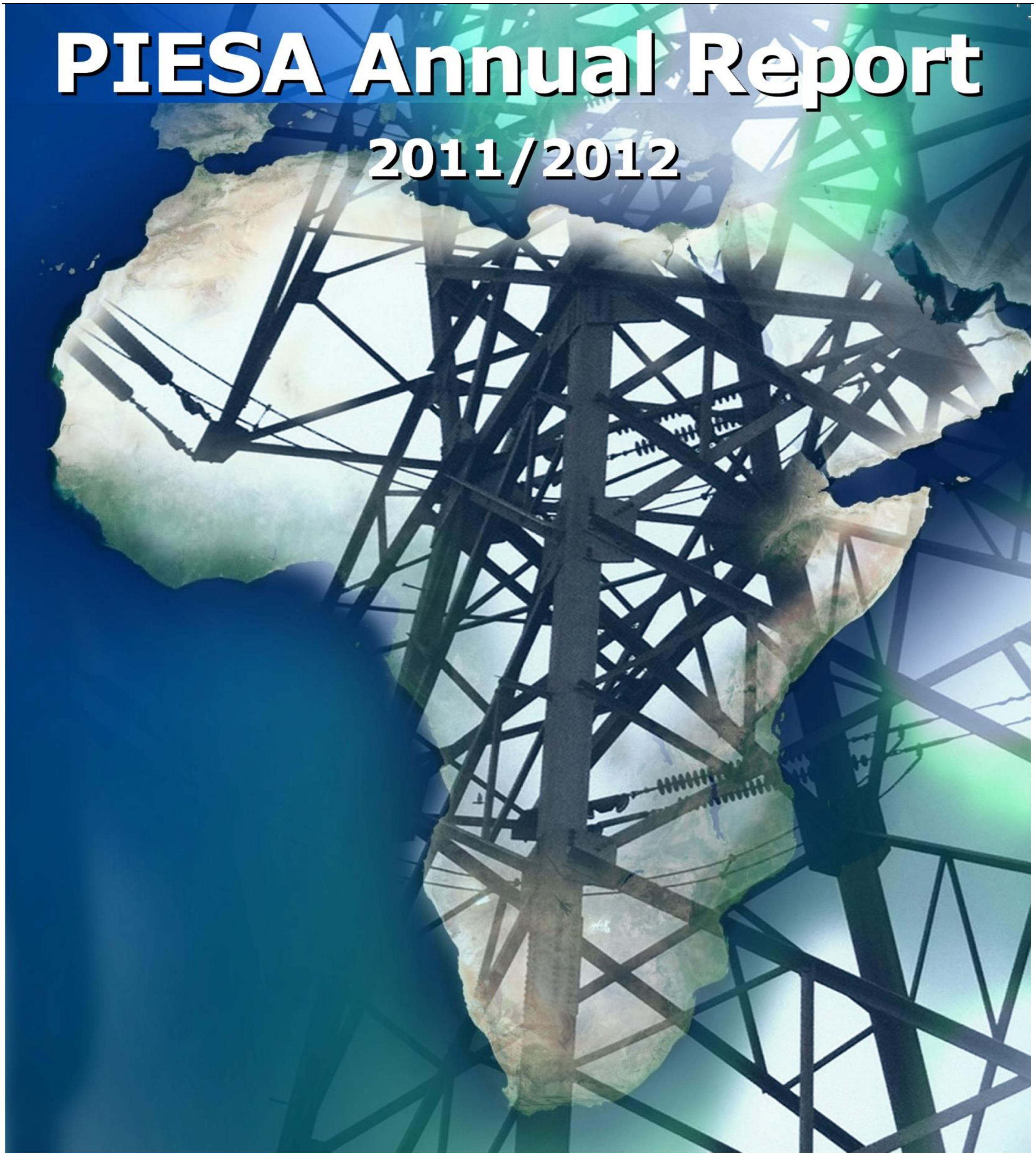
PIESA Annual Report

2011/2012



THE POWER INSTITUTE FOR EAST & SOUTHERN AFRICA

www.piesa.com piesa@vdw.co.za P.O. Box 868, Ferndale, Johannesburg, 2160 Tel: (011) 061 5000

About the Power Institute of East and Southern Africa (PIESA)

The Power Institute for East and Southern Africa (PIESA) is a voluntary regional electricity industry association established in 1998 to facilitate and coordinate the sharing of information and technology in the specialized areas of:

◇ Technology and engineering support;
◇ Applied research;
◇ Standardization;
◇ Environmental management; and
◇ Technical development and training

The PIESA aims to be the catalyst for sustainable regional technological cooperation in expanding the electricity distribution industry for regional growth and development by:

◇ Encouraging participation by all regional electricity distributors and supporting industries;

◇ Compiling, optimizing and maintaining integrated information systems for technology related to the distribution of electricity including technical equipment specifications and codes of practice that are appropriate for the regional environment;

◇ Providing a mechanism for continuously capturing the experiences of members in order to improve efficiency;

◇ Encouraging the use of local resources and manufacture of equipment for use in the distribution industry;

◇ Promoting applied research in areas that are relevant to the effective performance of members;

◇ Fostering a culture of technology transfer and skills development among the members;

◇ Developing strategic alliances and partnerships with other related organizations involved in or with the electricity distribution industry.

Members of the PIESA board

Paul Johnson
(Eskom - South Africa & PIESA Chairman)

Gerard Lehloenya
(LEC - Lesotho)

Hannes Roos
(AMEU Southern Africa)

Bhukosi Siso
(ZESA - Zimbabwe)

Zimbiso Chimbima
(UMEME - Uganda)

Benson Muriithi
(KPLC - Kenya)

Eng. Felchesmi Mramba
(Tanesco - Tanzania)

Mebolana Montala
(SNEL - DR Congo)

Augustine Musumali
(Zesco - Zambia)

Peter Mtonda
(Escom - Malawi)

Annual report of PIESA Chairman – Paul Johnson

The year 2011-12 for me personally marked the end of my term as PIESA chairman and my direct involvement in PIESA activities. My heartfelt thanks for the support that I received during my 4 years as Board Chairman, from my colleagues in the Board, the working groups and the secretariat.

PIESA's aim to facilitate and promote electrification in the regions has not changed, but there has been a change in emphasis during the year, underpinned by a decision to implement practical pilot projects for the transfer of skills.

The report for the Executive Director, Paul van Niekerk, to whom I record my special thanks for his unwavering support and hard work, covers the detail of the activities that took place during the year 2011-12 and I will not elaborate further on those. I must however record our gratitude to IERE for the continued support. It is an honour for PIESA to be associated with such a prestigious international organization as an Executive member. Our membership provides the opportunity for at least one member a year to send a representative to an IERE meeting, and in 2011, we were able to send our colleague from Malawi Mr Bobo to Nanjing in China.

It was clear from his report back that he was inspired by his participation in the IERE event. I hope others in the PIESA family will also benefit in future.

As PIESA moves into a new cycle of events, I note the expectation for several exciting and very relevant activities, such as:

- The Renewable Energy Pilot project
- Asset management
- Closer liaison and cooperation with the academic community for introducing innovations for Electrification planning, and distributed generation, as well as continuing with the identification of appropriate standards for electrification.

While I am moving on to a new environment, I will continue with my role as Executive Secretary of the African Electrotechnical Standardization Commission (AFSEC). I trust that PIESA's role as an affiliate member of AFSEC will continue and through that connection I will be able to keep abreast of the activities in PIESA. Indeed I am humbled to have been granted honorary membership of PIESA by the Board, and so I will continue to be informed of all your activities.

The challenge of electrification is a pan-African one, and I am sure the work being done in PIESA to identify and promote appropriate standards will be a valuable input to the work of AFSEC. Through such cooperation maybe some of us will see that day when we achieve universal access to electricity of all people in Africa. We know it is a huge challenge, but do not give up.

I now hand over the baton to the incoming Board chairman, Eng Felschesmi Mramba from TANESCO, and trust that he will receive the same level of cooperation and commitment as I did from the PIESA membership.

Thank you all.

Paul Johnson
Viva PIESA, Viva Africa!

From the desk of the Executive Director – Paul van Niekerk

The year 2011 flew by for PIESA in a flurry of activity that included the Board meeting and working group meetings in March 2011 in Cape Town followed by the Biennial PIESA IERE TIS workshop that took place in Malawi in September 2011.

The April meeting was not very well attended in all working groups, however, the board made some important resolutions that are highlighted here:
1. The form of company of the PIESA was debated at some length and the not for profit nature was affirmed. For that reason, in 2002, the PIESA was registered as section (21) company in terms of South African company law.

However, at this meeting, it was noted that the PIESA is a regional organisation and not South African, and it was suggested that members consider converting the organisation back to the common law association format that it has operated under prior to 2002.

The board then resolved to convert the Section 21 Company known as PIESA 2002/031747/08 into a common-law association known as the Power Institute of East and Southern Africa, using the constitution that has been in force since 1998, as amended from time to time.

2. The secretariat tabled a report to establish a policy to confirm the Board's previous decision to sponsor a PIESA member each year to attend an IERE workshop or conference. The financial extent of the sponsorship will be limited to approximately $3500-00 as determined by the cost of the flight and the Hotel accommodation for five nights and subject to updating.

The September 2011 General Meeting of the PIESA was slightly different in that we started with a three hour plenary workshop before the formal meetings got underway, which created an opportunity for everybody to participate in planning where we should be going in the next three years.

The PIESA business cycle is based on a three year strategic business cycle and designed to span over two PIESA IERE Biennial workshops. Hence, the strategic business started in October 2011, immediately after the workshop and extends from October 2013. Consequently planning for the new cycle will commence in October 2013.

Some good ideas were forthcoming and the Board agreed that three primary projects should be adopted as crosscutting projects for the 2012-14 business cycle, that include all four PIESA working groups.
1. Asset management
2. Distributed generation and mini grids for Rural Electrification.
3. Academic cooperation for the promotion of rural Electrification in Africa.

Item (3) is a relatively new proposal from the Electrification working group that has found much favour among the academics in the region and will be strongly supported by all universities.

In the interim, AFSEC has started an initiative to draw up an Electrification Guideline document under the auspices of AFREC and the AU. PIESA was represented at the project launch and we have volunteered to assist on the working group.

In addition, USAID have requested assistance from Eskom in South Africa to help with the launch of Electrification campaign, and they in turn, have requested assistance from the PIESA.

The board has agreed that the PIESA will continue liaison with external organisations such as UPDEA, AFSEC, ESLC, SADCSTAN and of course our partners IERE.

The renewable energy pilot project has not been launched as yet, Tanesco are still negotiating with various Government departments such as the Ministry of Energy, and Utility regulator of Tanzania UWURU. We are still hoping that some progress will be made in order to report progress at the IERE PIESA TIS workshop that is scheduled to be held in Arusha in October 2013.

Delegates at the April 2011 Board and working group meetings at the ICC in Cape Town

We are looking forward to a fruitful set of working group and Board meetings in liaison with the AMEU meeting in October this year. Registration documents have been circulating and are on the PIESA website.

Prepayment Metering Training Course Eskom Academy Midrand South Africa

PIESA Board Members in Malawi 2011 - (L to R) Eng Benson Muriihi; Hannes Roos; Eng Felshesmi Mramba; Eng Musumali; Eng Bukhosi Siso; Paul Johnson; Peter Mtondo; Paul van Niekerk

Chairman Paul Johnson with Toshiyuki Yamanaka (left) and Dr Mikio Sato from IERE in Japan

Sandile Maphumulu, Kelvis Kasonkomona and Macvittie Chiphwanya during a break in proceedings at the Malawi plenary meeting

The Standardisation working group at the Malawi Workshop Oct 2011

Financial Statements

PIESA (Non Profit Company)
Annual Financial Statements for the year ended 29 February 2012

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Report of the Independent Auditors to the Shareholders of PIESA (Non Profit Company)

We have audited the annual financial statements of PIESA (Non Profit Company), which comprise the director's report, the statement of financial position as at 29 February 2012, the statement of comprehensive income, the statement of changes in equity and statement of cash flow for the year then ended.

Auditors responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conduct our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

In common with similar organisations certain income cannot be verified prior to being recorded in the books. While we have no reason to believe that there has been any unrecorded income, we are unable to express a definite opinion in this regard.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 29 February 2012, and of its financial performance for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities.

HARRIS DOWDEN & FONTAINE
Chartered Accountants (S.A.)
Registered Auditors
Per: RT Harris

SANDTON
12 April 2012

Director's responsibilities and approval

The directors are required by the Companies Act of South Africa 2008, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is his responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and places considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 29 February 2012 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 4 to 12, which have been prepared on the going concern basis, were approved by the board of directors on 12 April 2012 and were signed on its behalf by:

Chairman

Report of the directors

The directors have approved the attached annual financial statements and submit their Report for the year ended 29 February 2012.

1. Main business and operations

The company is engaged in stimulating the electrification of the region.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Events subsequent to balance sheet date

The directors are not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the report of the financial statements that would affect the operations of the company or the results of those operations significantly.

3. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	**Name**
P Johnson	A Musumali
B B Siso	B Muriithi
P Mtonda	F Mramba
Z Chimbima	G Lehloenya
J J Roos	M Montala – appointed 14 March 2011

4. Secretary

Van der Walt & Company – Jean Venter – has been reappointed as the secretary of the company.

Statement of financial position

	Note(s)	2012 R	2011 R
Assets			
Current assets			
Trade and other receivables	2	177,403	229,337
Cash and cash equivalents	3	531,061	684,594
Total assets		708,464	913,931
Equity and liabilities			
Capital and reserves			
Accumulated funds		659,660	797,629
Current liabilities			
Trade and other payables	4	16,000	16,000
Receiver of revenue		-	2,493
Education fund	5	32,804	97,809
		48,804	116,302
Total equity and liabilities		708,464	913,931

Statement of comprehensive income

	Note(s)	2012 R	2011 R
Revenue			
Membership fees		958,153	904,789
Other income			
Interest received		737	9,688
Conference fees		260,102	9,786
Education programmes		10,456	67,803
		271,295	87,277
Total income		1,229,448	992,066
Expenditure			
Auditor's remuneration	6	18,338	19,000
Conference expenses		228,631	---------
Education projects – Trainer and material costs		--------	109,241
Marketing – Travel international		17,564	5,114
Secretariat – Annual report		--------	8,000
Secretariat – Finance charges		3,601	1,345
Secretariat – Management fees	1	923,112	690,705
Secretariat – Printing and stationery		9,186	2,115
Secretariat – Travel international		66,995	33,452
Secretariat – Travel local		10,426	55,892
Secretariat – Website		3,607	200
Subscription fees		42,548	47,214
Workgroups – Venue costs		45,901	47,991
Total expenditure		1,369,910	1,020,269
Net loss before tax		(140,462)	(28,203)
Taxation	7	(2,493)	----------
Net loss for the year		(137,969)	(28,203)

Statement of changes in equity

	Accumulated funds R	Total equity R
Balance as at 1 March 2010	825,832	825,832
Net loss for the year	(28,203)	(28,203)
Balance as at 1 March 2011	797,629	797,629
Net loss for the year	(137,969)	(137,969)
Balance as at 29 February 2012	659,660	659,660

Cash flow statement

	Note(s)	2012 R	2011 R
Cash flow from operating activities			
Cash generated by/(utilised in) operating activities	8.1	(154,270)	(252,225)
Interest received		737	9,688
Taxation paid	8.2	(0)	(3,495)
Net cash from operating activities		(153,533)	(246,032)
Decrease in cash and cash equivalents		(153,533)	(246,032)
Cash and cash equivalents at beginning of the year	3	684,594	930,626
Cash and cash equivalents at end of the year	3	531,061	684,594

Accounting policies

1. Presentation of Annual Financial Statements
The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the Companies Act, 2008 of South Africa. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous year.

1.1 Financial instruments
Initial recognition
The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Trade and other receivables
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at cost.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables
Trade payables are initially measured at fair value, and are subsequently measured at cost.

Cost and cash equivalents
Cash and cash equivalents are initially and subsequently recorded at fair value.

1.2 Provisions and contingencies
Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

- a reliable estimate can be made of the obligation.

Contingent assets and contingent liabilities are not recognised.

1.3 Revenue

All income received is recognised on a cash received basis.

1.4 Translation of foreign currencies

Foreign currency transactions are recorded, on initial recognition in Rand, by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the transaction.

1.5 Secretariat – Management fees

This represents the Association Management Company's Services. It included the new fee and R15 000 for additional ED day.

Notes to the Annual Financial Statements

	2012 R	2011 R
2. Trade and other receivables		
Prepaid expenses	16,632	26,874
VAT control	160,771	202,462
	177,403	229,337
3. Cash and cash equivalents		
ABSA Call accounts	416,938	678,082
FNB NPO Account	113,113	5,511
FNB Business Call Account	1,010	1,001
	531,061	684,594
4. Trade and other payables		
Harris Dowden & Fontaine	16,000	16,000
5. Education funds		
Closing balance	32,804	97,809

A special resolution was passed by the Board Members to rename the Contingency fund to the Education fund. These funds will be used for training in the years to come until the funds have been depleted.

6. Auditors' remuneration		
Audit fees	16,000	14,000
Secretarial fees	2,338	3,000
	18,338	19,000
7. Taxation		
Prior year's adjustment	(2,493)	--------

No tax has been provided as the company is awaiting approval for full exemption from taxation in terms of Section 10(1)(d)(iv)(bb) of the Income Tax Act.

PIESA membership

Membership Categories and Eligibility

Membership of the PIESA is open to the electricity industry. The number of members from time to time shall not be limited, but shall at no time be less than five (5). Membership may not be assigned or transferred to any other person, company or concern.

Membership is obtained by paying the prescribed contributions as stipulated in Article 14.2 following the acceptance by the PIESA Board of the application for membership.

PIESA has the following categories of membership:
Full Members are organizations that:
(a) Generate, transmit, distribute or buy and sell electricity; or
(b) Represent an organisation contemplated in (a).

Affiliate Members are organizations or individuals with an allied interest to the PIESA, and would include, inter alia, manufacturers and suppliers of services or equipment to the electricity distribution industry, researchers, consultants and financiers.

Benefit of PIESA Membership

Benefits to members include:

- Access to and participation in the development of standards for the electricity distribution sector;
- Share of information, technology and skills and, in particular, experiences gained from pilot projects and implementation of new technologies, and local solutions to recurrent problems experienced in the region;
- Network with like-minded organizations, joint research activities and access to information from international research organizations e.g. IERE, EPRI, SAPURAB;
- Influence the development of standard specifications appropriate for the region through active involvement in the Working Groups;
- Coordinate with like-minded organizations e.g. SADCSTAN, UPDEA towards the common goal of harmonized standards;
- Participate in training activities, exchange programmes and development projects;
- Participate in regional workshops and conferences, and network with strategic decision-makers in the electricity industry;
- Provide opportunities for market growth and economies of scale for regional manufacturers and suppliers of equipment and services.