the needs of the electrification end user which will require a move away from analysis practices previously used for established urban development reticulation. Operating costs and system losses have a larger impact in the analysis due to spatial networks with low utilization.

## Reduction of Non-technical and Revenue Losses

**Mr Wiseman Kabwazi**

Convenor, Escom Ltd, Malawi



The Reduction of Non-technical and Revenue Losses Working Group mission is to enhance the financial viability of PIESA distribution industry through the reduction of non technical and revenue losses by setting acceptable and practical standards, procedures and projects. Both these losses account for a large portion of the overall losses in most utilities within the PIESA region.

The main concerns expressed by the working group members are the need to improve the quality of meter readings and the billing systems as well as revenue collection and reducing the arrears payments. In a number of countries the problems are compounded with a lot of old meters in the system and having some unmetered customers. Tampering of meters is still a problem as are illegal connections. Under meter security the working group is still investigating features to make the meter more robust and how to protect the entry cables against tampering and bypassing. A pilot automatic meter reading project has not been implemented due to the lack of funds. Utilities are intending to expand pre-payment metering systems but this will not solve tampering and bypassing.

Solutions have been introduced to reduce the impact of many of the concerns. Better qualified metering staff have been engaged and in some countries the subcontracting of this service to individual women has proved to be a success. Delivery of bills to customers premises has been introduced as have incentives for the payment of arrears. The replacement of old meters is ongoing and has given good financial returns. The introduction of lockable meter boxes has reduced tampering and the introduction of substation metering assists in identifying losses. Internal audits of current and discontinued customers have improved the quality of billing systems.

## Environmental Management

**Ms Gertrude Moreboli**

Convenor, LEC, Lesotho



The Environmental Management Working Group has developed an environmental policy to provide an environmental framework for the operation of PIESA. The compilation of a Country Specific Environmental Legislation document will help PIESA to have an understanding of the environmental legal frameworks in the region which will have a bearing on its activities. Members are being encouraged to develop Corporate Environmental Policies to guide the environmental performance of their utilities

PCB Guidelines have been prepared to guide utilities in the handling and disposal electrical equipment and materials contaminated with PCB's. EIA Guidelines are being prepared to assist member utilities in conducting environmental impact assessments. Wayleave and Servitude Management Guidelines will provide a guide to utilities in the bush clearing and the general management of wayleaves and servitude for both new and existing distribution power lines.

An environmental training needs assessment was conducted to identify the training needs of each utility and, possibly, to help in sourcing training funds. Training needs were compiled, costed and circulated to members for comments. Training in ISO 14001 and Sustainable Development were the key areas identified.

The working group encourages collaboration in research that is of importance to the sustainable utilisation of resources and the minimisation of adverse impacts from operations of power systems. Examples were an Emissions Project to fight global warming covering Zambia, South Africa, Zimbabwe, Tanzania and Botswana and the Kafue River Basin Integrated Environmental Impact Assessment Study

The Environmental Working Group has been tasked to provide country specific environmental information on: climatic conditions, rainfall, altitude, solar radiation, humidity, pollution and wind velocity. This information will guide the Standardisation Working Group in the specification of designs of electrical equipment suitable for environmental conditions existing in various parts of the PIESA region.

### Power Systems Analysis



**Mr Aaron Nyirenda**  
Convenor, ZESCO Ltd, Zambia

The Power Systems Analysis Working Group is a conduit through which existing and new technology can be shared in the region through the identification of particular areas of concern for regional utilities in power systems. The main focus of the working group is to promote skills development in the region through appropriate training courses in power systems analysis and reduce the utilities' dependence on imported skills. The working group has been reviewing the various software used by the member utilities to identify whether to negotiate subsidised rates for agreed common software.

A further successful Power Systems Training Course was held during the year dealing with the protection of distributions systems which was attended by all PIESA members. This was a hands-on interactive course enabling the participants to apply the knowledge to improve the performance of their networks.



"Thumbs up for the completion of a successful course."

# Utility Customer Connections Development

Utility Name	ESCOM Ltd	Eskom	Kenya Power and Lighting Company
Abbreviation	ESCOM Ltd	Eskom	KPLC
Country	Malawi	South Africa	Kenya
Data for the Year	2004	2004 / 2005 (15 months)	2004
Installed Generation Capacity MW	285	36,208	1,228
Total Energy Sent Out GWh	1,351	273,404 285,601 (incl nett imports)	5,035
Total Energy Sold GWh	1,056	240,951 256,959 (incl nett exports)	4,090
Number of Industrial and Commercial Customers	29,282	46,763	128,413
New Industrial and commercial Connections	1,530	1,295	6,285
Number of Urban Customers	# 150,324	# 3,475,330	592,753
New Urban Connections	## 13,952	## 98,495	36,654
Number of Rural Customers			93,442
New Rural Connections			6,267

## Supporting notes

# Total number of customers (Urban and Rural)

## Total number new of customers (Urban and Rural)

Lesotho Electricity Corporation	Societe National d'Electricite	Uganda Electricity Distribution Company Ltd	Zimbabwe Electricity Supply Authority	ZESCO Ltd
LEC	SNEL	UEDCL	ZESA	ZESCO Ltd
Lesotho	DR Congo	Uganda	Zimbabwe	Zambia
2004	2004	2004	2004	2004
3.4	2,446	300	1,940	1,640
2	6,896	1,609	11,984 12,296 (incl nett imports)	9,349 9,405 (incl nett imports)
316 (incl nett imports)	6,856	1,035	10,116	8,383 8,611 (incl nett exports)
287	37,504	24,292	46,863	20,443
21	5,704	603	1,665	n/a
40,190	271,073	236,704	518,339	# 283,552
4,514	8,808	16,881	12,296	## 56,582
	89,756	26,300	4,088	
-	8,436	1,876	1,514	



"A safe modern installation with satisfied customers having control over their electricity consumption through the application of prepayment metering systems."

# PIESA Associations

## **IERE:**

The International Electric Research Exchange (IERE) is willing to promote Research and Development activities with global co-operation as a means to solve medium and long term issues facing the electrical service industries of the world and bridge the gap between developing economies and developed economies. The IERE is a voluntary international research and development organisation aimed at facilitating technology exchange with a present focus on sustainability and renewable energy. PIEASA is an Executive Member of the IERE which has its Central Office in Japan. PIEASA benefits from this association in the form of the leveraging of research projects, funding and skills for the region. The PIEASA member at the IERE also serves on the Editorial Board of the IERE Newsletter.



*PIESA Chairman receiving the Annual IERE Award in Krakow, Poland*

## **SAPURAB:**

PIESA is a Board Member of the South African Power Utilities Research Advisory Board (SAPURAB), which aims to identify research opportunities of relevance to electricity producers, transmitters, distributors and end users, promote the development of Electricity Industry research and facilitate local, regional and international research co-operation. As such the PIEASA members gain technology and research experience.

## **SADCSTAN**

The Southern African Development Community Co-operation in Standardisation (SADCSTAN) is a committee of SADC with the aim of harmonising standards in the SADC region through co-operation among national standards bodies and other stakeholders. SADCSTAN has been sensitised to the standardisation activities of PIEASA. A Statement of Technical Co-operation has been signed between SADCSTAN and PIEASA concerning co-operation in harmonization of standards. This document covers the purposes and application as well as the implementation and structures for co-operation in the development and harmonization of standards. A supporting document has been drafted which deals with the procedures for the consideration of standards prepared by PIEASA as harmonised regional standards.

## **UPDEA:**

Co-operation between PIEASA and the Union of Producers, Conveyors and Distributors of Electrical Energy in Africa (UPDEA) which has membership of 33 countries National Electricity Utilities in Africa was formalised after the PIEASA workshop held in 2001. Synergy was established between PIEASA and UPDEA's new vision to implement projects in a manner that aims to satisfy the real needs of people in the region and to enhance the social benefits through electrification. A strong link has been established between the PIEASA Standardisation Technical Working Group and the UPDEA Scientific Committee to exchange information and technologies, especially in the area of standardisation.

**PIESA (ASSOCIATION INCORPORATED UNDER SECTION 21)**  
 (Registration number : 2002/031747/08)  
**FINANCIAL STATEMENTS**  
**for the year ended 28 February 2005**

The reports and statements set out below comprise the annual financial statements presented to members:

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**APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

The financial statements which appear on pages 7 to 16 were approved by the chairman on 31 March 2005 and signed on their behalf by:



G. R. Tosen

Rivonia  
 31 March 2005

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
 PIESA (ASSOCIATION INCORPORATED UNDER SECTION 21)**

We have audited the annual financial statements of PIESA (Association Incorporated Under Section 21) set out on pages 7 to 16 for the year ended 28 February 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

**Scope**

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we 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.

We believe that our audit provides a reasonable basis for our opinion.

**Audit opinion**

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 28 February 2005 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa, 1973.



Core Chartered Accountants (SA)  
 Registered Accountants and Auditors  
 Auditor's Name

31 March 2005  
 Bedfordview

**PIESA (ASSOCIATION INCORPORATED UNDER SECTION 21)**  
 (Registration number: 2002/031747/08)  
**REPORT OF THE DIRECTORS**  
**for the year ended 28 February 2005**

The directors present their report for the year ended 28 February 2005. This report forms part of the audited financial statements.

**1. General review**

The company carries on the business of an electricity technology sharing association.

**2. Financial results**

The results of the company and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require further comments.

**3. Events subsequent to the year end**

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

**4. Directors**

The directors of the company during the accounting period and up to the date of this report were as follows:

G.R. Tosen  
 D.J. Hlanze  
 A.A.W. Chiwaya  
 A.K. Olden  
 B.S. Balaba  
 M.A. Chibulu  
 B. Siso  
 S.L. Mhaville.

**5. Secretary**

The company had no secretary during the year.

**Rivonia**

**31 March 2005**

**PIESA (ASSOCIATION INCORPORATED UNDER SECTION 21)**  
 (Registration number: 2002/031747/08)  
**BALANCESHEET**  
**as at 28 February 2005**

	2005	2004
	R	R
<b>ASSETS</b>		
<b>Current assets</b>		
Trade and other receivables	3 74,092	122,459
Cash and cash equivalents	460,849	175,073
<b>Total assets</b>	<u>534,941</u>	<u>297,532</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Reserves</b>		
Accumulated surplus	302,155	70,882
<b>Current liabilities</b>	232,786	226,650
South African Revenue Service	18,394	11,432
Trade and other payables	27,474	12,017
Contingency fund	186,918	203,201
<b>Total equity and liabilities</b>	<u>534,941</u>	<u>297,532</u>

**PIESA (ASSOCIATION INCORPORATED UNDER SECTION 21)**  
 (Registration number : 2002/031747/08)  
**INCOME STATEMENT**  
 for the year ended 28 February 2005

	2005	2004
	R	R
<b>GROSS REVENUE</b>		
Membership fees received	867,777	878,807
<b>OTHER INCOME</b>		
Exhibitor registration fees	62,054	96,511
Investment income	-	31,324
Surplus on foreign exchange	25,562	24,671
Registration fees	36,492	-
Sponsorship income	-	32,516
	8 000	
<b>TOTAL INCOME</b>	929,831	975,318
<b>EXPENDITURE</b>		
Accounting fees	691,596	825,027
Administration fees paid	-	1,000
Advertising	71,868	68,880
Auditors' remuneration	37,254	39,890
Bank charges	8,000	8,433
Finance costs	3,297	2,284
Gifts	236	42
Deficit on foreign exchange	-	513
Printing and stationery	-	33,023
RSC levies	25,000	49,043
Secretarial fees	1,288	2,619
Travel local	505,666	616,360
<b>Travel overseas</b>	-	100
	38,987	2,840
<b>SURPLUS BEFORE TAXATION</b>	238,235	150,291
<b>TAXATION</b>	6,962	6,786
<b>SURPLUS FOR THE YEAR</b>	231,273	143,505

**PIESA (ASSOCIATION INCORPORATED UNDER SECTION 21)**  
 (Registration number: 2002/031747/08)  
**STATEMENT OF CHANGES IN EQUITY**  
 for the year ended 28 February 2005

	Accumulated surpluses R
<b>BALANCE AS AT 01 MARCH 2003</b>	70,755
<b>CORRECTION OF FUNDAMENTAL ERROR</b>	(143,378)
<b>RESTATE BALANCE</b>	(72,623)
<b>RESTATE SURPLUS FOR THE YEAR</b>	143,505
<b>SURPLUS FOR THE YEAR AS PREVIOUSLY STATED</b>	214,760
<b>CORRECTION OF FUNDAMENTAL ERROR</b>	(71,255)
<b>BALANCE AS PREVIOUSLY STATED AT 01 MARCH 2004</b>	70,882
<b>SURPLUS FOR THE YEAR</b>	231,273
<b>BALANCE AS AT 28 FEBRUARY 2005</b>	302,155

**PIESA (ASSOCIATION INCORPORATED UNDER SECTION 21)**  
(Registration number : 2002/031747/08)  
**CASH FLOW STATEMENT**  
for the year ended 28 February 2005

	Notes	2005 R	2004 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from members and sponsors		867,776	1,046,572
Cash paid to suppliers		<u>(607,326)</u>	<u>(1,307,415)</u>
Cash generated by/(utilised in) operating activities	14.1	260,450	<u>(260,843)</u>
Investment income		25,562	24,671
Finance costs		<u>(236)</u>	<u>(42)</u>
Net cash from operating activities		<u>285,776</u>	<u>(236,214)</u>
Increase/(decrease) in cash and cash equivalents		285,776	(236,214)
Cash and cash equivalents at beginning of the year	14.3	<u>175,073</u>	<u>411,287</u>
Cash and cash equivalents at end of the year	14.3	<u><u>460,849</u></u>	<u><u>175,073</u></u>

**PIESA (ASSOCIATION INCORPORATED UNDER SECTION 21)**  
(Registration number: 2002/031747/08)  
**NOTES TO THE FINANCIAL STATEMENTS**  
at 28 February 2005

**1. BASIS OF PREPARATION**

The financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice. Statements of Generally Accepted Accounting Practice in South Africa are not intended to apply to immaterial items. The financial statements are prepared on the historical cost basis.

The following are the principal accounting policies adopted by the company which are, unless otherwise specifically stated, consistent in all material respects with those of the previous year:

**1.1 Revenue recognition**

Revenue from membership fees is recognised when invoiced. Interest is recognised on a time proportion basis.

**1.2 Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

**1.3 Taxation**

Deferred taxation is provided at legislated future rates using the balance sheet liability method. Full provision is made for all temporary differences between the tax base of an asset or liability and its balance sheet carrying amount.

No deferred tax liability is recognised in those circumstances where the initial recognition of an asset or liability has no impact on accounting profit or taxable income.

Assets are not raised in respect of the deferred taxation on assessed losses unless it is probable that future taxable profits will be available against which the deferred tax asset can be realised in the foreseeable future.

**1.4 Financial instruments**

Financial instruments carried on the balance sheet include cash and bank balances, trade receivables, trade creditors. The particular recognition methods adopted are considered appropriate.

It is the policy of the company not to take out forward cover in respect of foreign currency transactions to which the company is party to. The company's exposure foreign exchange fluctuations is disclosed in note 7 to the annual financial statements.

**PIESA (ASSOCIATION INCORPORATED UNDER SECTION 21)**

(Registration number : 2002/031747/08)  
**NOTES TO THE FINANCIAL STATEMENTS**  
 at 28 February 2005

	Gross	Taxation	Net
<b>2. FUNDAMENTAL ERROR</b>			
Historically the company incorrectly recognised contingency fees received from the members as income. Since the company is liable to refund the monies held, it felt that amounts received should be reflected as liabilities of the company	138,731	-	138,731
Since the company is registered under Section 21 of the Companies Act of 1973, it is exempt from taxation in respect of monies received from its members. However the company is liable for taxation on the investment income received.	-	4,647	4,647
Contingency fees incorrectly recognised as income.	64,470	-	64,470
Taxation due on the investment income received	-	6,786	6,786
	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>R</b>	<b>R</b>	<b>R</b>
	53,809	110,032	110,032
	-	4,400	4,400
	20,283	8,027	8,027
	74,092	122,459	122,459
	9,234	12,018	12,018
	18,240	-	-
	27,474	12,018	12,018
<b>3. TRADE AND OTHER RECEIVABLES</b>			
Debtors for subscriptions			
Prepaid expenses			
Value added taxation			
<b>4. TRADE AND OTHER PAYABLES</b>			
Accruals			
Overpayments debtors			

**(ASSOCIATION INCORPORATED UNDER SECTION 21)**

(Registration number : 2002/031747/08)  
**NOTES TO THE FINANCIAL STATEMENTS**  
 at 28 February 2005

	2005	2004
	R	R
<b>5. CONTINGENCY FUND</b>		
Opening balance	203,201	-
Fees previously recognised as income for the financial years 2002/2003 for the financial year 2004	-	138,731
Fees raised during the current year	54,102	64,470
Foreign exchange adjustment	(70,385)	-
Closing balance	<u>186,918</u>	<u>203,201</u>
The contingency fund is represents movies held by the company on behalf of its members. The fund has been established by the members to pay certain expenses on their behalf when attending the company's working group meetings. The amounts held by the company on behalf of the members can be split into the following currencies:		
US Dollar (2005 - \$26,500, (2004 - \$19,500))	154,682	177,465
Rands	<u>32,236</u>	<u>25,736</u>
	<u>186,918</u>	<u>203,201</u>
<b>6. GROSS REVENUE</b>		
Gross revenue comprises turnover, which excludes value added tax and represents the invoiced value of services supplied.		
Major classes of revenue comprise:		
Subscriptions from members	828,777	862,907
Corporate membership fees	<u>39,000</u>	<u>15,900</u>
	<u>867,777</u>	<u>878,807</u>
<b>7. INVESTMENT INCOME</b>		
Interest income		
- Interest received	<u>25,562</u>	<u>24,671</u>
<b>8. FINANCE COSTS</b>		
Bank overdraft	<u>236</u>	<u>42</u>

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	2005	2004
	R	R
<b>9. TAXATION</b>		
South African normal tax		6,786
- Current tax	6,962	%
<b>Reconciliation of rate of taxation</b>	30.00	30.00
South African normal tax rate		
Adjusted for:		
- Exempt income	(27.08)	(25.48)
Net reduction	(27.08)	(25.48)
Effective rate	2.92	4.52

Although the company is exempt from current taxation in terms of Section 10 of the Income Taxation Act of 1968, on the membership fees received from its members, it is however liable for taxation on the investment income received.

**10. SURPLUS FOR THE YEAR**

Surplus is stated after:

<b>Income</b>	36,492	-
Profit on foreign exchange		
<b>Expenditure</b>		
Auditors' remuneration	8,000	8,433
- Audit fee	8,000	8,000
- Prior year under provision	-	433
Loss on foreign exchange	-	33,023

**11. FOREIGN CURRENCY EXPOSURE**

	Closing rate	Current Fair Value
		R
<b>Total foreign currency</b>		
Debtors for subscriptions - US Dollar		
2005 - \$9,218	R5,837 = \$1	53,809
2004 - \$16,579.00	R6,636 = \$1	110,032
Contingency fund - US Dollar		
2005 - 26,500 US Dollar	R5,837 = \$1	154,682

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2005  
R

2004  
R

**12. FINANCIAL INSTRUMENTS**

**Credit risk**

The company only deposits cash surpluses with major banks of high quality credit standing.

**13. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified.

**14. NOTES TO THE CASH FLOW STATEMENT**

**14.1 Cash generated by/(utilised in) operating activities**

Surplus for the year	238,235	150,291
Adjustments for:		
Investment income	(25,562)	(24,671)
Finance costs	236	42
	<u>212,909</u>	<u>125,662</u>

Movements in working capital

Decrease/(increase) in trade and other receivables	48,366	(102,991)
Decrease in trade and other payables	(825)	(283,514)
	<u>260,450</u>	<u>(260, 843)</u>

**14.2 Reconciliation of taxation paid during year**

Charge in income statement	(6,962)	(6,786)
Movement in taxation balance	6,962	6,786

**14.3 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Bank and cash balances	460,849	175,073
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# Map of PIESA's Area of Focus





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