



FOREST SECTOR
CHARTER COUNCIL



ANNUAL REPORT 2012/2013



The Forest Sector Charter and the 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

Mr Pasco Dyani

Chairperson: Forest Sector Charter Council

Telephone: 082 049 7186

Email: pasco@bedevco.co.za

SAFCA Building, 6 Hulley Road, Isando, 1600

Telephone: 011 392 1394/1688, Facsimile: 011 392 1273

Email: info@forestsectorcharter.co.za

Typeset and designed by  Artworks | www.artworks.co.za

Photography courtesy of

SA Forestry magazine: www.saforestrymagazine.co.za

Table of Contents

Message from the Chairman	2	Status of Transformation in the Forest Sector	14
Welcome	3	Methodology	14
My Thanks	3	Medium and Large Enterprises (MLE)	14
Forest Sector Charter Council	4	MLE Analysis	15
Directors' Attendance at Board Meetings	4	Detailed Observations: Medium and Large Enterprises	16
Board Sub-committees	4	Ownership	16
Council's Core Functions	4	Management Control	16
Forest Sector Profile	5	Employment Equity	17
Map of Forestry in South Africa	5	Skills Development	17
Report on Progress Made in the Implementation of the Forest Sector Charter Undertakings	10	Preferential Procurement	18
Instruments to Support Ownership Targets	10	Enterprise Development	18
Instruments to Support Skills Development Targets	10	Socio-Economic Development	18
Instruments to Support Preferential Procurement Targets	11	Qualifying Small Enterprises	19
Instruments to Support Enterprise Development Targets	11	QSE Analysis	19
Instruments Supporting Industry Specific Initiatives	12	Ownership	19
		Management Control	20
		Employment Equity	20
		Skills Development	20
		Preferential Procurement	21
		Enterprise Development	21
		Socio-Economic Development	21
		Exempt Micro Enterprises	22
		Summary of the Findings	22
		Annual Financial Statements for the year ended 31 March 2013	23



Message from the Chairman



Pasco Dyani
Chairperson

The 2012/2013 financial year was pivotal for the Forest Sector Charter Council, with a renewed theory of change. Our core mandate as a Council still remains pronounced and prominent even during the challenging times for the Forest Industry. The rapid pace of change in the sector's operating atmosphere demands a resolute focus and strategic intercession.

As a matter of fact our multi-year strategic plan continues to rejuvenate us as a Council and it enables us to engage in annual value added operations and commitments.

The Council remains committed to reinventing itself in pursuit of its aspiration of converged regulatory excellence. As a tangible expression of this, we have endorsed the Charter Review process. This backing comes at a perfect time when the Amendments to the BEE Act as well as the Amendments to the Codes of Good Practice have been revealed. This process will not only enable us to review and amplify our accomplishments and challenges, but will bring about the desired and prioritised adjustments; hopefully to certify that the projected and desired outcomes presented by the Forest Transformation Charter can be realised. It will also make sure that our actions remain relevant to sustainable B-BBEE.

The principles entrenched in the Revised Codes of Good Practice as presented by the Department of Trade and Industry are greatly acknowledged. It is believed that the introduction of these principles will strengthen the focus on black economic empowerment and thus bring about the most appropriate economic expansion and participation amongst Black South Africans. The Council waits with grand enthusiasm for their approval.

A recent report commissioned by the Department of Agriculture, Forestry and Fisheries on behalf of the Council confirmed that compliance with some of the existing forest sector labour laws is still a hitch. In that view, the Council has earnestly endorsed the provision to draft a Code of Conduct on Employment Practices. These Codes will add a voice to the existing labour laws and be of good employ in curbing unfair labour practices within the Forest Industry, and there is no doubt that this is a step in the right direction.

Adding to the challenges faced by the sector is the introduction of zero tariffs on some sub-sectors, which has proven to have had a negative impact on the growth of the sector, thus impacting on transformation in general, especially because the sector is still experiencing slow but promising recovery from the 2008/2009 recession. It is believed that the proposed research on the depth of the impact caused will provide the industry with 'fit for purpose' solutions and determinations to support a transformed and internationally competitive sector.



Amangcamane CPA land reform forestry project, Mpumalanga.



Eucalyptus plantation, KZN Midlands.

Welcome

The Council also welcomes Dr Nthabiseng Motete as the Deputy Director General: Forestry & Natural Resources Management. We are convinced that with her objective mindset, vision, exposure and wise leadership, which has been expressed through our interaction with her, she will lead the Forestry Industry to even better and greater future successes.

I also wish to extend a warm welcome to Ms Lizeka Zwane Matshekga, who has since joined the Council, and I look forward to her productive and energetic inputs.

It is important when concluding to remind each other that the Forest Sector Charter Council exists solely to do away with the past experience in which race and colour were used to enrich the minority and impoverish the majority. Our transformation agenda should find expression in our national motto which says, "Together we can do more". We have to make sure that the quality of life of those communities within the radius of forestry businesses is improved.

From 2009, when the Forest Charter was established, I have seen stakeholders engaging one another in a titanic battle to redress wrongs that have been caused by one another.

Whatever the difficulties our Council faces, we shall overcome! The Council has to look at itself and say, "The time has come for a super human effort to respond to a call to create for ourselves a glorious future, and to remind ourselves of an old saying, 'Glory must be sought later'".

My Thanks

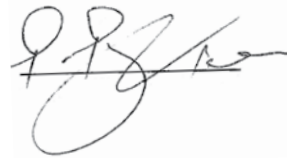
May I once more on behalf of the entire Council express our profound appreciation to the Minister of Agriculture, Forestry and Fisheries for her leadership and support while we execute our mandate. Her support does not go unnoticed.

The support that the Portfolio Committee continues to give to the work of the Council is significantly pleasing.

To the Department of Trade and Industry, your unwavering support is appreciated.

The then Department of Water Affairs and Forestry and the current Department of Agriculture, Forestry and Fisheries have housed the Council over the previous years. On behalf of the Council I wish to extend my utmost appreciation for such support.

Lastly, I particularly want to thank all Council members and the entire staff for their support in building the Council into the dynamic organisation that it is today. Together, you have made my three years as a Chairman more vibrant and productive and I will continue to learn from your rich experience.



Pasco Dyani
Chairman



Nursery worker, Mpumalanga.

Forest Sector Charter Council

Directors' Attendance at Board Meetings

The Council convened three meetings for the financial year under review. All Directors are cognisant of the corporate governance requirements that consciously guide them to act with integrity and a sense of responsibility. Their expertise and strategic overview continues to allow them to debate issues enthusiastically during meetings and often reach a decision on a consensus basis.

The table below details each Director's Council meeting attendance.

Council Directors	22/08/12	08/11/12	13/02/13
Mr Pasco Dyani	P	P	P
Mr Themba Siyolo	A	A	P
Mr Watson Nxumalo	A	P	P
Mr Dinga Mncube	P	P	P
Dr Jaap Steenkamp	P	A	P
Mr Sibusiso Gumede	P	A	A
Mr Sakhiwo Zako	P	P	P
Ms Jane Molony	P	P	P
Mr Stephen Bila	A	A	A
Ms Mary-Anne Mngomezulu	P	P	P
Ms Viv McMenamin	A	P	P
Mr Ben Nkambule	P	P	P
Dr Diphoko Mahango	P	A	P
Mr Simangaliso Mkhwanazi	P	A	P
Mr Bruce Breedt	P	A	P
Mr Jacob Maphutha	P	P	A
Mr Lulamile Xate	P	P	A
Mr Roy Southey	P	P	P
Ms Sebueng Chipeta	P	P	P
Mr Thami Mdontswa	–	P	A

P – Present

A – Absent

– Not a member at meeting date

Board Sub-committees

The Board is assisted by two sub-committees:

Committee	Roles & Responsibilities	Membership
Finance Committee	<ul style="list-style-type: none"> To oversee finances of the Forest Sector Charter Council and ensure that principles of accounting are adhered to; Provide operational financial guidance to the Council; and Provide recommendations to Council regarding all financial matters. 	Mr Themba Siyolo – Chairman Mr Pasco Dyani Mr Dinga Mncube Ms Sebueng Chipeta
Human Resource Committee	<ul style="list-style-type: none"> Oversee and discuss the Council's operations relating to compensation benefits and conditions of employment; Evaluate the performance of the employees in relation to the objectives and goals of the Council; and Review the Council's management succession plan. 	Mr Pasco Dyani – Chairman Mr Sakhiwo Zako Ms Mary-Anne Mngomezulu

Council's Core Functions

Stakeholder Engagements

During stakeholder interaction, the Council is kept abreast of all applicable legislation, regulations and changes to principles and standards required for B-BBEE implementation. Sector developments that could impact on the Council activities and its operations are also discussed.

Charter Undertakings

Industry and government continues to report on their commitments, and labour and communities are often consulted on these matters. An update in terms of progress made is detailed on pages 10-13.

B-BBEE Status

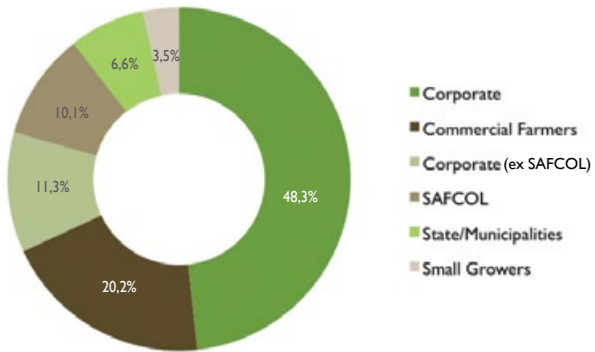
Black Economic Empowerment remained a high priority on the Council's agenda. Through the scorecard the Council is able to track progress on an annual basis. The sector has achieved a Level 5 status. The performance trend shows to be similar to the KPMG report in terms of the scorecard elements as well as the BEE contributor status level. A detailed report of the sector performance is shown on pages 14-22.

Forest Sector Profile



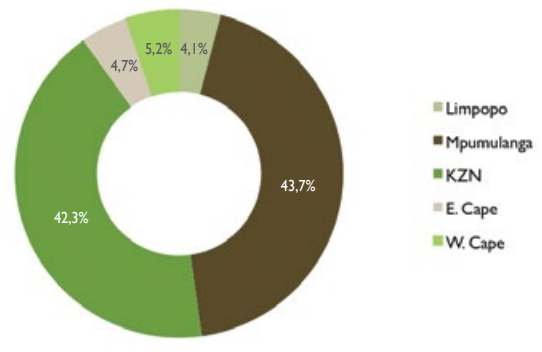
Plantation Area

Plantation Area by Ownership 2012



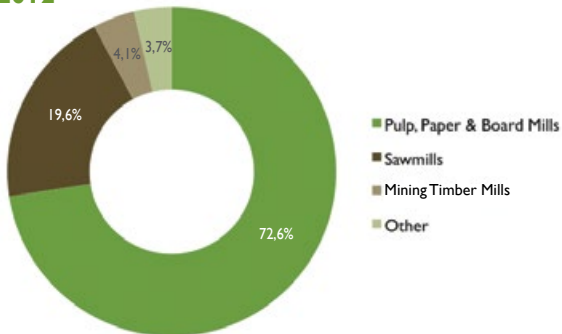
Total – RI 268 443 ha

Plantation Area by Province 2012



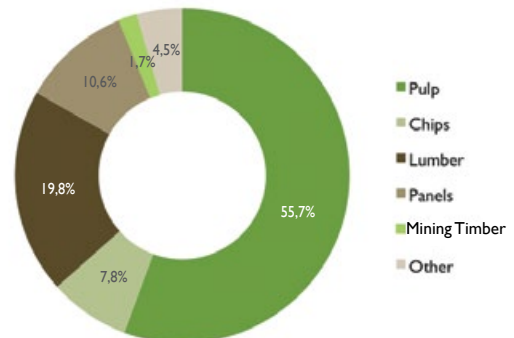
Total – RI 268 443 ha

Intake of Roundwood into Processing Plants 2012



Total – R18.8 million³

Value of Sales from Primary Processing Plants 2012



Total – R20.7 billion



Job creation and training project, Western Cape.

New Afforestation by Species Over Last 7 Years

Year	New Afforestation (Hectares)			% Softwood	% Hardwood
	Softwood	Hardwood	Total		
2005/2006	707	1 928	2 635	26,8%	73,2%
2006/2007	418	1 780	2 198	19,0%	81,0%
2007/2008	648	3 993	4 641	14,0%	86,0%
2008/2009	742	831	1 573	47,2%	52,8%
2009/2010	210	908	1 118	18,8%	81,2%
2010/2011	395	1 178	1 573	25,1%	74,9%
2011/2012	336	709	1 045	32,2%	67,8%
Total R.S.A.	3 456	11 327	14 783	23,4%	76,6%

New Afforestation by Province

Province	New Afforestation (Hectares)			% of Total Area
	Private	Public*	Total	
Limpopo	20	0	20	1,9%
Mpumalanga	414	0	414	39,6%
North West Province	0	0	0	0,0%
Gauteng	0	0	0	0,0%
Free State	0	0	0	0,0%
KwaZulu-Natal	608	0	608	58,2%
Eastern Cape	0	0	0	0,0%
Northern Cape	0	0	0	0,0%
Western Cape	3	0	3	0,3%
Total R.S.A.	1 045	0	1 045	100,0%

“Our transformation agenda should find expression in our national motto which says, “Together we can do more”. We have to make sure that the quality of life of those communities within the radius of forestry businesses is improved”



Harvesting timber, Zululand.

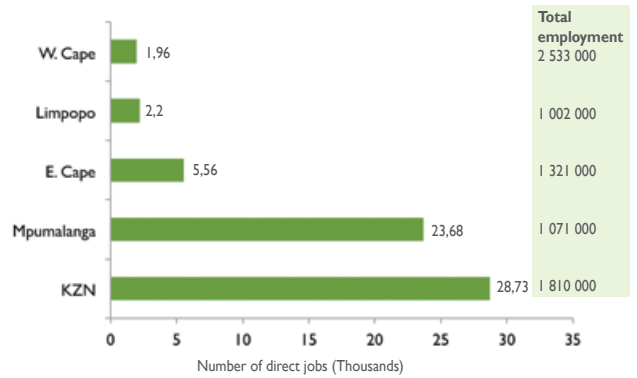
Contribution to Employment Forest Sector Employment – RSA 2012

Sub-sector	No. of Employees		Total Employment
	Direct	Indirect	
Forestry	62 100	30 000	92 100
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	114 500	50 800	165 300

Direct jobs in Forestry = 62 100

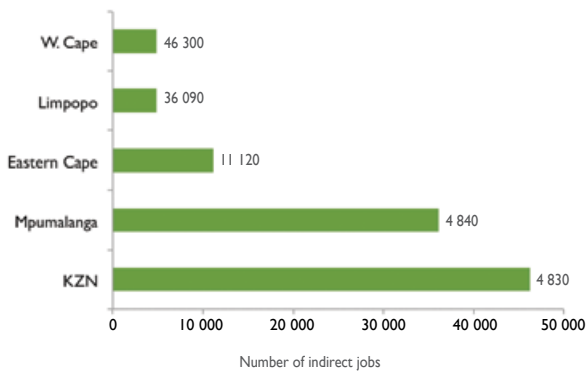
Indirect jobs in Forestry (165 300 less 62 100) = 103 200

Direct Employment in Forestry Industry by Region 2012



Total estimated direct jobs in industry – 62 100

Indirect Employment in Forestry Industry by Province 2012



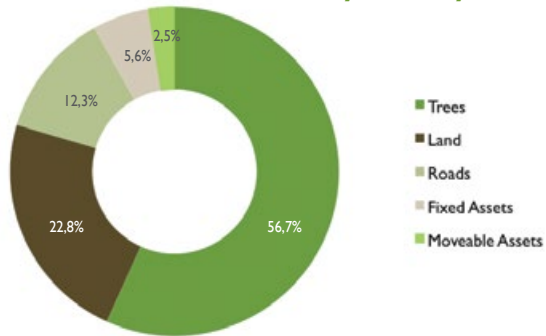
Total estimated indirect jobs created by industry – 103 200



Young eucalyptus plantation, Zululand.

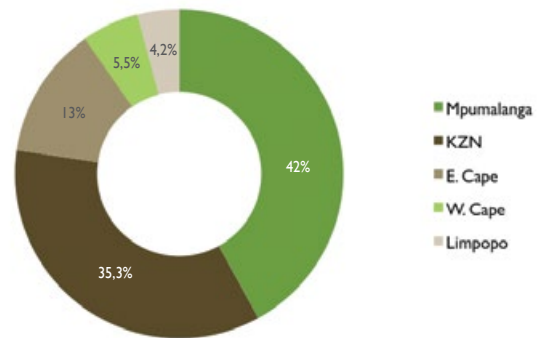
Investment in Sector

Investment in RSA Forestry Industry 2012



Total investment – R28.8 billion

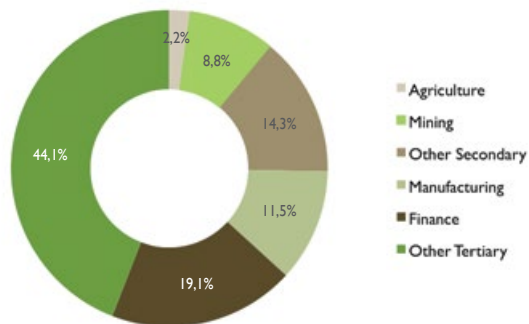
Investment in RSA Forestry Industry 2012



Total investment – R28.8 billion

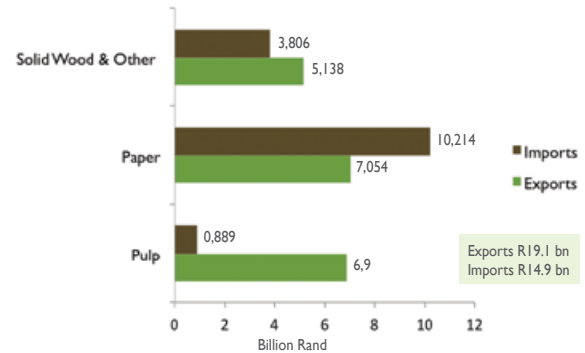
Contribution to GDP

Composition of RSA GDP 2012



Total GDP – R2 918 billion (i.e. R2.9 trillion)

Imports vs Exports of Forest Products 2013



Positive trade balance in 2013 = R4.182 billion



Sawlog harvest, Mpumalanga.

Report on Progress Made in the Implementation of the Forest Sector Charter Undertakings

This section gives an update on industry and government commitments in consultation with the community and labour representatives in support of the Forest Code Implementation.

Instruments to Support Ownership Targets

Funding facility for B-BBEE transaction

While the MAFISA (Micro Agricultural Finance Institutions of South Africa) policy is being reviewed to incorporate forestry, the Department of Rural Development and Land Reform (DRDLR) is also reviewing its policy on share equity schemes. This policy aims to enable land reform beneficiaries to acquire a share in enterprises that own and manage land.

In terms of the grant funding for community development, the DRDLR has undertaken to make available grant funding to land reform beneficiaries and communities residing in commonages through the Recapitalisation and Development Programme. Grant funding will be made available to communities to whom plantations have already been transferred e.g. Mbazwana, Manzengwenya and Mabaso.

Mbazwana, Manzengwenya and Mabaso (MMM) Transfer

Despite the delays caused by the labour negotiations, the transfer process is underway. A Transaction Advisor will be appointed to assist with the finalisation of the transfer.

Rossbach Transfer

Since the transfer plan has been developed by all affected stakeholders, DAFF is in the process of appointing a consultant to develop a business plan.

Injaka Plantation

DRDLR is finalising the claim.

Davhana Plantation

The transfer memorandum has been compiled and submitted. A legal opinion is awaited.

Instruments to Support Skills Development Targets

Sector Skills Plan for the Forest Sector

The developed Sector Skills Plan is continuously reviewed to ensure that skills gaps are addressed. An annual update on the



Small-scale grower field day, Zululand.



Community-owned land reform farm, KZN Midlands.

draft Sector Skills Plan was submitted to the Department of Higher Education and Training in August.

The DRDLR's National Rural Youth Service Corps (NARYSEC) also provided training and skills development to rural youth. To date, 12 000 youth have participated in the NARYSEC programme.

Instruments to Support Preferential Procurement Targets

Growers from Limpopo, KwaZulu-Natal and the Eastern Cape have been consulted on the Industry Codes of Conduct for Emerging Forest Grower Schemes. Final comments have been received from the Council and are being reviewed by the task team.

Instruments to Support Enterprise Development Targets

Access to Funds and Financial Services for Emerging Black Entrepreneurs

Funding for forestry-based activities still remains a challenge. The process of establishing a one-stop shop funding facility by DAFF is still underway.

The DRDLR is also finalising the development of an Enterprise Development Policy. Further engagements between the DRDLR and other stakeholders are expected.

Funding for the short rotations is still being explored under the Emerging Forest Growers Code, though no funding has been forthcoming. However, a forestry grant for small growers

is being considered by DAFF. Industry, through FSA, has also explored means of sourcing funds for insurance from MAFISA.

Capacity Building and Business Support for Emerging Black Entrepreneurs

The Forest Sector Small, Medium and Micro Enterprises (SMME) strategy has been completed and approved, and is now being implemented.

Industry, through FSA, continues to present extensive small grower support programmes. FSA launched the Business Development Forum initiative in August 2012, with all major companies contributing immensely. This forum aims to elevate the level of awareness amongst black entrepreneurs of industry's support offerings, create valuable linkages amongst industry players as well as collectively leveraging other sources of funding.

Expedite the Authorisation of Afforestation Licenses

Internal and external guidelines for the SFRA water use authorisation process have been developed. Even though the draft MoU with authorising departments is not yet signed, it has been workshopped with the stakeholders concerned. The Department, ASGISA and SANBI have developed the biodiversity screening tool to identify afforestation potential areas.

For the 2012/2013 financial year, the Department has issued one (1) new water use license and two (2) for Genus/Area Exchange for a combined area of 97.88 hectares. However, a number of HDI applications are awaiting RoD. Industry, through PAMSA, has also consulted the Department on the delay in issuing of licenses.



Community forestry project, Eastern Cape.

Land Rights and Land Holding Structures

Following the publication of the Green Paper on Land Reform in October 2011, the Minister of Rural Development and Land Reform established a National Reference Group (NAREG) made up of land reform stakeholders. NAREG is divided into six (6) work streams focusing on proposals to establish the Land Management Committee, Office of the Valuer General, Land Rights Management Board (Land Tenure Security), Three Tier Tenure Reform, Communal Land Tenure and Legislative Amendments. Each work stream has developed policy and draft legislation for each of the above key areas. The Policy and Legislation for the establishment of the office of the Valuer General, the Policy on Foreign Land Ownership (as part of the Three Tier Tenure System), and the Land Management Commission have been presented to the relevant Cabinet committees. Inputs received will be incorporated, and thereafter the policies and legislation will be forwarded back to Cabinet for consideration. For the remainder of the work streams, it is envisaged that policies and legislation will be endorsed in due course.

A green paper on rural development was also presented to stakeholders on 4 and 5 October 2012 as part of the consultation process. Thereafter it will be tabled to Cabinet for approval.

Small Grower Certification

The National Certification Standard has been submitted to the FSC for approval. The FSC is currently reviewing the Principles and Criteria which were used as the basis of the South African Certification Standard. The National Working Group continues to participate in the discussions for the revision of the FSC Principles and Criteria.

Industry, through FSA and in conjunction with the SANBI Grasslands Programme, are developing an additional proposal from members to further develop the standards so as to increase accessibility to certification for small growers.

Raw Material and Value Add Industries

This programme is aimed at promoting the development of B-BBEE enterprises linked to the utilisation of wood products from invasive alien trees. Due to the restructuring within the Working for Water Unit, most proposed programmes were not implemented.

Instruments Supporting Industry Specific Initiatives

Integrated Planning for Forest Sector Development

Asande Projects was appointed as the preferred service provider (PSP) to conduct the EIA for the Eastern Cape communities. The PSP (Asande Projects) has since submitted all reports to the Eastern Cape Department of Economic Development and Environmental Affairs (DEDEA) for authorisation. DEDEA has since issued an acknowledgement letter to the PSP.

The DTI is also in the process of appointing an Environmental Assessment Practitioner to conduct an EIA for the Umzimkhulu communal land covering 1 265ha.

Even though forestry programmes have been incorporated in the Provincial Growth and Development Strategies (PGDS) in Limpopo, KwaZulu-Natal, Mpumalanga and the Eastern Cape, implementation of some of the programmes and the inclusion of other forestry programmes in IDPs has been delayed due to a lack of funding.



Small-scale grower, Zululand.



Black-owned timber farm harvest, southern KZN.

Industry is also actively participating through FSA in these programmes, especially through ASGISA in the Eastern Cape and the DEDT in KwaZulu-Natal.

FSA has also drafted a MoU with the DEDT and KwaZulu-Natal DRDLR.

Sawlog Strategy

The strategy has been developed with the implementation plan. Funding for its implementation is still being sourced.

Forestry Protection Services

The strategy has been drafted and presented to internal bodies. Final approval is awaited.

Industry continues to provide research funding and implementation through in-house company activities, FABI and the ICFR.

Transport Infrastructure Development

The PSP appointed to conduct an in-depth study to determine the current road and rail transport infrastructure has since completed the study. The report is available. The study will also

identify areas that need improvement in order to unlock the obstacles that hamper the conveyance of round wood timber products. The PSP has since tabled the action plan detailing the methodology to the department and stakeholders.

Forest Sector Research and Development Strategy

The Research and Development Strategy has been completed and is in the process of being published.

Restitution Claims on Forest Land

The developed post-settlement models are being reviewed and have been brought within the present mandate of the DRDLR and the 12 MTSF outcomes. A plan to settle all outstanding forestry land claims is being developed.

Review of Levying of Property Rates in the Forest Areas

Ongoing engagements with provincial and local government authorities are continuing on various aspects of forestry programmes and projects. Such projects include fires, greening and forest enterprises.



Small-scale growers, Ozwathini, KZN Midlands.

Status of Transformation in the Forest Sector

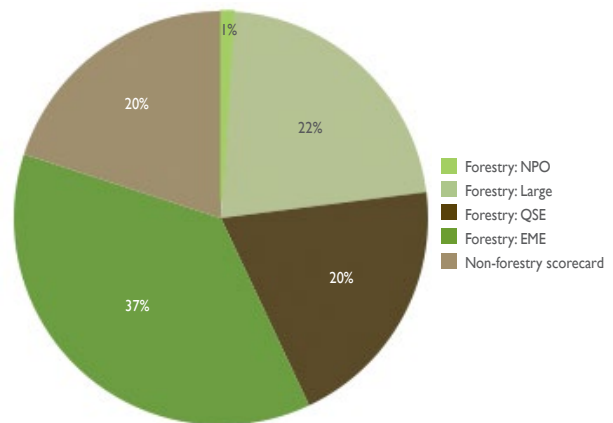
The report presents the Forest Sector Charter Council's (Council) 2012/2013 financial year annual Broad-Based Black economic Empowerment (B-BBEE) status report. The B-BBEE status report outlines the sector's performance in terms of the compliance targets as prescribed in the scorecard for both Medium and Large Enterprises (MLEs) and Qualifying Small Forest Enterprises (QSEs). In addition, it provides a high level analysis of the profile of Exempt Micro Enterprises (EMEs) in the industry. The report considers the high level data extracted from the historical reports for completeness and comparison in the assessment of the status report for the 2012/2013 financial year.

The Forest Sector Code applies to all enterprises involved with commercial forestry and first level processing of wood products.

Methodology

Measured enterprises were requested to submit their B-BBEE certificates and underlying information that was valid during the period 1st April 2012 to 31st March 2013 using the Forest Sector Code. Each element has a total weighting attached to it.

Table 1: Scorecard Profile of Enterprises that Participated in the Survey



Medium and Large Enterprises (MLE)

Enterprises with annual total revenue of R35 million and above qualify as Medium and Large Enterprises (MLE) and are measured on all seven scorecard elements. The MLE scorecard weighting of each of the elements as shown in Table 2:



Community forestry project, Eastern Cape.

Table 2: Forest Sector Charter Scorecard for MLE

Element	Weighting
Ownership	20
Management Control	10
Employment Equity	15
Skills Development	15
Preferential Procurement	20
Enterprise Development	15
Socio-economic Development	5

MLE Analysis

The MLEs showed a drop across all the scorecard elements with the exception of Enterprise Development. The overall performance indicates a decline of 4.7 points compared to the previous years. The Human Resource Development elements (namely Management Control, Employment Equity and Skills Development) indicate a significant decline (as shown in Table 3); this was exacerbated by Management Control achieving only 43% of target on average and Employment Equity recording 32% of target compared to previous performance.

Table 3: Annual Average Performance per Element

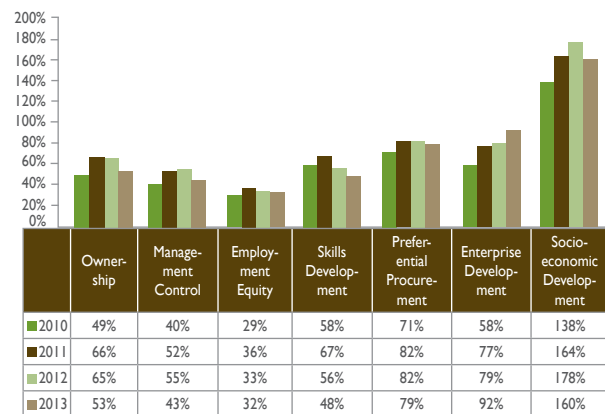


Table 4: 2010-2013 Average MLE Scorecard Points and Recognition Level

Period	MLE Average Score and Recognition
2013	64.3% (Level 5)
2012	69.2% (Level 4)
2011	69.9% (Level 4)
2010	56.7% (Level 5)



Community-owned plantation, southern KZN.

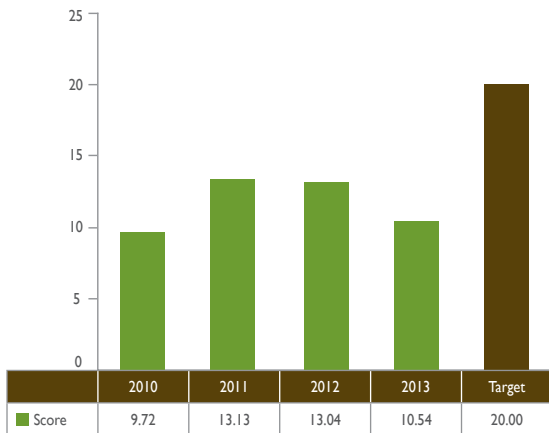
DETAILED OBSERVATIONS: MEDIUM AND LARGE ENTERPRISES

Ownership

71% of the enterprises that reported had concluded an Ownership deal. An average Ownership score of 10.54 points (2012: 13.04 points) was achieved by these enterprises. This achievement places the MLEs' performance at 50.7% of target points, down from 65.2% in 2012.

Based on the analysed data, the large industry players are making good progress on black ownership, MLEs achieved an average of 18.7% (target: 25 points) for black ownership, but lagged behind on black female ownership, with an average score of 4% (target: 10%).

Table 5: 2010-2013 MLE Ownership Scorecard



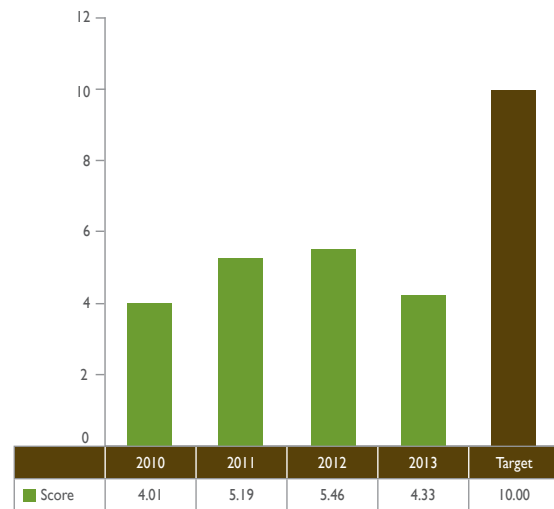
Performance

Although the Forest Sector's average ownership performance declined significantly between 2010 and 2013, the industry's performance has maintained a positive trend between 2010 and 2013. However, the past three years have seen the industry record a consistent decline in performance. This decline is, however, consistent with the trend observed in the KPMG BEE report.

Management Control

Every year the Commission for Employment Equity (CEE) issues an annual report that monitors private and public sector progress in achieving a broadly representative and diverse workforce. According to the 2012/2013 CEE report, the percentage of African people in top management has declined between 2010 and 2012. A decrease from 5.46 points in 2011 to 4.33 points in 2012 was also observed for this element in the Forest Sector.

Table 6: 2010-2013 MLE Management Control Scorecard Performance



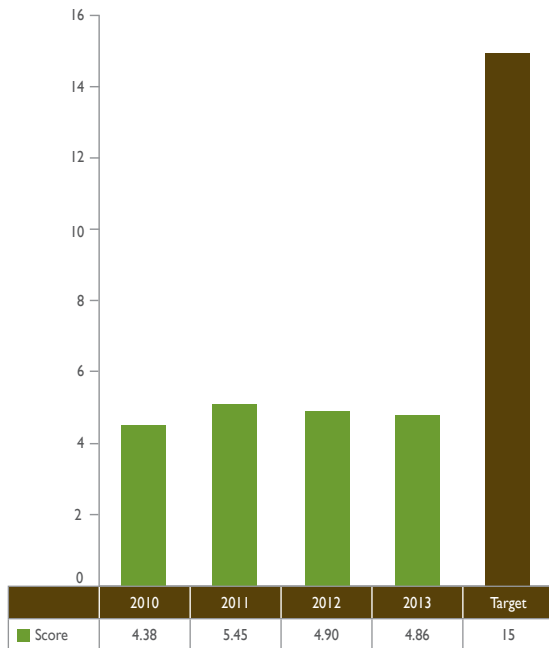
The Management Control year-on-year trend analysis demonstrates that the element's performance is consistent with that of ownership. This supports the view that black ownership enhances a company's ability to achieve meaningful participation at Management Control level. Similar to ownership, despite the significant decline in performance between 2012 and 2013, management control has progressed from 4.01 points in 2010 to 4.33 points in 2013.

“Black ownership enhances a company's ability to achieve meaningful participation at Management Control level.”

Employment Equity

An average score of 4.86 points was achieved by MLEs in 2013, with the majority of the enterprises scoring below 10 points (as indicated in table 7 below). This is a slight decline from the previous period's average score of 4.90 points, and a continuation of a three-year downward trend.

Table 7: 2010-2013 MLE Employment Equity Scorecard Performance

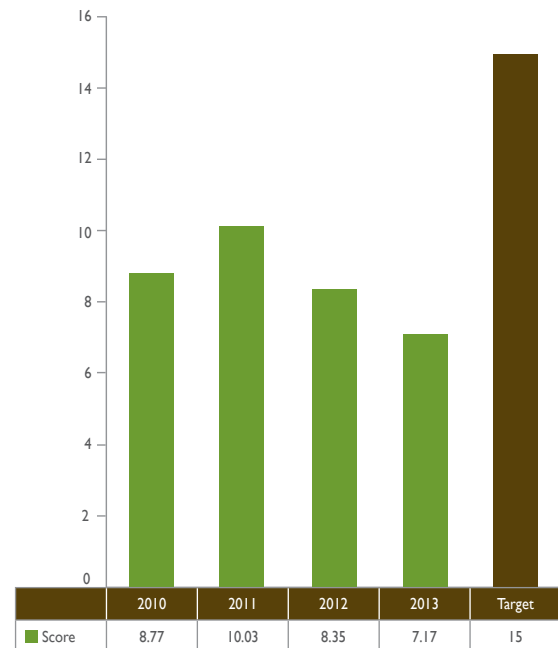


This is an important element because it is aimed at ensuring that suitably qualified black people are given equal employment opportunities and are equitably represented at all occupational categories and levels. The forestry industry's average employment equity performance is consistently behind the average performance even when compared to the KPMG BEE report. This indicates that forestry players find employment equity to be a much more challenging element for the Forest Sector than other industries.

Skills Development

Skills development is one of the three Human Resource Development (HRD) elements of the scorecard, with the other two being management control and employment equity. While skills development has achieved the highest performance-to-target achievement, this investment does not seem to be having a material impact on the other two HRD elements. Furthermore, all three elements are consistent in the downward trend recorded. The performance of these elements clearly points to a cause and effect relationship.

Table 8: 2010-2013 MLE Skills Development Scorecard Performance



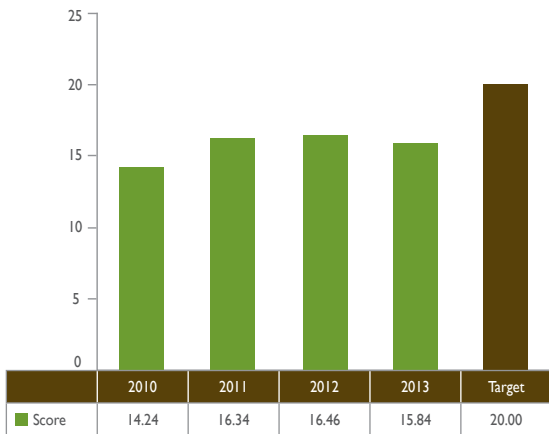
The average performance of MLEs declined from 8.35 points to 7.17 points. Furthermore, it is concerning that the industry's average performance has regressed by 1.6 points between 2010 and 2013. According to the 2012/2013 CEE report, more than 60% of black employees had limited exposure to skills development as opposed to other racial groups. It is therefore important for the skills development patterns to change and become pro-equity and pro-transformation as this will positively impact the employment equity and management control scores.

“ It is important for the skills development patterns to change and become pro-equity and pro-transformation as this will positively impact the employment equity and management control scores. ”

Preferential Procurement

Enterprises generally perform well on preferential procurement, as corporate South Africa generally only deals with suppliers with an independently verified BEE Certificate from a BEE verification agency. An average preferential procurement score of 15.84 points was achieved by MLEs. This is 79.2% of the target of 20 points. Although the industry's average performance has dropped from 16.46 to 15.84 points between 2012 and 2013, the industry's achievement has improved by 1.6 points (14.24 to 15.84 points) over the past four years.

Table 9: 2010-2013 MLE Preferential Procurement Scorecard Performance

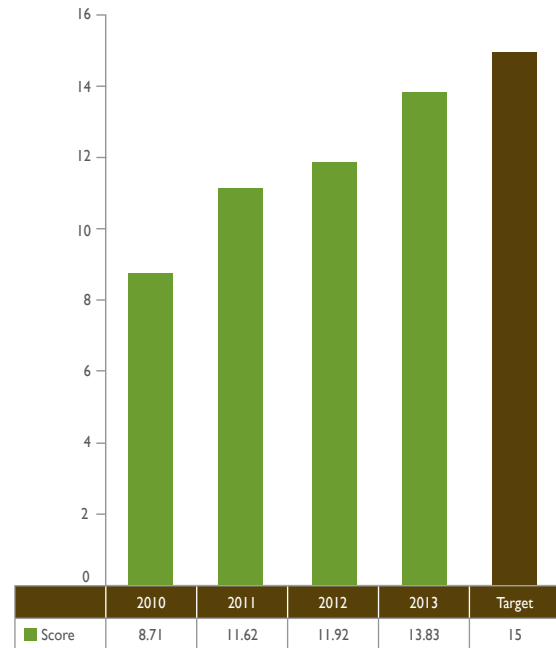


Supplier B-BBEE contribution levels are critical in measuring the B-BBEE rating of enterprises. The Forest Sector has consistently achieved an above average preferential procurement performance even when compared to the KPMG BEE report.

Enterprise Development

The main objective of the enterprise development element is to accelerate the development, sustainability and ultimate financial and operational independence of enterprises, with a specific focus on black-owned QSEs and EMEs. The benefits of an investment made in enterprise development is often realised in preferential procurement. It is therefore interesting to note that there is an inverse relationship between preferential procurement and enterprise development in 2013.

Table 10: 2010-2013 MLE Enterprise



Development Scorecard Performance

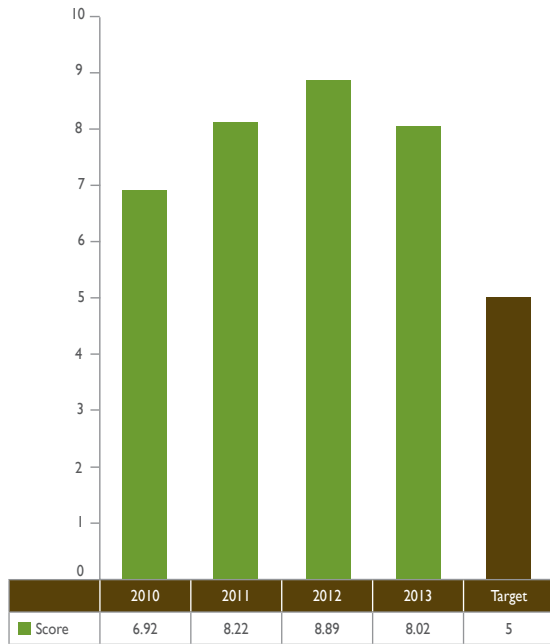
MLEs achieved an average score of 13.45 points, or 89.7% of the target points. This is the only element for which the industry has consistently recorded improved year-on-year performance. The Forest Sector's above average investment in enterprise development suggests a heightened appreciation for the benefits of developing a pool of financially and operationally independent black-owned QSEs and EMEs.

Socio-economic Development

Most forest enterprises are located in rural areas where the majority of the country's poor live. The Forest Sector is well placed to advance B-BBEE by undertaking socio-economic development initiatives that benefit local communities. The industry is also aware of the important role of forests in providing livelihood opportunities for poor rural households.

“It is interesting to note that there is an inverse relationship between preferential procurement and enterprise development in 2013.”

Table 11: 2010-2013 MLE Socio-economic Development Scorecard Performance



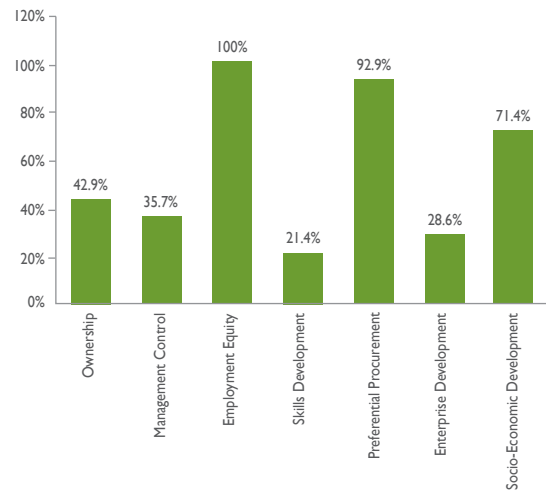
Medium and Large Enterprises consistently performed above target. This is because half of the enterprises that reported were awarded all three bonus points. This is an encouraging achievement as it demonstrates the industry players' commitment to invest in the local communities in which they operate.

The Forest Sector's performance on enterprise development and socio-economic development demonstrates the industry's above average commitment to the development of small businesses and communities. This is confirmed by the industry's outperformance even when benchmarked against the KPMG BEE report.

Qualifying Small Enterprises

An enterprise with an annual total revenue of between R5 million and R35 million qualifies as a Qualifying Small Enterprise (QSE). Unlike MLEs, QSEs have benefitted from the ability to select their four best performing elements. This is evidenced by the consistently high performance in the selected elements. However, the following table demonstrates that skills development and enterprise development were avoided by QSEs while employment equity, preferential procurement and socio-economic development were most preferred.

Table 12: 2013 Representation of QSEs per selected element



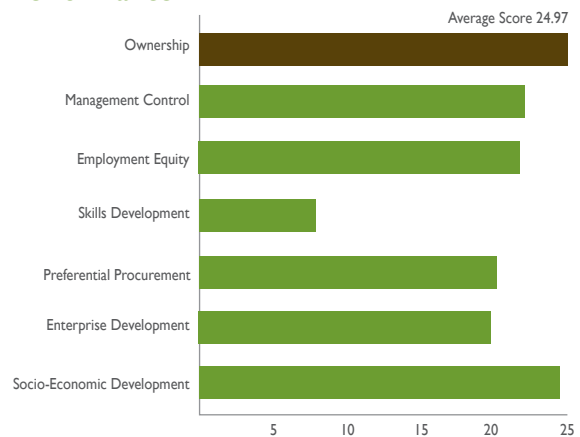
QSE ANALYSIS

Ownership

43% of the QSEs that reported selected ownership as one of the four elements on which they were evaluated. The points achieved by the enterprises range from 24.77 to 25 points, with an average score of 25.22 points.

The QSEs that selected ownership achieved an average black ownership score of 56%. However, only 2.19% of the QSEs' shareholding represents black female participation.

Table 13: 2013 QSE Ownership Scorecard Performance

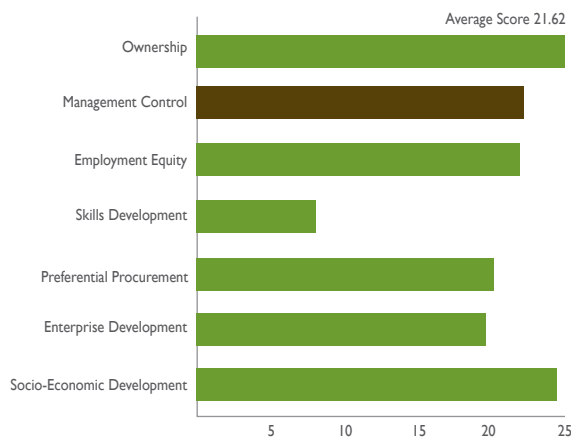


Despite the fact that the ownership element is one of the least popular elements with QSEs, it has the highest average score. This is because most enterprises that were measured on this element recorded a shareholding in the hands of black people which ranges from 25% to 100%, with half of the enterprises reporting 100% black ownership. The absence of bonus points achieved suggests that there is a lack of participation of black women and designated groupings at ownership level.

Management Control

Similar to ownership, only 36% of QSEs selected management control as one of the elements on which they were evaluated. The management scorecard for QSEs awards two bonus points to enterprises that have black women representation in executive management. None of the QSEs were awarded bonus points, further suggesting that there is a lack of black women representation at leadership level across all industry players, regardless of size. An average score of 21.64 points was achieved by the enterprises that selected management control as one of their four elements.

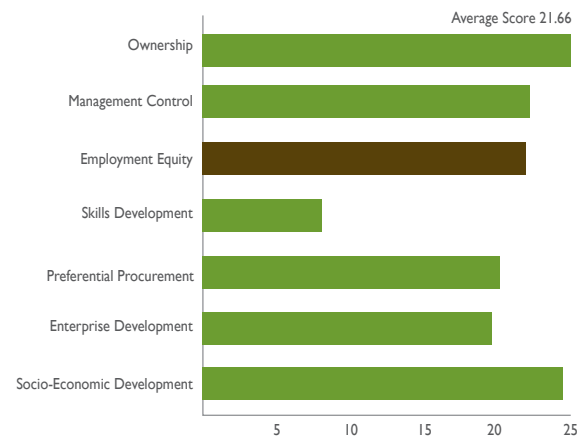
Table 14: 2013 QSE Management Control Scorecard Performance



Employment Equity

All the QSEs selected employment equity as one of the four elements. This confirms that this element is perceived as an easier one for small businesses to comply with than all the other elements. An average score of 21.66 points was achieved. Furthermore, three of the enterprises were awarded some of the bonus points, which reward enterprises whose representation is above the EAP, which is a representation of people from 15 to 64 years of age who are either employed or unemployed and seeking employment.

Table 15: 2013 QSE Employment Equity Scorecard Performance

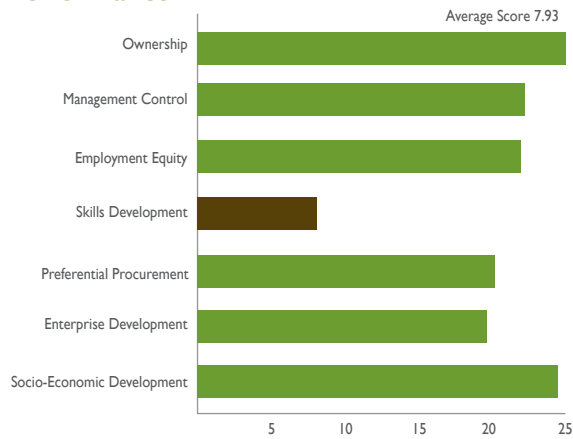


Skills Development

Small businesses tend to employ significantly fewer staff than bigger organisations. In addition, often times each employee plays more than one role in the small business. This limitation of resources results in the majority of the positions in a small business being codependent and critical to the business. This element recorded the lowest average score of 7.93 points compared to the other elements. This is despite the fact that only 21.4% of the enterprises selected this element.

“ It is suggested that there is a lack of black women representation at leadership level across all industry players, regardless of size. ”

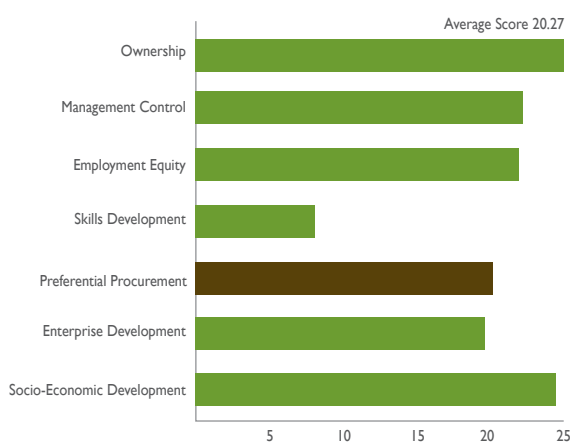
Table 16: 2013 QSE Skills Development Performance



Preferential Procurement

Similar to employment equity, preferential procurement is a popular element with QSEs, with 92.9% of QSEs selecting this as one of their best four elements. This is the same trend observed with MLEs. An average score of 20.27 points (81.8% of target points) was achieved. This may imply that QSEs are conducting business with BEE compliant suppliers.

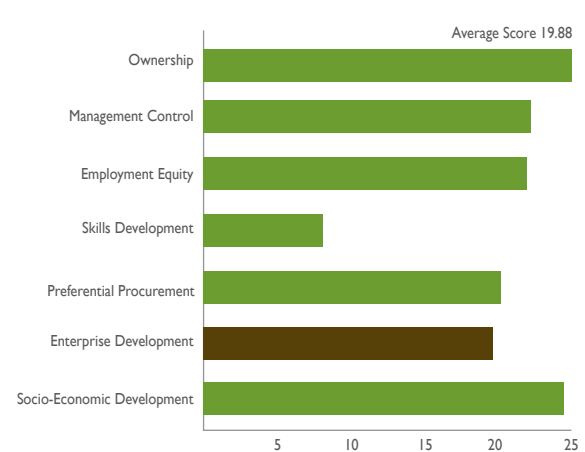
Table 17: 2013 QSE Preferential Procurement Performance



Enterprise Development

An average score of 19.88 points (79.52% of target points) was achieved by QSEs. QSEs' enterprise development performance was not in line with that of MLEs. This is likely due to a small pool of service providers that form part of a QSE supplier database. This element would also be challenging for a QSE as the cash outlay of financial enterprise development initiatives is likely to have a big impact on the QSE's bottom line. Oftentimes small businesses do not have the resources to actively monitor the implementation of this element.

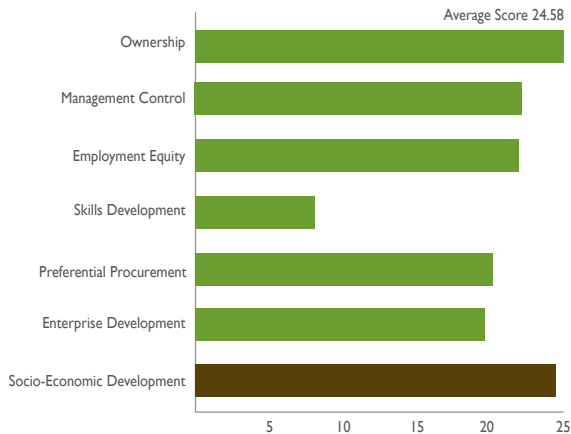
Table 17: 2013 QSE Enterprise Development Performance



Socio-economic Development

The socio-economic development element has the second highest average score after the ownership element. The key difference between the two is that the socio-economic development element was selected by 81% of the reporting enterprises while only 38% of the enterprises include ownership as one of their four elements for measurement purposes. This indicates that the industry players' commitment to socio-economic development is consistent regardless of the size of the enterprise.

“The industry players' commitment to socio-economic development is consistent regardless of the size of the enterprise.”

Table 18: 2013 QSE Socio-economic Development Performance

EXEMPT MICRO ENTERPRISES

An enterprise with an annual total revenue of R5 million or less qualifies as an Exempt Micro Enterprise. EMEs are deemed to have B-BBEE status of 'Level Four contributor'. However, an EME with more than 50% ownership by black people or black women qualifies for a promotion to a B-BBEE status of 'Level Three contributor' and complies with the Industry 'Codes of Good Conduct'.

A total of 26 EME certificates were received: 65% of the EME reporting enterprises were classified Level 4. The EMEs reported very limited black women ownership participation, below 10% on average. This indicates that the gender equality is also a challenge in the industry.

Summary of the Findings

The industry achieved an overall score of 64.3 points, which translates to Level Five B-BBEE recognition (2012: 69.2 points) for the industry in the MLE category. The overall score of MLEs

has declined from the previous two reporting periods, which illustrates that at some point the industry had a positive trend despite the challenges that it might have seen.

The Human Resource Development elements (namely management control, employment equity and skills development) continue to show a consistent decline from the previous reporting periods. A slight decline was also observed under the preferential procurement element, which tends to be one of the easier elements to implement. Noticeable efforts were made on the enterprise development element.

The average QSE performance observed is materially higher than the average MLE performance. The QSEs achieved more than 80% of the target points and this is largely due to the benefit of being able to select the best four performing elements as the basis for reporting. The overall B-BBEE performance for the QSEs is Level Three recognition (84.03 points) measured against the selected elements. The most commonly selected elements were employment equity, enterprise development and preferential procurement.

Both MLEs and QSEs are over-performing on the socio-economic development element, which confirms the heightened focus in developing communities.

The majority of the EMEs that submitted were contractors, 68% of which were mainly non-black-owned and managed, achieving a deemed Level Four. Only 35% (nine out of 26) of the EMEs were black-owned, of which only two had minority black women as minority shareholders.

The industry's overall performance and changing B-BBEE landscape therefore warrants the active consideration of a renewed approach towards improving performance by identifying high impact scorecard levers to close the gaps and achieve improved scorecard performance.

“The industry's overall performance and changing B-BBEE landscape therefore warrants the active consideration of a renewed approach towards improving performance by identifying high impact scorecard levers to close the gaps and achieve improved scorecard performance.”

Annual Financial Statements for the year ended 31 March 2013

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To oversee and facilitate the implementation of the Forest Sector Charter which, as its main objective, seeks to promote Broad-Based Black Economic Empowerment in and through the Forest Sector
Councillors	<p>Bruce Breedt Sebueng Chipeta (Member-Finance Committee) Sibusiso Gumede Dr Diphoko Mahango Viv McMenamin Simangaliso Khwanazi Dinga Mncube Mary-Anne Mngomezulu (Member – Human Resources Committee) Pasco Dyani (Chairperson – Forest Sector Charter Council) Jane Molony Ben Nkambule Watson Nxumalo Zodwa Phakedi (Member – Finance Committee and Human Resources Committee) Themba Siyolo (Chairperson – Finance Committee and Deputy Chairperson – Forest Sector Charter Council) Roy Southey Dr Jaap Steenkamp Lulamile Xate Sakhiwo Zako (Member – Human Resources Committee) Jacob Maputha Stephen Bila</p>
Business address	<p>6 Hulley Road Isando 1690</p>
Auditors	<p>Dziwa & Company Chartered Accountants (S.A.) Registered Auditor Practice Number: 902365</p>
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Published	13 September 2013

Annual Financial Statements for the year ended 31 March 2013

Index

The reports and statements set out below comprise the annual financial statements presented to the shareholder:	Index Page
Councillors' Responsibilities and Approval	25
Independent Auditors' Report	26
Councillors' Report	27
Statement of Financial Position	28
Statement of Comprehensive Income	28
Statement of Changes in Equity	29
Statement of Cash Flows	29
Accounting Policies	30
Notes to the Annual Financial Statements	31-35

Annual Financial Statements for the year ended 31 March 2013

Councillors' Responsibilities and Approval

The Councillors are required by the Companies Act 71 of 2008, 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 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 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 Council 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 2014 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.

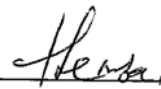
The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements.

The annual financial statements have been examined by the company's external auditors and their report is presented on page 26.

The annual financial statements set out on pages 27 to 35, which have been prepared on the going concern basis, were approved by the council on 13 September 2013 and were signed on its behalf by:



Pasco Dyani
(Chairperson – Forest Sector Charter Council)



Themba Siyolo
(Chairperson – Finance Committee and Deputy
Chairperson – Forest Sector Charter Council)

Annual Financial Statements for the year ended 31 March 2013

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), as set out on pages 27 to 35, which comprise the statement of financial position as at 31 March 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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 International Financial Reporting Standard for Small and Medium-sized Entities, and requirements of the Companies Act 71 of 2008, and for such internal control as the Councillors determine is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

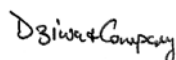
Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 2013, 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 the requirements of the Companies Act 71 of 2008.



SK Dziwa, RA (SA)
Partner
Registered Auditor
Practice Number: 902365

13 September 2013

Annual Financial Statements for the year ended 31 March 2013

Councillors' Report

The Councillors submit their report for the year ended 31 March 2013.

I. Review of activities

Main business and operations

The main objective of the Forest Sector Charter Council is to promote Broad-Based Black Economic Empowerment (B-BBEE) in the Forest Industry. It seeks to achieve this by undertaking the following:

- 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.
- Achieving sustainable change in the racial and gender composition of ownership, management and control structures and in skilled positions of existing and new forest enterprises.
- 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 access to economic activities, infrastructure and skills training.

- Nurturing new black-owned and/or black-managed enterprises to undertake new forms of economic and value adding activities in the Forest Sector.
- Using the Forest Industry as a catalyst for empowering rural and local black communities to access economic activities, land, infrastructure, ownership and skills.
- Promoting sustainable employment and contracting practices in the Forest Sector.

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 after the reporting period

The Councillors are not aware of any matter or circumstance arising since the accounting date of the financial statements to the date of issue of the financial statements that in their opinion would warrant a material adjustment to 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
Bruce Breedt	South African	Appointed 18 June 2010
Simangele Cele	South African	Resigned 31 March 2013
Sebueng Chipeta (Member – Finance Committee)	South African	Appointed 1 February 2012
Queen Filani	South African	Resigned 31 January 2012
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
Dinga Mncube	South African	Appointed 7 February 2008
Mary-Anne Mngomezulu (Member – Human Resources Committee)	South African	Appointed 7 February 2008
Pasco Dyani (Chairperson – Forest Sector Charter Council)	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	Resigned 31 March 2013
Themba Siyolo (Chairperson – Finance Committee and Deputy Chairperson – Forest Sector Charter Council)	South African	Appointed 7 February 2008
Roy Southey	South African	Appointed 1 November 2011
Dr Jaap Steenkamp	South African	Appointed 7 February 2008
Lulamile Xate	South African	Appointed 1 November 2011
Sakhiwo Zako (Member – Human Resources Committee)	South African	Appointed 7 February 2008
Jacob Maputha	South African	Appointed 15 November 2011
Zodwa Phakedi (Member – Finance Committee and Human Resources Committee)	South African	Appointed 01 February 2013

4. Auditors

Dziwa & Company will continue in office in accordance with section 90 of the Companies Act 71 of 2008.

Annual Financial Statements for the year ended 31 March 2013

Statement of Financial Position

Figures in Rand	Note(s)	2013	2012
Assets			
Non-Current Assets			
Computer and office equipment	2	40 046	8 066
Current Assets			
Trade and other receivables	3	236 960	84 620
Cash and cash equivalents	4	4 297 011	2 738 461
		4 533 971	2 823 081
Total Assets		4 574 017	2 831 147
Equity and Liabilities			
Equity			
Retained income		4 145 304	2 539 984
Liabilities			
Current Liabilities			
Trade and other payables	5	428 713	291 163
		4 574 017	2 831 147

Statement of Comprehensive Income

Figures in Rand	Note(s)	2013	2012
Revenue	6	4 514 518	5 420 351
Operating expenses		(2 909 198)	(2 828 186)
Operating surplus		1 605 320	2 592 165
Finance costs	7	-	(25 849)
Surplus for the year		1 605 320	2 566 316

Annual Financial Statements for the year ended 31 March 2013

Statement of Changes in Equity

Figures in Rand	Retained Income	Total Equity
Balance at 01 April 2011	(26 332)	(26 332)
Surplus for the year	2 566 316	2 566 316
Other comprehensive income	-	-
Total comprehensive income for the year	2 566 316	2 566 316
Balance at 01 April 2012	2 539 984	2 539 984
Surplus for the year	1 605 320	1 605 320
Other comprehensive income	-	-
Total comprehensive income for the year	1 605 320	1 605 320
Balance at 31 March 2013	4 145 304	4 145 304

Statement of Cash Flows

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Cash generated from operations	9	1 595 880	2 430 981
Finance costs		-	(25 849)
Net cash from operating activities		1 595 880	2 405 132
Cash flows from investing activities			
Purchase of computer and office equipment	2	(37 330)	-
Total cash movement for the year		1 558 550	2 405 132
Cash at the beginning of the year		2 738 461	333 329
Total cash at end of the year	4	4 297 011	2 738 461

Annual Financial Statements for the year ended 31 March 2013

Accounting Policies

I. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. 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.

I.1 Computer and office equipment

Computer & office 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.

Computer and office 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 computer and office equipment, which is as follows:

Item	Average useful life
Office equipment	6 years
IT equipment	3 years
Computer software	6 years

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous estimate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

I.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.

I.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable or received 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.

Annual Financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements

2. Computer and office equipment

Figures in Rand	2013			2012		
	Cost/ Valuation	Accumulated Depreciation	Carrying Value	Cost/ Valuation	Accumulated Depreciation	Carrying Value
Office equipment	13 662	(7 347)	6 315	12 580	(4 514)	8 066
Computer equipment	36 248	(2 517)	33 731	-	-	-
Computer software	1 999	(1 999)	-	1 999	(1 999)	-
Total	51 909	(11 863)	40 046	14 579	(6 513)	8 066

Reconciliation of computer and office equipment – 2013

	Opening Balance	Additions	Depreciation	Total
Office equipment	8 066	1 082	(2 833)	6 315
Computer equipment	-	36 248	(2 517)	33 731
	8 066	37 330	(5 350)	40 046

Reconciliation of computer and office equipment – 2012

	Opening Balance	Depreciation	Total
Office equipment	10 899	(2 833)	8 066
Computer software	1 333	(1 333)	-
	12 232	(4 166)	8 066

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

3. Trade and other receivables

Figures in Rand	2013	2012
Grant income receivable from members of the Forest Industry	236 960	84 620

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2013	2012
Bank balances	4 297 011	2 738 461

Annual Financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements (continued)

Figures in Rand	2013	2012
5. Trade and other payables		
Trade payables	45 279	153 929
Reimbursable expenses due to Councillors	5	70 468
Payroll related accruals	383 429	66 766
	428 713	291 163
6. Revenue		
Government contribution – Department of Agriculture, Forestry and Fisheries	3 165 000	4 070 833
Industry contribution – Members of the Forest Sector	1 349 518	1 349 518
	4 514 518	5 420 351
7. Finance costs		
On accounts payables	-	25 849
8. Auditors' remuneration		
Fees	68 377	60 080
9. Cash generated from operations		
Surplus for the year	1 605 320	2 566 316
Adjustments for:		
Depreciation and amortisation	5 350	4 166
Finance costs	-	25 849
Changes in working capital:		
Trade and other receivables	(152 340)	126 115
Trade and other payables	137 550	(291 465)
	1 595 880	2 430 981

Annual Financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements (continued)

10. Councillors' remuneration

Figures in Rand 2013	Remuneration Received as Council Executive	Travel and Accom- modation Costs	Subsistence and Travel Claims	Total
Stephen Bila	-	-	3 482	3 482
Sibusiso Gumede	-	18 470	9 430	27 900
Dr Diphoko Mahango	-	29 895	-	29 895
Mary-Anne Mngomezulu (Member – Human Resources Committee)	-	97 012	65 488	162 500
Pasco Dyani (Chairperson – Forest Sector Charter Council)	550 000	150 071	1 256	701 327
Ben Nkambule	-	5 269	-	5 269
Watson Nxumalo	-	9 902	-	9 902
Sakhiwo Zako (Member – Human Resources Committee)	-	24 204	37 688	61 892
	550 000	334 823	117 344	1 002 167

Annual Financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements (continued)

10. Councillors' remuneration (continued)

Figures in Rand 2012	Remuneration Received as Council Executive	Travel and Accommo- dation Costs	Remuneration Received as Councillor	Subsistence and Travel Claims	Total
Stephen Bila	-	-	26 400	16 587	42 987
Simangele Cele	-	1 365	-	-	1 365
Sibusiso Gumede	-	-	39 113	7 882	46 995
Dr Diphoko Mahango	-	17 107	7 200	13 307	37 614
Mary-Anne Mngomezulu (Member – Human Resources Committee)	-	30 856	40 800	13 299	84 955
Pasco Dyani (Chairperson – Forest Sector Charter Council)	450 000	108 312	109 438	1 222	668 972
Ben Nkambule	-	11 788	-	-	11 788
Watson Nxumalo	-	10 675	-	-	10 675
Sakhiwo Zako (Member – Human Resources Committee)	-	8 521	7 200	7 416	23 137
	450 000	188 624	230 151	59 713	928 488

11. Events after the reporting period

There is no material fact or circumstance that has arisen since the accounting date of the financial statements to the date of issue of the financial statements that would warrant a material adjustment to the financial statements as presented.

Annual Financial Statements for the year ended 31 March 2013

Notes to the Annual Financial Statements (continued)

Figures in Rand	Note(s)	2013	2012
Revenue			
Government contribution – Department of Agriculture, Forestry and Fisheries		3 165 000	4 070 833
Industry contributions – Members of the Forest Sector		1 349 518	1 349 518
	6	4 514 518	5 420 351
Operating expenses			
Accounting fees		(126 689)	(116 912)
Advertising		(17 066)	(43 890)
Auditors' remuneration	8	(68 377)	(60 080)
Bank charges		(6 526)	(7 717)
Cleaning		(7 216)	-
Computer expenses		(34 311)	(1 197)
Office consumables		(1 811)	(786)
Depreciation, amortisation and impairments		(5 350)	(4 166)
Employee costs		(1 589 816)	(1 492 459)
Meeting and workshop venues		(22 392)	(78 470)
Catering		(5 844)	-
Organisational development consultancy costs		-	(258 300)
Policy development and BEE scorecard consultancy costs		(72 960)	(53 295)
Chairperson meetings attendance costs		-	(100 998)
Councillors meetings attendance costs		(159 508)	(203 379)
Travel and accommodation costs – Councillors		(328 997)	(222 618)
Travel and accommodation costs – Staff		(26 983)	(61 431)
SARS fines and penalties		(80 988)	-
Pot and plant hire		-	(680)
Insurance		(3 462)	-
Lease rentals on operating lease		(31 251)	-
Legal expenses		-	(59 065)
Placement fees		(200 049)	-
Postage		(604)	(520)
Printing and stationery		(19 244)	(47 957)
Repairs and maintenance		(12 848)	-
Staff welfare		(1 577)	(1 208)
Telephone and fax		(50 912)	(15 474)
Transport and freight		(10 431)	-
Travel – local		(23 986)	-
		(2 909 198)	(2 828 186)
Operating surplus		1 605 320	2 592 165
Finance costs	7	-	(25 849)
Surplus for the year		1 605 320	2 566 316

Acronyms

ASGISA	Accelerated & Shared Growth Initiative for South Africa
BEE	Black Economic Empowerment
B-BBEE	Broad-Based Black Economic Empowerment
CEE	Commission for Employment Equity
DAFF	Department of Agriculture, Forestry & Fisheries
DEDEA	Department of Economic Development & Environmental Affairs
DEDT	Department of Economic Development & Tourism
DRDLR	Department of Rural Development & Land Reform
DTI	Department of Trade & Industry
DWA	Department of Water Affairs
EAP	Economically Active Population
EC	Eastern Cape
EIA	Environmental Impact Assessment
EME	Exempted Micro Enterprises
FSA	Forestry South Africa
FSC	Forest Stewardship Council
FSCC	Forest Sector Charter Council
Ha	Hectares
HDI	Historically Disadvantaged Individuals
HDR	Human Resource Development
IDP	Integrated Development Plan
IPAP	Industrial Policy Action Plan
KLF	Komatiland Forests
MAFISA	Micro Agricultural Finance Institutions of South Africa
MLE	Medium & Large Enterprises
MMM	Mbazwana, Manzengwenya & Mabaso
NAREG	National Reference Group
NARYSEC	National Rural Youth Service Corps
PGDS	Provincial Growth and Development Strategies
PSP	Preferred Service Provider
SFRA	Stream Flow Reduction Activity
SMME	Small, Medium and Micro Enterprises
SANBI	South African National Biodiversity Institute
PAMSA	Paper Manufacturers Association of South Africa



FOREST SECTOR
CHARTER COUNCIL

SAFCA Building, 6 Hulley Road, Isando, 1600
Telephone: 011 392 1394/1688, Facsimile: 011 392 1273