



ANNUAL REPORT

2010/2011



FOREST SECTOR
CHARTER COUNCIL

VISION

To achieve sustainable BBBEE and growth in the forest sector through active and meaningful participation of all stakeholders.

MISSION

To support, promote and guide transformation of the Forest Sector and secure compliance by stakeholders with Charter requirements.

VALUES

The Council operates with the following values:

- Good governance
- Transparent
- People-centred
- Dynamic
- Respect for people/integrity
- Respect for confidentiality





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MESSAGE FROM THE CHAIRPERSON

It is with a sense of pride and honour that I present the Forest Sector Charter Council 2010/11 annual report. The Forest Sector Charter Council is committed to the growth and transformation of the forest sector as espoused in the Forest Sector Transformation Charter. It is the view of the Council that meaningful transformation can be achieved through a committed partnership between all role players.

To embark on a journey of success, one needs a high level of preparedness, dedication, commitment, foresight and, more importantly, strategy to shape and direct synergies and ensure the realisation of the objectives one has set for himself. After three years in office, the Council has matured into a transformed team. This is because the balanced cross-section of diverse professional backgrounds, knowledge and expertise among Council members (constituted by academics, community representatives, Departmental officials, industry and business representatives and trade unionists) has added real value to the quality of decisions and guidance provided to fulfil our mandate in driving transformation into practice.

Our philosophy as the Forest Sector Charter Council has always been to strive to remain the best and serve with true diligence, utter competence and accountability. It is encouraging to mention that this Council does not only have the expertise but has intellectual capacity, demonstrated potential and enthusiasm to take the sector to new heights. It is indeed gratifying to announce that through these principles and beliefs, the Council has often been labelled amongst other Charter Councils as an objective and competitive entity with a clear set of objectives and the quest to deliver on these.

Our strategy too has always been to focus and capitalise on our strength and never lose sight of our core responsibilities. I am proud to say that though we are a Council faced with challenges we have the vast experience that we boast of to engrave on the concept of walking into solutions to overcome these challenges. As an industry that is highly challenged, we have weathered many storms while continuing with our indefatigable energy and dedication.

Since my appointment as Chairman of the Council in August 2010 the Council has been aggressively capitalising on its core agenda, improving its efficiencies to sharpen its portfolio's



focus on the transformation business. The Council has committed to adhere to the highest standards of good corporate governance principles and effective work ethics as engraved in the King III report. Such principles have not only been integral to the Council's success but have spurred us to continue to be more fiscally responsible, objective and transparent, and also to provide a positive contribution when addressing transformation matters.

For the Council, 2010/11 was a year in which a series of issues spurred us to remain focused, and restore and build strong relationships with our partners and stakeholders. The payment of lease rentals to eight communities qualifying as beneficiaries for forestry restructuring in Mthatha in February 2010 was one of the many events that Council witnessed, and Council wishes to extend its profound gratitude to the Department of Agriculture, Forestry and Fisheries for keeping to its promise. This event did not only bring relief to these communities and restored the confidence to our government but also stirred the Council to focus and deliver on other matters of critical importance.

Gearing up for the future, we pledge to continue with our passion to excel and make a meaningful impact in the forest industry. We also pledge to continue to build a strong cooperative partnership with our partners and stakeholders by increasing emphasis on being on the spot in so far as transformation is concerned, and we are even more determined to ensure that we achieve that goal.

Finally, my sincere gratitude goes to all Council members, stakeholders and the secretariat for their utmost support during my first year in office as a Chairperson. I am confident that the plans we have in place will position us well for the future. I look forward to reporting on our achievements and progress in 2011/12.

A handwritten signature in black ink, appearing to read 'P. Dyani'. The signature is fluid and cursive, with a large loop at the end.

Pasco Dyani
Chairperson
Forest Sector Charter Council



THE FOREST SECTOR CODE

The Forest Sector Code was established to promote black economic empowerment in the forest sector. The Forest Sector Code is legally binding to all enterprises involved in forestry. A profile of the applicable sub-sectors is highlighted below.

Growers sub-sector (plantations, nurseries and indigenous forests)



The profile of forestry ownership changed significantly during the 2010-2011 year with a number of land claims being settled by one of the two largest timber growers in South Africa and a massive employee share ownership deal taking place in the other of the largest corporate timber growers. Furthermore a large portion of corporately-owned timber area was sold to three other companies, two of whom are new operators in the sector, which further reduces the levels of concentration among corporate growers.

Contracting sub-sector



This sector covers all forestry contracting practises involved in silviculture, harvesting, fire fighting services and other forestry contracting services that are not covered by their sector Charters. During 2010/11 the number of forestry contractors remained at over 300 and with approximately 32000 employment despite some mechanization regarding the most difficult forestry activities. Of the total number of contractors, 60.5% had a turnover of below R5m per year and 2.1% had a turnover of more than R35m, leaving 37.4% as QSE's. More than 40% of contracting businesses are black owned companies.

Fibre sub-sector



The fibre sub-sector is dominated by corporate enterprises involved in the capital-intensive pulp, paper and composite board industries as well as wood chip and wattle bark manufacturing. These industries are characterised by their backward linkages into plantation forestry motivated by the need to secure reliable roundwood supply. Since the 2008 recession, which resulted in a decline in pulp and paper demand, the industry has not been without its own economic challenges. It has however been making a steady recovery following the change in the packaging and paper grades.

Sawmilling sub-sector



The sawmilling Industry is one of South Africa's primary conversion industries in the forest sector as it converts logs into structural sawn lumber for use in the building and construction industry and industrial lumber for use in the packaging, joinery and furniture industries. Sawmills are also important producers of wood chips used in the pulp, paper and board industry. The South African Sawmilling industry adapted to the 2010/11 overall climate just as would be expected from an industry supplying a strategic building and industrial commodity that is based on a renewable and environmentally friendly resource. The industry has risen to the challenge that the times have dictated and not only survived, but grown in terms of its development and commitments to the forestry charter. The sector continued to contribute to the maintenance of employment by ensuring that the current economic climate was not as devastating to the rural environment as it could have been. In fact many sawmills were kept operational despite trying circumstances.

Pole sub-sector (pole treatment plants)



This sector represents the pole producers and all preservative treated timber manufacturers. During 2010/11 the number of pole producers (preservative treated) in the region were 75 out of a total number of about 130 timber preservative treatment plants. The remainder were producers of other preservative treated timber products e.g. structural timber (sawmills) decking, cladding, garden products etc. For 2010, the treated pole production volumes from these 75 producers totaled to 543 117 m3 which was a marginal increase of 5 500 m3 from 2009. However the industry is still feeling the effects of the down turn in the building industry, as can be in the 5 year comparison below.

Fig. 1: Treated Pole Production 5 year comparison

Year	'000 m ³	% Change over previous year
2006	584	-0,20%
2007	647	11,00%
2208	593	-8,00%
2009	537,6	-9,00%
2010	543,1	1,00%

Charcoal sub-sector



This sector is responsible for the production of charcoal. This sub-sector is comprised mostly of medium sized or emerging enterprises privately owned.



THE FOREST SECTOR CHARTER COUNCIL

The Council has been vested with the responsibility to encourage, support monitor and facilitate the implementation of the Charter. The Council is expected to monitor and report on the implementation of the Charter undertakings as well as the BEE transformation status of the sector. A highlight of the achievements in terms of the charter undertakings is reflected in page 11.

The Council met five times in the financial year 2010/2011. Attendance was good in all meetings as reflected in the figure 2 below.

Fig. 2: Council meeting attendance

Council Members	2010			2011	
	22 Apr	26 Aug	28 Oct	17 Feb	17 Mar
Pasco Dyani (Chairperson)					
Dr Rampedi Moshibudi					
Mary-Anne Mngomezulu					
Jane Molony					
Moses Qomoyi				DECEASED	
Thabo Masombuka					RESIGNED
Nthatho Motlana				RESIGNED	
Queen Filani					
Stephen Bila					
Smangele Cele					
Sibusiso Gumede					
Themba Siyolo					
Dr Jaap Steenkamp					
Sakhiwo Zako					
Viv McMenamin					
Watson Nxumalo					
Ben Nkambule					
Gay Mokoena			RESIGNED		
Rentia Von Tonder					
Simangaliso Mkhwanazi					
Dinga Mncube					
Bruce Breedt					

Key: Present Absent Not appointed



CHARTER COUNCIL MEMBERS

Chairperson:	Pasco Dyani
Representing government:	Dr Moshibudi Rampedi Queen Filani Thabo Masombuka
Representing industry:	Viv McMenamin Nthato Motlana Watson Nxumalo Gay Mokoena Themba Siyolo Jane Molony Ben Nkambule Rentia van Tonder Simangaliso Mkhwanazi Dr Jaap Steenkamp Stephen Bila Dinga Mncube Bruce Breedt
Representing labour:	Sibusiso Gumede Sakhiwo Zako
Representing communities:	Mary-Anne Mngomezulu Moses Qomoyi Dr. Diphoko Mahango Simangele Cele
CEO:	Dr Themba Simelane



FOREST SECTOR PROFILE

The forest sector, which includes forestry and forest products, is an important contributor to the South African economy, accounting for 1% of the national GDP and 15% of South Africa's trade balance. The sector employs 170 000 people and provides livelihood support to 850 000 people, or a means of survival to almost 15% of South Africa's rural population. It therefore makes a significant contribution to poverty alleviation in the rural areas. The forest sector also alleviates government's responsibility in providing social infrastructure and generates an increased tax base. The income generated in the sector boosts local economic development and further job creation.

The information presented on pages 8, 9 and 10 provide a snapshot of the forest sector as at 2009, taken from a report by Forestry South Africa.

Map of Forestry in South Africa



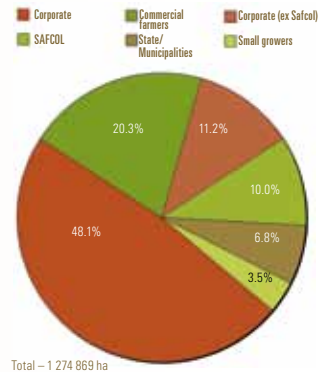
(Source: Forestry South Africa, Genesis Report)

48.1%

Plantation area owned by corporates

Plantation area by ownership 2009

Corporate	48.1%
Commercial Farmers	20.3%
Corporate (ex SAFCOL)	11.2%
SAFCOL	10.0%
State/Municipalities	6.8%
Small Growers	3.5%

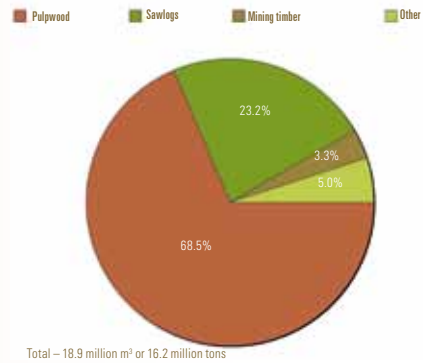


68.5%

Pulpwood produced as percentage of total roundwood production - 2009

Total roundwood production ex plantations by product 2009

Pulpwood	68.5%
Sawlogs	23.2%
Mining timber	3.3%
Other	5.0%

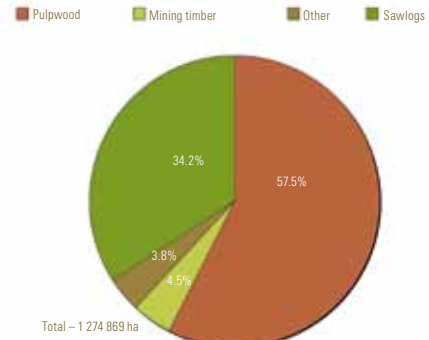


57.5%

Plantation area managed for pulpwood - 2009

Plantation area by management objectives 2009

Pulpwood	57.5%
Sawlogs	34.2%
Mining timber	4.5%
Other	3.8%

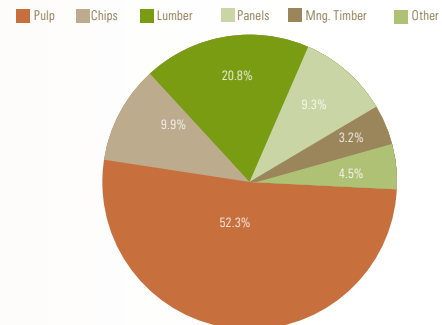


52.3%

Value of pulp sales from Primary Processing Plants - 2009

Value of Sales from Primary Processing Plants 2009

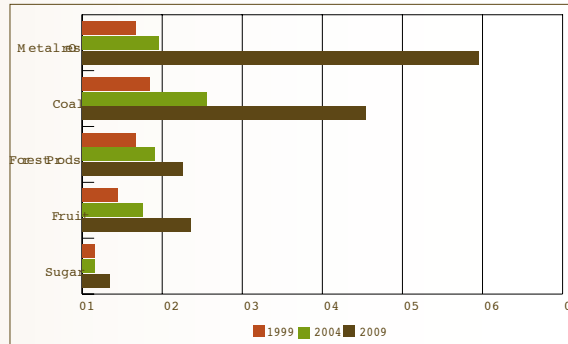
Pulp	52.3%
Chips	9.9%
Lumber	20.8%
Panels	9.3%
Mng Timber	3.2%
Other	4.5%



48%

Metal ores exported in 2009

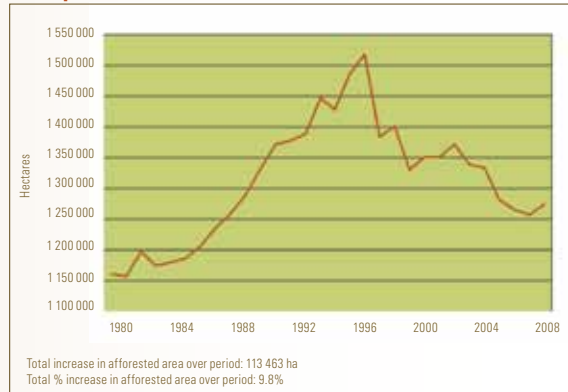
Export Comparisons - 1999, 2004 & 2009



9.8%

Total percentage increase in afforested area between 1980 and 2009

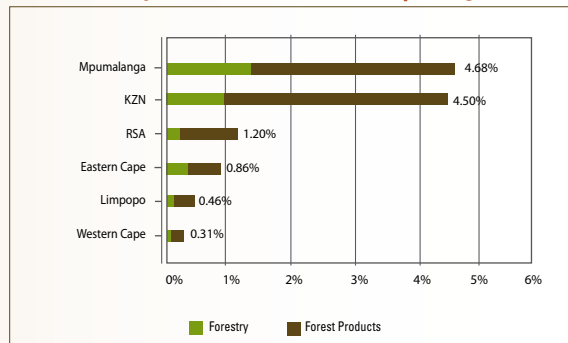
Total plantation area 1980 to 2009



4.68%

Total GGP Forest Industry contribution to Mpumalanga - 2009

Forest Industry Contribution to Total GGP per Region - 2009



169,700

Total Forest Sector employment - RSA 2009

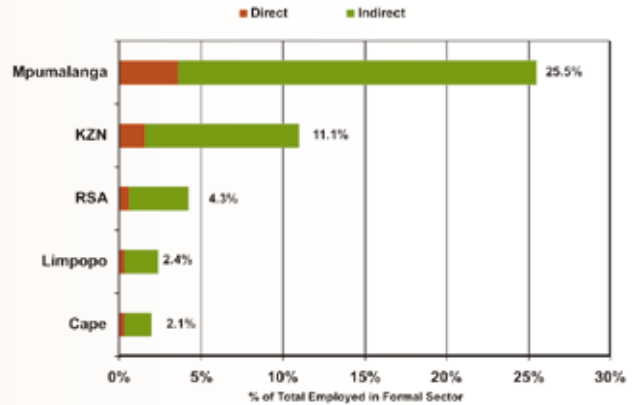
Forest Sector Employment – RSA 2009

Sub-sector	No. of employees		Total Employment
	Direct	Indirect	
Forestry	66,500	30,000	96,500
Pulp and Paper	13,200	10,800	24,000
Sawmilling	20,000	10,000	30,000
Timber Board	6,000	n/a	6,000
Mining Timber	2,200	n/a	2,200
Other	11,000	n/a	11,000
TOTAL	118,900	50,800	169,700

0.8 million

Total employment in Forestry Industry in Mpumalanga as percentage of those employed in Formal Sector - 2008

Total Employment in Industry as % of those Employed in Formal Sector 2008

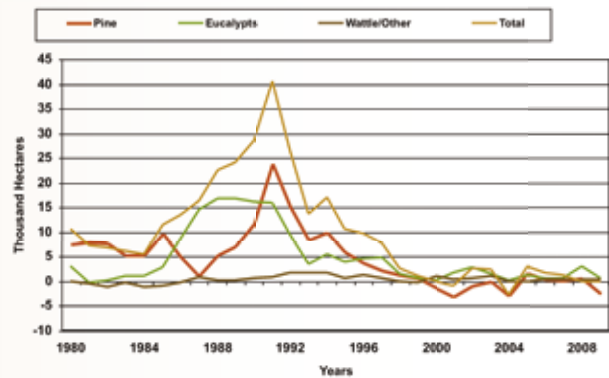


Total employed in Mpumalanga – 0.8 million

1 719ha

Average afforestation per annum

Net New Afforestation by Species:1980 to 2009

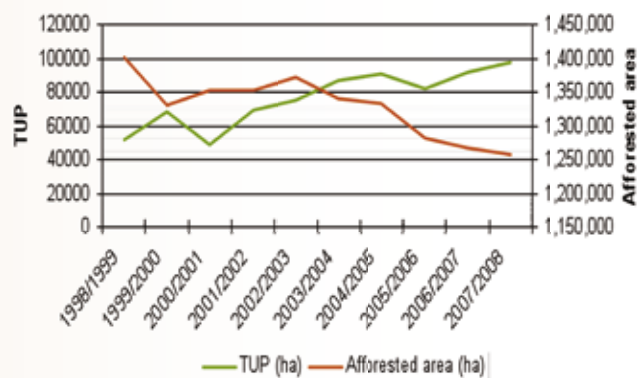


Net new afforestation over period - 293 229 ha
Average p.a. - 9 774 ha

97 977ha

Total temporary unplanted area in 2007/2008

Annual increase in temporary unplanted area (TUP) compared to the annual decrease of total plantation area for the period 1998 – 2008



REPORT ON PROGRESS MADE IN THE IMPLEMENTATION OF THE FOREST SECTOR CHARTER UNDERTAKINGS, 2010/2011

The Charter contains undertakings for both the government and industry in consultation with the communities and labour representatives. A highlight of the progress made in terms of the undertakings is reflected below. It is worth mentioning that the report shows an improvement. Funding, information, skills and capacity are some of the hallmarks that still serve as enablers towards attaining the desired progress.

INSTRUMENTS TO SUPPORT OWNERSHIP TARGETS

Restructuring of state forest assets

The restructuring process of Komatiland Forest (KLF) has been put on hold pending the review of the Cabinet decision on privatisation.

Community trusts for the three communities, i.e. Mbazwana, Manzengwenya and Mabaso have been established and registered. DAFF is currently finalizing the transfer of these assets to the relevant tribal authorities through community forestry agreement.

The transfer plan for Rossbach plantation in Limpopo has been developed by all the affected stakeholders, namely the Rossbach land claimants, DAFF and the Department of Rural Development and Land Reform (DRDLR). SEDA is assisting with the development of a business plan.

The transfer plan for Injaka plantation in Mpumalanga has also been developed by all the affected stakeholders, which are namely three land claimant communities, DAFF and DRDLR, though only one land claim remained unsettled. IDC has funded the business plan.

Instruments to support Skills Development targets

The first transformation report highlighted that the sector was not performing well in terms of skills development. In

response to this analysis, DAFF and Industry has strengthened its participation in FIETA activities. It is anticipated that the restructuring of the SETA landscape will bring the most desired results. Forestry inputs have also been incorporated into the DAFF Education and Training strategy.

INSTRUMENTS TO SUPPORT ENTERPRISE DEVELOPMENT

Access to funds and financial services for emerging black entrepreneurs

Even though most financial institutions have little appetite to fund primary sector activities, it is envisaged that the activities captured in the IPAP 2 will serve as a catalyst in addressing this matter. In respect of timber growing, the development of an enterprise development financing models will be addressed by the Emerging Forest Grower Codes.

The Department of Agriculture, Forestry and Fisheries (DAFF) is also in the process of reviewing and aligning its financial policies so that forestry can have access to development finance packages such as grants and credit amenities currently available in the department. More work is also underway to develop new financial products that will assist small growers. It is anticipated that such work will be completed by the end of the 2010/2011 financial year.

Capacity building and business support for emerging black entrepreneurs

Aside from company specific initiatives measured through FED measure on the scorecard, industry through FSA has extensive small grower support programmes. These initiatives include the establishment of the Emerging Timber Grower' (ETG) association and also the dissemination and information sharing. FSA has also secured a grant funding to the value of R300, 000.00 for skills development.



DAFF with the DAFF with funding support from the National Forest Programme (NFP) Facility of the Food and Agriculture Organization (FAO) has developed the Forest Sector Small, Medium and Macro Enterprises (SMME) Strategy. This strategy seeks to identify constraints to the development of the emerging entrepreneurs across the entire value chain, as well as key interventions and delivery mechanisms for easing them. The strategy has been finalised and presented to FFMC for endorsement. It is currently awaiting final approval by DEXCO.

Expedite the authorisation of afforestation licenses

Since the introduction of the Letsema project in October 2009, the Department of Water Affairs (DWA) has since been able to eradicate some of the backlog in the license application process. This initiative brought together resources within the DWA to deal with water use license applications in a concerted effort. As a result, a total of 1 111 water use licenses (WUL) accounting for 14 270.958 hectares in 2010 have been issued compared to the 389 WUL issued between the period of 2000 to 2009. A summary of the licenses issued between KZN and Eastern Cape and the area in hectares is shown in Table 1 below.

Table 1: Water Use License Applications (WULA) issued between April 2010 to March 2011

Regions	Number of WULAs issued	Hectares
KwaZulu-Natal	1,026	3,269.958
Eastern Cape	85	11,001*
Total	1,111	14,270.958

* Includes the genus exchange applications

The number of licenses issued to HDI currently stands at 997 for 1 529.80ha, of which 114 licenses totalling to 12 741.156ha are B-BBEE compliant companies.

The Internal and external guidelines for Water Use Authorisation process have also been developed. These guidelines indicate the information required and procedures for the authorisation process.

Land rights and land holding structures

DAFF has negotiated and concluded S42D settlement agreements for 4 community land claims affecting State plantations. The four community land claims are Injaka, Rossbach, Hlokozi and Manzengwenya. DRDLR is in the process of validating the land claims and verifying the right beneficiaries.

DRDLR is also reviewing the land tenure systems. A draft finalised bill is awaited.

Small grower certification

The National Certification Standard process which makes provision for the certification of emerging growers has been finalised. Currently the finalised draft is pending the announcement of the FSC review outcomes.

Raw material and value add industries

Out of the R3 million budget allocation for the 2010/2011 financial year, only R582, 000.00 has been used. This has resulted in the conversion of only 116 ha.

In April 2010, the National assessment was completed and is now being used to identify quaternary catchments with value added industries potential. This process has been initiated and is continuing during the current financial year.

An amount of R34 million has been earmarked for the establishment of Eco furniture factories.

The programme continues to support Syringa Bioscience with the development of alternative products. It is also contributing to the Working for Energy (WfE) programme.

INSTRUMENTS SUPPORTING INDUSTRY SPECIFIC INITIATIVES

Integrated planning for Forest Sector Development

Forestry has been identified as one of the sectors with a potential to contribute meaningfully to economic growth. The Industrial Policy Action Plan (IPAP) has been revised and a Plan for 2010/11 – 2012/13 has been finalised. DAFF has also developed an IDP framework to provide guidelines on how to establish strategic partnerships in an effort to curb delays in the implementation of some of the programmes.

Sawlog strategy

The strategy has been developed and tabled at the FFMC and the branch meeting, there after it will be sent for approval by DEXCO.

Forestry Protection Services

The Institute of Commercial Forestry Research (ICFR) in partnership with the Food and Agriculture Organisation (FAO) has finalised the strategy for forestry protection services. Inputs have been received from a team of experts from the ICFR, the Forestry and Agriculture Biotechnology Institute, private consultants and representatives from the Department. The strategy has been presented to DEXCO for approval.

Fires continue to pose a major risk to the forest industry. In light of the above, the department has established 25 fire protections associations (FPAs). It has also conducted six information sessions with the SAPS, Magistrates and Prosecutors as a means of creating awareness. Fire

prohibition notices have also been erected and published for both winter and summer rainfall.

During 2010/11 the Working on Fire (WoF) programme employed 3356 people (33% female and 86% youth) which accounts for about 40% more compared to the 2009/2010 financial year. The programme also participated in the suppression of 1628 fires over more than 369 ha of land. They did more than 78,000ha of prescribed burns and more than 20,000 ha of fire belts.

Transport infrastructure development

In terms of the requirements provided for by the National Action Plan for Road Infrastructure, DAFF has developed the Terms of reference to carry out an in-depth study to determine the current road and rail transport infrastructure, the optimal infrastructure requirements and the identification of problem areas that need improvement in order to unlock the obstacles that hamper the conveyance of roundwood timber products. Industry has also submitted their inputs and these have been incorporated in the terms of reference. Industry is also actively participating in provincial freight task teams and corridor freight committees.

Strengthening representative industry structures

The representation of small growers into the Executive Committee has been increased to three. FSA is also considering a proposal to establish a co-operative for small growers in Limpopo.

Co-operation between sub-sector organizations

All sub-sectors continue to have the best interest of the industry at heart by contributing to the Wood Foundation. They are jointly funding for the development and insertion of forestry into the National Schools Curriculum. These sub-sectors also collaborate strongly in other several areas of shared interest e.g. skills, government interactions.

Strategy and programme for Forest Sector Research & Development

The strategy had been finalised and submitted to DEXCO for approval.

Restitution claims on forest land

Post settlement models have been developed in partnership with the industry.

Instruments to support Preferential Procurement Targets

A draft of the Industry Codes of Conduct for Forestry Contracting is still being negotiated through the task Team and should be finalised within next financial year. With respect to the development of the Industry Codes of Conduct for Emerging Forest Grower Schemes, the Forest Sector Charter Council will appoint a task team to draft the Codes. A proposal for the development of the industry codes of conduct for employment practices has been tabled to Council, i.e. to consider using the Companion document as reference as all FSC certified employers meet the statutory requirements.





STATUS OF TRANSFORMATION IN THE FOREST SECTOR

SURVEY OBJECTIVE AND SCOPE

The objective of the survey was to establish the status of transformation in terms of the Broad-based Black Economic Empowerment (B-BBEE) scorecard in the Forest Sector.

The sector comprises the following:

- Forestry Sector
- Board Producers
- Pulp and Paper
- Charcoal
- Sawmilling
- Mining Timber
- Pole Treaters
- Wood Chipping
- Forestry Contractors

It is the responsibility of the Forest Sector Charter Council (FSCC) to compile an annual report and review of progress in this respect.

This document presents the results for the 2010/11 financial year, benchmarked against the results of the first baseline survey undertaken in 2009/10. Data was sourced from enterprises in the sector, and is based on valid B-BBEE certificates issued by verification agencies. The data gathering and analysis, and preparation of this document was done by LHA Management Consultants.

STRUCTURE OF THE FOREST SECTOR

Sector	Structure
Forestry	Nine large groups <ul style="list-style-type: none"> • Mondi Forests • South African Forestry Company • Yorkor • MTO Forestry • Masonite (Africa) • Sappi Southern Africa • Komatiland Forests • Hans Merensky Holdings • Amathole Forestry Company Balance medium/small timber farmers

Sector	Structure
Board Producers	Three large groups <ul style="list-style-type: none"> • PG Bison • Masonite (Africa) • Sonae Novobord
Chipping Plants	Three large groups <ul style="list-style-type: none"> • NCT (Shincell) • Mondi (Silvacell) • TWK (CTC)
Contractors	Estimated 300 forestry contractors <ul style="list-style-type: none"> • 150 Medium and some large enterprises • 150 EMEs
Mining Timber Companies	Two large groups <ul style="list-style-type: none"> • Reatile Timrite • Bedrock Mining Systems
Pole Treaters	Small number of larger companies <ul style="list-style-type: none"> • Woodline Timber Industries • Harding Treated Timbers • Natal Forest Products Balance very fragmented industry
Pulp and Paper Companies	Two large groups - Sappi and Mondi
Sawmills	Total of 250 operating sawmills <p>Large sawmilling groups</p> <ul style="list-style-type: none"> • York Timbers • Hans Merensky Holdings • Cape Timber Resources • Komatiland Forests • Rance Timbers • Sappi Balance medium sized and small sawmills
Charcoal	Three larger producers <ul style="list-style-type: none"> • E&C Charcoal • Charka • Braai & Barbeque International Balance very fragmented industry

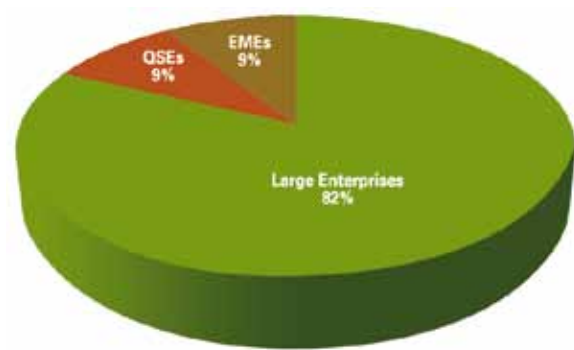
SECTOR WEIGHTINGS

(% Based on Production Output)

Sector	% Within Sector (▶)			% of Total Forest Sector (▼)
	Large	QSE	EME	
Large Forestry	70%	12%	18%	18%
Board Producers	100%	-	-	7%
Chipping Plants	100%	-	-	5%
Contractors	49%	35%	16%	8%
Mining Timber Companies	90%	10%	-	2%
Pole Treaters	25%	50%	25%	2%
Pulp and Paper Companies	100%	-	-	40%
Sawmills	65%	16%	19%	15%
Charcoal	60%	-	40%	3%
TOTAL	-	-	-	100%

SECTOR STRUCTURE

(% Based on Production Output)

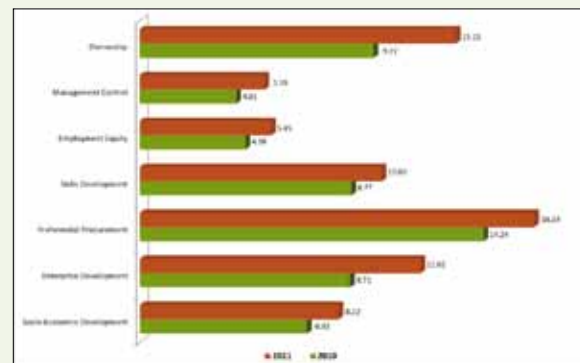


- Large Enterprises: Represented principally by pulp & paper (40%), large forestry (13%), large sawmills (10%) and board producers (7%)
- QSEs: Timber farmers, forestry contractors, sawmills and pole treaters
- EMEs: Small timber farmers, contractors, charcoal producers, pole treaters and sawmills

LARGE FORESTRY COMPANIES

Year	Total B-BBEE Score	B-BBEE Level
2011	69.96	4
2010	56.75	5

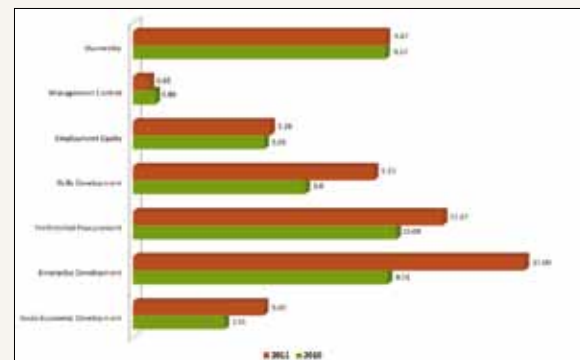
- Data for 2011 reflects total coverage of the large forestry sector
- Since 2010, improvement in scores in all 7 elements, particularly ownership, enterprise development, and socio-economic development.



BOARD PRODUCERS

Year	Total B-BBEE Score	B-BBEE Level
2011	56.67	5
2010	45.52	6

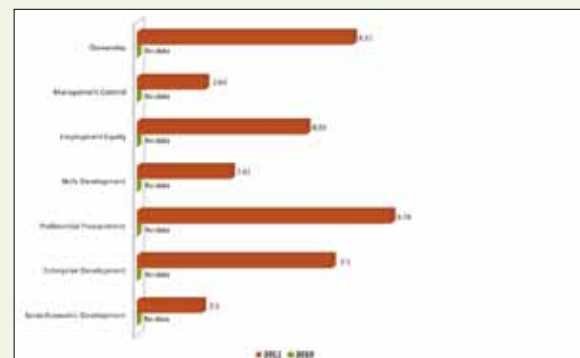
- Data for 2011 reflects partial (64%) coverage of the board products sector, with data for one large enterprise outstanding
- On a like-for-like (constant sample) basis, the sector has improved from Level 6 (2010) to Level 5 (2011).



CHIPPING PLANTS

Year	Total B-BBEE Score	B-BBEE Level
2011	40.88	7
2010	-	-

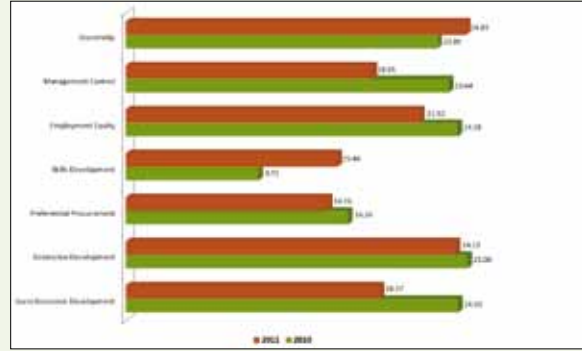
- Data for 2011 reflects 77% coverage of the sector – the other enterprise (TWK) does not include itself in the forest sector.



CONTRACTORS (QSE)

Year	Total B-BBEE Score	B-BBEE Level
2011	76.89	3
2010	82.41	3

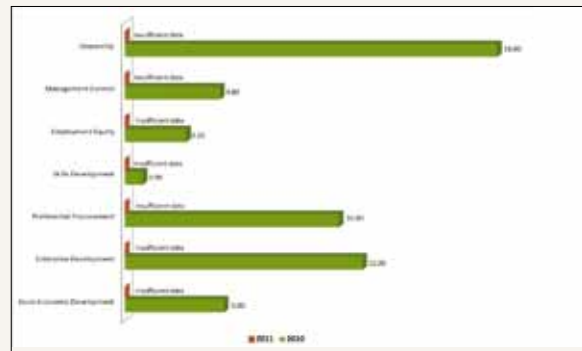
- Coverage in 2011 of the contracting sector only includes medium enterprises
- Data remains remarkably consistent despite significant variations in the sample constituents
- The sector remains at Level 3 throughout the period
- Total score for QSEs is not equal to the sum of all element scores, as only four (4) element scores count.



MINING TIMBER COMPANIES

Year	Total B-BBEE Score	B-BBEE Level
2011	-	-
2010	55.40	5

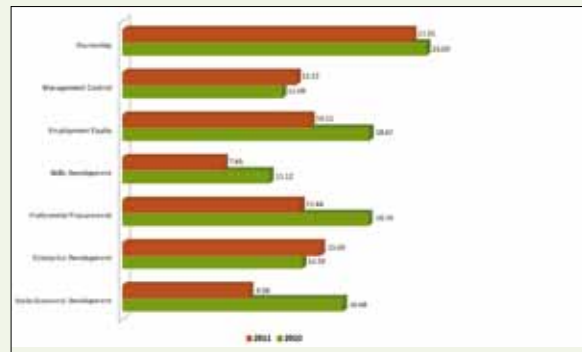
- Data for 2011 not reported due to insufficient sample (only one enterprise).



POLE TREATERS

Year	Total B-BBEE Score	B-BBEE Level
2011	76.91	3
2010	73.42	4

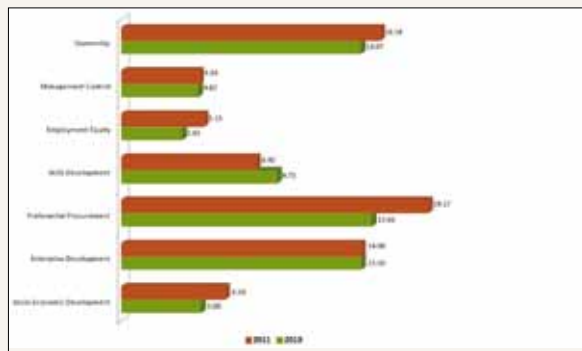
- Data for 2011 based on insufficient coverage of the sector (i.e. highly fragmented sample)
- Poor comparison on a like-for-like basis of the sector, however, overall score reasonably consistent, and improving.



PULP AND PAPER COMPANIES

Year	Total B-BBEE Score	B-BBEE Level
2011	75.24	3
2010	69.02	4

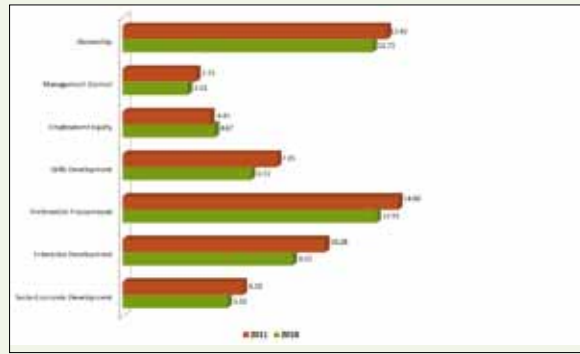
- Data for 2011 reflects 100% coverage of the sector
- On a like-for-like basis, sector has improved from Level 4 (2010) to Level 3 (2011).



LARGE SAWMILLS

Year	Total B-BBEE Score	B-BBEE Level
2011	59.82	5
2010	54.09	6

- Data for 2011 reflects good coverage (70%) of the sector
- On a like-for-like basis, the sector has improved from Level 6 (2010) to Level 5 (2011).



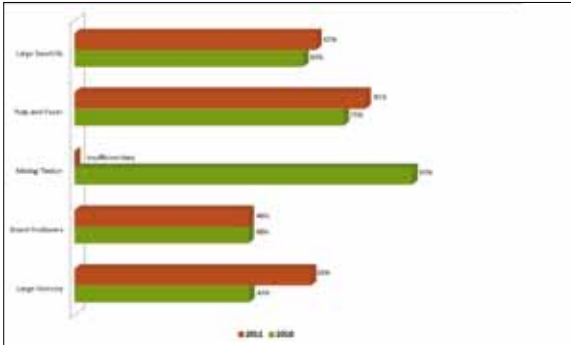
SAWMILLS (QSE)

Year	Total B-BBEE Score	B-BBEE Level
2011	-	-
2010	61.64	5

- Data for 2011 not reported (i.e. insufficient sample)
- Sector characterised by very fragmented structure and sample
- Total score for QSEs is not equal to the sum of all element scores, as only four (4) element scores count.

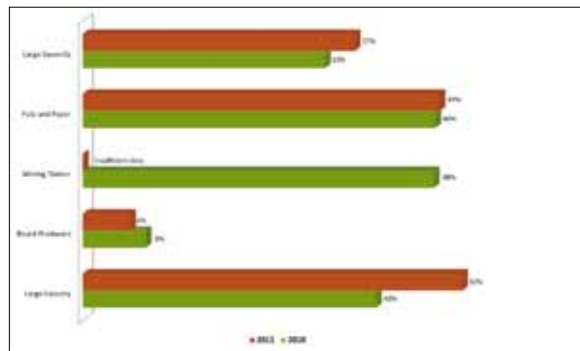


OWNERSHIP



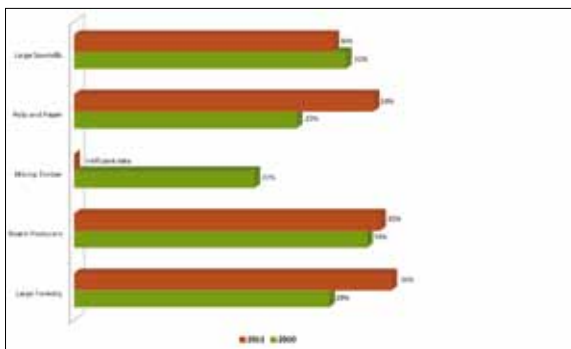
MANAGEMENT CONTROL

% of Target Score



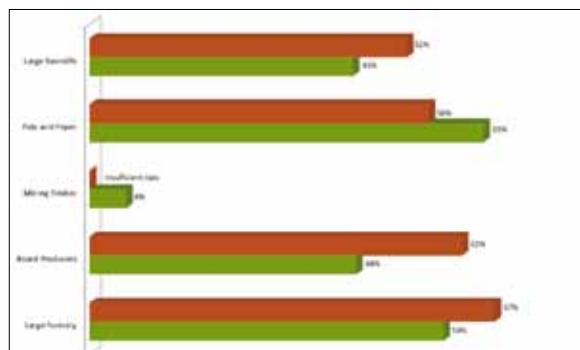
EMPLOYMENT EQUITY

% of Target Score



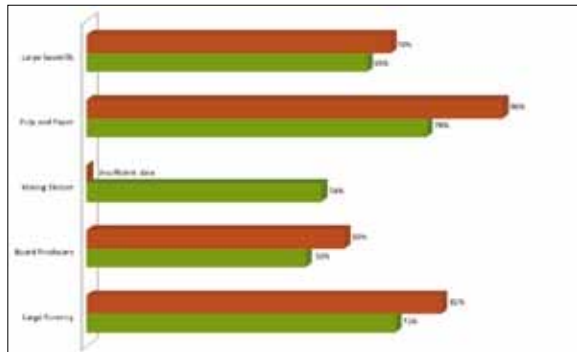
SKILLS DEVELOPMENT

% of Target Score



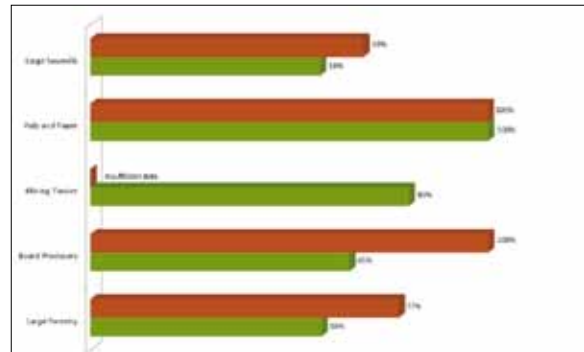
PREFERENTIAL PROCUREMENT

% of Target Score



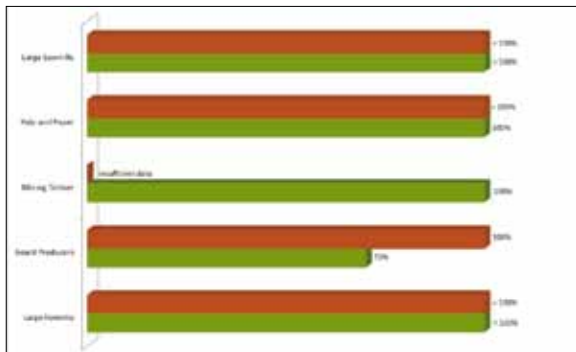
ENTERPRISE DEVELOPMENT

% of Target Score



SOCIO-ECONOMIC DEVELOPMENT

% of Target Score



OTHER SECTOR CHARACTERISTICS

Sector	Black Ownership	Black Female Ownership
	2011	2011
Forestry	23.6%	4.0%
Board Producers	14.2%	2.8%
Mining Timber Companies	-	-
Pulp and Paper Companies	20.3%	1.8%
Large Sawmills	20.4%	5.2%

STATUS OF TRANSFORMATION BY SECTOR

Sector	2011		2010	
	B-BBEE Score	B-BBEE Level	B-BBEE Score	B-BBEE Level
Large Forestry	69.96	4	56.75	5
Board Producers	56.67	6	45.52	5
Chipping Plants	40.88	6	-	-
Contractors (QSE)	76.89	3	82.41	3
Mining Timber Companies	-	-	55.40	5
Pole Treaters	76.91	3	73.42	4
Pulp and Paper Companies	75.24	3	69.02	4
Large Sawmills	59.82	5	54.09	6
Sawmills (QSE)	-	-	61.64	5
TOTAL SECTOR		4		5



ANNUAL FINANCIAL STATEMENTS

The reports and statements set out on pages 20-27 comprise the annual financial statements presented to the Council:

	Page
Councillors' responsibilities and approval	20
Independent Auditors Report.....	21
Councillors Report.....	22
Statement of Financial Position	23
Statement of comprehensive income	24
Statement of changes in equity	25
Statement of Cash Flow.....	25
Accounting Policies	26
Notes to the Annual Financial Statements	27

COUNCILLORS' RESPONSIBILITIES AND APPROVAL

The councillors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual 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 the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The councillors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the councillors to meet these responsibilities, the board 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 councillors 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The councillors have reviewed the company's cash flow forecast for the year to 31 March 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 external auditors are responsible for independently reviewing and reporting on the company's annual financial statements.

The annual financial statements have been examined by the company's external auditors and their report is presented on page 21.

The annual financial statements set out on pages 16 to 28, which have been prepared on the going concern basis, were approved by the Council on 05 August 2011 and were signed on its behalf by:



Pasco P. Dyani
Chairperson and Acting Chief Executive Officer



Themba Siyolo
Chairperson, Finance and Human Resources Committee

Independent Auditors' Report

To the members of FOREST SECTOR CHARTER COUNCIL (ASSOCIATION INCORPORATED UNDER SECTION 21)

We have audited the annual financial statements of FOREST SECTOR CHARTER COUNCIL (ASSOCIATION INCORPORATED UNDER SECTION 21), which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the councillors' report, as set out on

Councillors' Responsibility for the Annual Financial Statements

The company's councillors are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

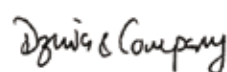
Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual 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 annual 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 management, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of FOREST SECTOR CHARTER COUNCIL (ASSOCIATION INCORPORATED UNDER SECTION 21) as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and in the manner required by the Companies Act of South Africa.



Dziwa & Company
Registered Auditor

05 August 2011

Director: SK. DZIWA CA(SA)

COUNCILLORS' REPORT

The councillors submit their report for the year ended 31 March 2011.

1. Review of activities

Main business and operations

The Forest Sector Charter Council's main objective is to promote broad-based black economic empowerment (B-BBEE) in and through the Forest Sector and operates principally in South Africa. It seeks to achieve its main objective by undertaking the following:

- a. Promoting investment programmes that lead to sustainable B-BBEE-driven growth and development of the Forest Sector and meaningful participation of black people in the entire forestry value chain.
- b. Achieving sustainable change in the racial and gender composition of ownership, management and control structures and in the skilled positions of existing and new forest enterprises.
- c. Increasing the extent to which black women and men, workers, cooperatives and other collective enterprises own and manage existing and new forest enterprises and increasing their access to economic activities, infrastructure and skills training.
- d. Nurturing new black-owned and/or black-managed enterprises to undertake new forms of economic and value adding activities in the Forest Sector.
- e. Using the forest industry as a catalyst for empowering rural and local black communities to access economic activities, land, infrastructure, ownership and skills.
- f. Promoting sustainable employment and contracting practices in the Forest Sector.

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

2. Events after the reporting period

The councillors are not aware of any matter or circumstance arising since the end of the financial year that in their opinion might materially influence the appreciation of the financial statements as presented.

3. Councillors

The councillors of the Council during the year and to the date of this report are as follows:

Name	Nationality	Changes
Stephen Bila	South African	Appointed 7 February 2008
Simangele Cele	South African	Appointed 7 February 2008
Bruce Breedt	South African	Appointed 18 June 2010
Queen Filani	South African	Appointed 7 February 2008
Sibusiso Gumede	South African	Appointed 7 February 2008
Dr Diphoko Mahango	South African	Appointed 5 May 2011
Viv McMenamin	South African	Appointed 7 February 2008
Simangaliso Mkhwanazi	South African	Appointed 7 February 2008
Mary-Anne Mngomezulu	South African	Appointed 7 February 2008
Pasco P. Dyani <i>Chairperson and Acting Chief Executive Officer</i>	South African	Appointed 19 August 2010
Jane Molony	South African	Appointed 7 February 2008
Ben Nkambule	South African	Appointed 7 February 2008
Watson Nxumalo	South African	Appointed 7 February 2008
Dr Moshibudi Rampedi	South African	Appointed 7 February 2008
Themba Siyolo <i>Chairperson, Finance and Human Resources Committee</i>	South African	Appointed 7 February 2008
Dr Jaap Steenkamp	South African	Appointed 7 February 2008
Sakhiwo Zako	South African	Appointed 7 February 2008
Thabo Masombuka	South African	Appointed 07 February 2008
Gay Mokoena	South African	Resigned 01 November 2010
Nthato Motlana	South African	Resigned 01 December 2010
Moses Qomoyi	South African	Deceased
Rentia van Tonder	South African	Appointed 07 February 2008
Dinga Mncube	South African	Appointed 07 February 2008

4. Auditors

Dziwa & Company will continue in office in accordance with section 270(2) of the Companies Act.

Statement of Financial Position

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended 31 March 2011

Figures in Rand	Note(s)	2011	2010
Assets			
Non-Current Assets			
Property, plant and equipment	2	10,899	1,333
Current Assets			
Other receivables	3	212,067	148,956
Cash and cash equivalents	4	333,329	506,939
		545,396	655,895
Total Assets		556,295	657,228
Equity and Liabilities			
Equity			
Accumulated loss		(26,332)	365,342
Liabilities			
Current Liabilities			
Trade and other payables	5	582,627	291,886
Total Equity and Liabilities		556,295	657,228

Statement of Comprehensive Income

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended 31 March 2011

Figures in Rand	Note(s)	2011	2010
Revenue			
Government Contribution - Department Agriculture, Forestry and Fisheries		1,790,688	1,692,160
Industry Contributions - Members of the Forestry Sector		1,328,308	1,228,814
Donations received - Forest Industries Education and Training Authority (FIETA)		50,000	-
	6	3,168,996	2,920,974
Operating expenses			
Accounting fees		(67,031)	(67,716)
Publicity and promotion		(419,743)	(91,222)
Auditors' remuneration	7	(58,703)	-
Bank charges		(2,066)	(649)
Computer expenses		(1,899)	(2,854)
Depreciation charge		(3,013)	(666)
Employee costs		(1,545,457)	(1,407,488)
Entertainment		(2,394)	-
Meeting and workshop venues		(14,477)	(28,070)
Organisational development consultancy costs		(41,172)	(69,027)
Charter use guide consultancy costs		-	(2,573)
Policy development and BEE scorecard consultancy costs		(297,106)	(39,156)
Chairperson meetings attendance costs		(309,136)	(97,600)
Councillors meetings attendance costs		(48,915)	(62,400)
Staff study materials and tuition costs		-	(32,607)
Travel and accommodation costs - Councillors		(273,180)	(257,481)
Travel and accomodaion costs - Secretariat		(289,972)	(281,782)
Pot and plant hire		(5,818)	-
Postage		(9,089)	-
Printing and stationery		(107,962)	(89,794)
Repairs and maintenance		(70)	-
Staff welfare		(10,299)	(4,576)
Subscriptions		(307)	-
Telephone and fax		(18,057)	(12,529)
Training		-	(7,442)
Travel - local		(34,804)	-
		(3,560,670)	(2,555,632)
(Deficit) surplus for the year		(391,674)	365,342
Other comprehensive income		-	-
Total comprehensive (deficit) surplus		(391,674)	365,342

Statement of Change in Equity

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended 31 March 2011

Figures in Rand	Note(s)	2011	2010
Balance at 01 April 2009		-	-
Changes in equity			
Total comprehensive surplus for the year		365,342	365,342
Total changes		365,342	365,342
Balance at 01 April 2010		365,342	365,342
Changes in equity			
Total comprehensive deficit for the year		(391,674)	(391,674)
Total changes		(391,674)	(391,674)
Balance at 31 March 2011		(26,332)	(26,332)

Statement of Cash Flows

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended 31 March 2011

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Cash (used in) generated from operations	8	(161,030)	508,938
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(12,580)	(1,999)
Total cash movement for the year		(173,610)	506,939
Cash at the beginning of the year		506,939	-
Total cash at end of the year	4	333,329	506,939

Accounting Policies

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended 31 March 2011

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 of South Africa. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	Average useful life
Office equipment	6 years
Computer software	6 years

1.2 Financial instruments

Financial instruments at amortised cost

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, loans and trade and other payables. At the end of each reporting period date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

1.3 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents contributions receivable from the Forestry Industry and the Department of Agriculture, Forestry and Fisheries.

Interest is recognised, in profit or loss, using the effective interest rate method. Accounting Policies

Notes to the Annual Financial Statements

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended 31 March 2011

2. Property, plant and equipment

Figures in Rand	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Office equipment	12,580	(1,681)	10,899	-	-	-
Computer software	1,999	(1,999)	-	1,999	(666)	1,333
Total	14,579	(3,680)	10,899	1,999	(666)	1,333

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Office equipment -	-	12,580	(1,681)	10,899
Computer software	1,333	-	(1,333)	-
	1,333	12,580	(3,014)	10,899

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Computer software	-	1,999	(666)	(1,333)

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

Figures in Rand	2011	2010
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3. Other receivables

Grant income receivable from members of The Forestry Industry	206,592	145,501
Staff loans	5,475	3,455
	212,067	148,956

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	333,329	506,939
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5. Trade and other payables

Trade payables	220,132	93,899
Reimbursable expenses due to Councillors	142,659	69,899
Accrued leave pay charges	219,836	106,028
Other payables	-	22,060
	582,627	291,886

6. Revenue

Government contribution - Department of the Agriculture, Forestry and Fisheries	1,790,688	1,692,160
Industry contributions - Members of the Forestry Sector	1,328,308	1,228,814
Donations received - Forest Industries Education and Training Authority (FIETA)	50,000	-
	3,168,996	2,920,974

Notes to the Annual Financial Statements

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended 31 March 2011

Figures in Rand	2011	2010
7. Auditors' remuneration		
Fees	58,703	-
8. Cash (used in) generated from operations		
(Deficit) surplus for the year	(391,674)	365,342
Adjustments for:		
Depreciation charge	3,013	666
Other non-cash items	1	3
Changes in working capital:		
Other receivables	(63,111)	(148,956)
Trade and other payables	290,741	291,883
	(161,030)	508,938

9. Comparative figures

Certain comparative figures have been reclassified to achieve better presentation.

The effects of the reclassification are as follows:

Statement of Financial Position		
Intangible assets	-	1,333
Property, plant and equipment	1,333	-

10. Events after the reporting period

The councillors are not aware of any matter or circumstance arising since the end of the financial year that in their opinion might materially influence the appreciation of the financial statements as presented.



ACRONYMS

BEE	Black Economic Empowerment
B-BBEE	Broad Based Black Economic Empowerment
DRDLR	Department of Rural Development and Land Reform
FFMC	Forest Functional Management Committee
DAFF	Department of Agriculture, Forestry and Fisheries
DEXCO	Departmental Executive Committee
DWA	Department of Water Affairs
ETG	Emerging Timber Growers
FAO	Food and Agriculture Organisation
FED	Forest Enterprise Development
FIETA	Forest Industries Education & Training Authority
FPA	Fire Protection Association
FSA	Forestry South Africa
FSC	Forest Stewardship Council
Ha	Hectares
HDI	Historically Disadvantaged Individuals
ICFR	Institute for Commercial Forestry Research
IPAP	Industrial Policy Action Plan
KZN	KwaZulu-Natal
KLF	Komatiland Forests
SEDA	Small Enterprise Development Agency
SMME	Small, Medium and Micro Enterprises
WUL	Water Use Licenses
WfE	Working for Energy
WoF	Working on Fire



Typesetting and design by
Artworks Communications

Photography courtesy of
SA Forestry magazine

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