



FOREST SECTOR
CHARTER COUNCIL

Annual Report
2013/2014



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
- Transparency
- People-centred
- Dynamic
- Respect for people/integrity

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Acronyms

ABVA	Association of Black Economic Empowerment Verification Agencies
ASGISA	Accelerated and Shared Growth Initiative for South Africa
BEE	Black Economic Empowerment
B-BBEE	Broad Based Black Economic Empowerment
CEE	Commission for Employment Equity
CEPPWAWU	Chemical Energy Paper Printing Wood Allied Workers Union
CFA	Community Forestry Agreement
COSATU	Congress of South African Trade Unions
DAFF	Department of Agriculture, Forestry and Fisheries
DEDEA	Department of Economic Development and Environmental Affairs
DEDT	Department of Economic Development and Tourism
DPE	Department of Public Enterprises
DRDLR	Department of Rural Development and Land Reform
DST	Department of Science and Technology
Dti	Department of Trade and Industry
DWAS	Department of Water Affairs and Sanitation
EAP	Economically Active Population
EC	Eastern Cape
EIA	Environmental Impact Assessment
EME	Exempted Micro Enterprises
ECF	Employment Creation Fund
ESD	Enterprise and Supplier Development
FED	Forest Enterprise Development
FP& M	Fibre Processing and Manufacturing
FSA	Forestry South Africa
FSC	Forest Stewardship Council
FSCC	Forest Sector Charter Council
GDP	Gross Domestic Product
Ha	Hectares
HDI	Historically Disadvantaged Individuals
ICFR	Institute for Commercial Forestry Research
IDC	Industrial Development Corporation
IRBA	Independent Regulatory Board of Auditors
KZN	KwaZulu-Natal
MLE	Medium and Large Enterprises
MMM	Mbazwana, Manzengwenya and Mabaso
NABC	National Association of Black Economic Empowerment Consultants
NPAT	Net Profit after Tax
PAMSA	Paper Manufacturers Association of South Africa
PGDS	Provincial Growth and Development Strategies
PSP	Preferred Service Provider
QSE	Qualifying Small Enterprises
RoD	Record of Decision
SAFCOL	South African Forestry Company
SANAS	South African National Accreditation System
SD	Skills Development
SED	Socio-Economic Development
SMME	Small, Medium and Micro Enterprises
WULAS	Water Use License Applications

Message from the Chairperson

Since becoming chairman in August 2010, my focus has been on ensuring that best practices are employed in support of a more competitive and transformed industry. Our values are centred on inclusive processes, sustainable partnerships and of course, good governance principles.

Being a leader in a transformation environment requires determination as well as ongoing reflection of applied strategies in order to deliver a positive goal set. All goals worth achieving require effort and commitment. A decline in performance in terms of the Broad Based Black Economic Empowerment status has required modification of our objectives. We are not only focused on achieving a high level status, our role in the forest society is essential and should ensure that the performance accomplished reflects on both social and economic capital stability in advancing black owned business and decent jobs.

A lot of work remains to be done. One of the major accomplishments in 2014 was the gazetting of the Revised Codes of Good Practice by the Minister of Trade and Industry. This development is encouraging, and we look forward to further change and progress as part of the transformation journey. This change must be embraced, operate for the greater good, keep us relevant, and encourage growth and progress. We believe that with the proposed changes to the Revised Codes of Good Practice, we will be in a better position to leverage a positive socio-economic impact, and ensure rural economic growth and enhancement of the quality of livelihoods of many previously disadvantaged individuals and communities.

The successful implementation of B-BBEE also relies on having transparent and open/viable working relationships within the sprouting and materialised businesses. The Council is commended for the pragmatic role it has played in approving the Codes of Good Conduct for emerging grower schemes. It is believed that this significant achievement will surely result in ongoing stronger and fruitful relationships among the different spheres of entities in the Forest Sector.

Council remains firmly committed towards ensuring it operates according to good practices and ethics. Repeated clean annual audits with regards to the Council's financial governance are testimony to a high level of responsible practice. The conversion of our Articles of Association into the Memorandum of Incorporation comes at a perfect time,

and enables us to build better guiding processes towards a competitive organisation.

The Council values the positive relationship it has had and continues to have with its stakeholders and departments; Department of Agriculture, Forestry and Fisheries (DAFF), Department of Trade and Industry (DTi), Department of Water and Sanitation (DWAS), Department of Rural Development and Land Reform (DRDLR), Department of Public Enterprises (DPE), Congress of South African Trade Unions (COSATU), Chemical Energy Paper Printing Wood Allied Workers Union (CEPPWAWU) as well as community representatives appointed by the DAFF Minister and the Forest industry at large. These interactions have been valuable and have assisted us as the Council in maintaining our focus on sustainable transformation.

In conclusion, I wish to sincerely thank the Council for its steadfastness on approaching tasks from a broad perspective. The Council's basis for decision making on strategic objectives and its collective focused expertise have been demonstrated through its progressive commitment to meaningful transformation. To the entire secretariat, thank you for making my work and that of the entire Council manageable.



A handwritten signature in black ink, appearing to read 'P. Dyani', written over a white background.

Pasco Dyani
Chairperson
Forest Sector Charter Council



The Executive Director's Report

This Executive Report highlights most of the activities undertaken in the years under review as indicated in the Annual Business Plan. The summary reflects achievement under each objective.

Meetings

The Council holds a minimum of four meetings within a financial year, with the possibility of scheduling other meetings when necessary.

The Council takes cognisance of and implements the principle of recognition of conflict of interest as stipulated in the Company's Act. The application of this principle has become a permanent agenda item at all Council meetings, and allows members to disclose and declare any of their interests.

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



Council Directors	2013			2014
	23 May	15 August	13 November	18 February
Mr Pasco Dyani (Chair)				
Mr Themba Siyolo (Vice-Chair)				
Mr Watson Nxumalo				
Mr Dinga Mncube				
Ms Jane Molony				
Ms Mary-Anne Mngomezulu				
Dr Jaap Steenkamp				
Ms Viv McMenamin				
Dr Diphoko Mahango				
Mr Lulamile Xate				
Mr Ben Nkambule				
Mr Simangaliso Mkhwanazi				
Mr Stephen Bila				
Mr Bruce Breedt				
Mr Jacob Maphutha				
Mr Roy Southey				
Mr Sakhiwo Zako				
Ms Sebueng Chipeta				
Mr Thami Mdontswa				
Mr Sibusiso Gumede				
Ms Lizeka Matsekga				
Mr Khwezilomusa Mabasa				

Key Present Absent Other



Charter Review Process

The Council initiated the review of the Charter in accordance to 16.2(c) of the Forest Sector Code. A Charter Review task team was established which developed terms of reference for the Charter Review and these were endorsed by the full Council.

The realignment process

During the year of 2013/14 the Department of Trade and Industry gazetted the Revised Codes of Good Practice, Vol. 580, No. 36928. The unveiling of the revised Codes required all Sector Councils to realign their Codes according to the new principles introduced by the Revised Codes of Good Practice.

Some of the new principles included the following:

- The reduction of seven elements to five elements; Management Control and Employment Equity merged under Management Control, and Preferential Procurement and Enterprise Development combined under Enterprise and Supplier Development (ESD).
- Compliance of all elements by Medium and Large Enterprises (MLE) and Qualifying Small Enterprises (QSE) except for Exempted Micro Enterprises (EME),
- The introduction of priority elements and the minimum scores for compliance for the QSE and the MLE. Priority elements are Ownership (O), Skills Development (SD) and Enterprise Supplier Development. The MLE are required to comply with all priority elements whereas QSEs must comply with O and either ESD or SD.

- The introduction of a discounting principle for failure to comply with the priority elements. The new discounting factor states that MLE and QSE will be discounted by one level if they do not achieve the minimum scores of the priority elements.
- The new principles also introduced an enhanced recognition status for black owned EMEs and QSEs, such that an EME or QSE that is 100% black owned qualifies as level 1 contributor, and an EME/QSE that is more than 51% black owned qualifies as a level 2 contributor. Only an affidavit will be used to confirm status.

Forest Enterprise Development Task Team (FED)

This committee has been established by the Council to expedite getting funding resources for enterprise development. The task team is led by the Forestry branch of DAFF, and constituted by members from the Dti, industry and the Council.

Training on the Codes of Good Practice, Vol. 580. No. 36928

The Amended Codes of Good Practice (the codes) Vol. 580 No. 36928 and the Broad- Based Black Economic Empowerment Amendments Act 46 of 2013 to the B-BBEE Act have been unveiled by the Dti. Capacitating and familiarising members with the new principles and the amendments has been crucial for the re-alignment of the Forest Sector Code and for vigorous monitoring and reporting on the scorecard targets.

Charter Council Members

Pasco Dyani	(Chairperson - Forest Sector Charter Council)
Themba Siyolo	(Chairperson Finance committee and Deputy Chairperson - Forest Sector Charter Council)
Sibusiso Gumede	Resigned 17 February 2014
Dr Diphoko Mahango	
Viv McMenamin	
Simangaliso Mkhwanazi	
Dinga Mncube	(Member - Finance Committee)
Mary-Anne Mngomezulu	(Member - Human Resource Committee)
Bruce Breedt	
Jane Molony	
Ben Nkambule	
Watson Nxumalo	
Sebueng Chipeta	(Member - Finance committee)
Roy Southey	
Dr Jaap Steenkamp	
Lulamile Xate	
Sakhiwo Zako	(Member - Human Resources Committee)
Jacob Maputha	
Stephen Bila	
Khwezilomso Mabasa	Appointed 11 March 2014

Forest Sector Profile

The forest sector, which includes the forestry and forest products group, is an important contributor to the South African economy, accounting for 1% of the national GDP and utilising about 1% of the total land. The sector contributes meaningfully to job creation as it provides both direct and indirect jobs. It further provides livelihood support to about 850 000 people, of the South African rural population. This makes it a unique sector with the potential to contribute

significantly to poverty alleviation and rural economic development. The forest sector also supports government's responsibility in providing social infrastructure and generates an increased tax base. The income generated in the sector boosts local economic growth and development. The information presented on pages 9 -14 provide an overview of the forest sector as at 2013, taken from a report by Forestry South Africa.

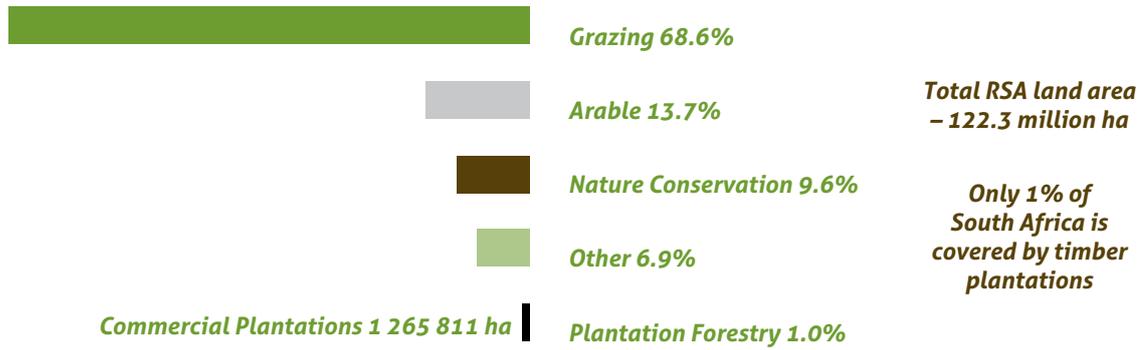
Map of Forestry in south africa



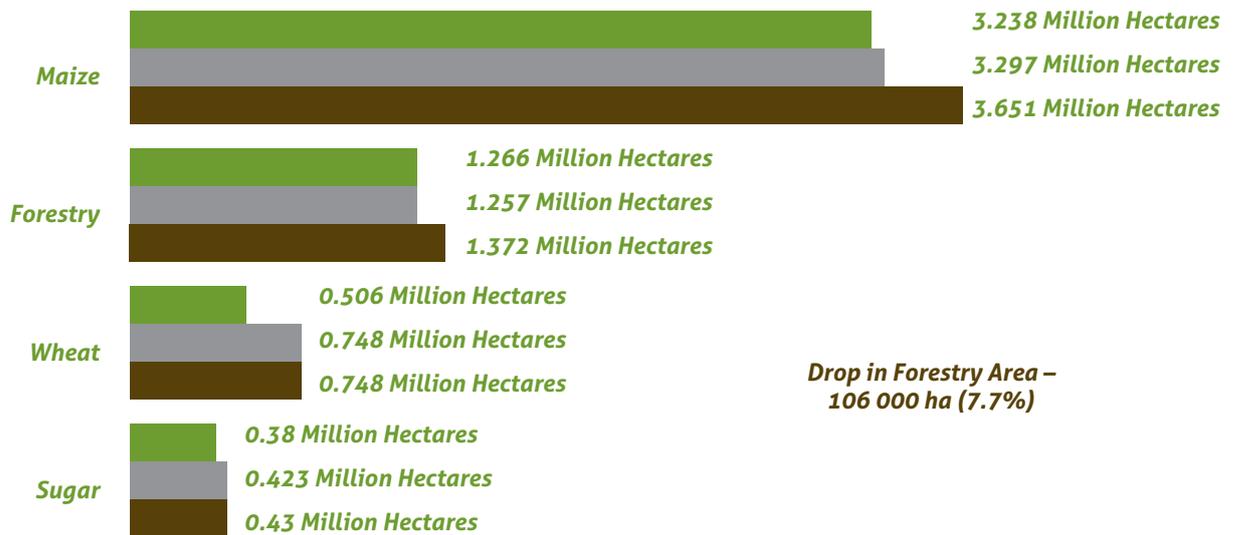
(Source: Forestry South Africa, Genesis Report)

South Africa's timber plantations are located in a narrow belt along the Eastern escarpment mainly due to climatic reasons

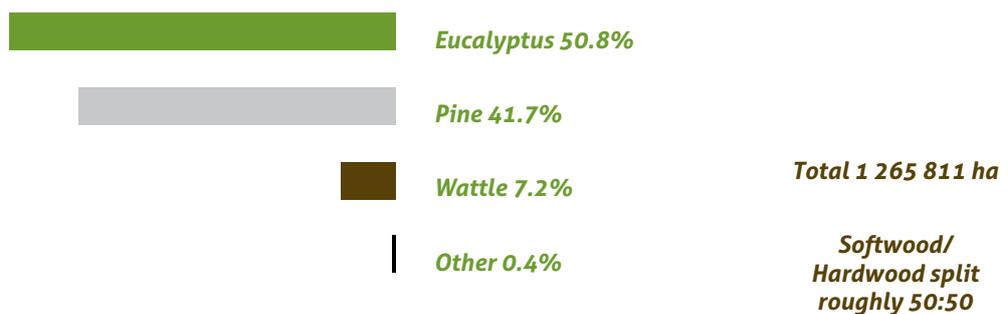
Land Use in South Africa



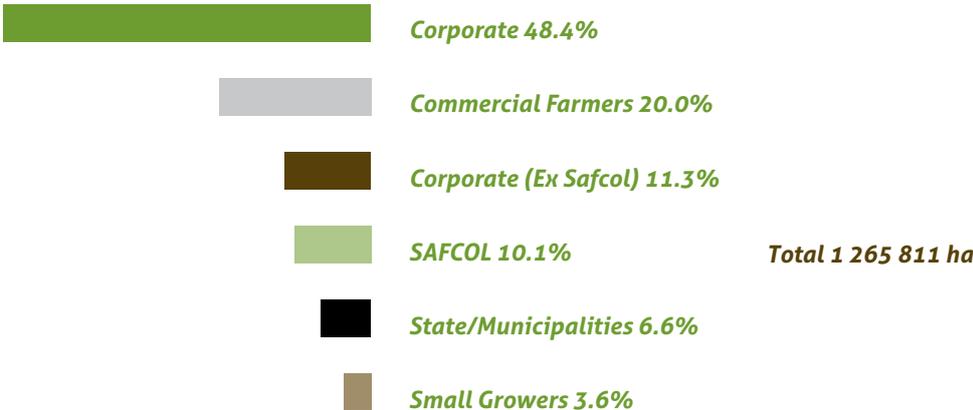
Land Use Comparisons 2003, 2008 & 2013



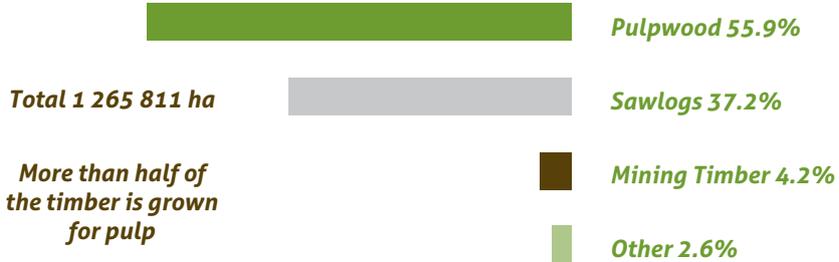
Plantation Area by Species 2013



Plantation Area by Ownership 2013



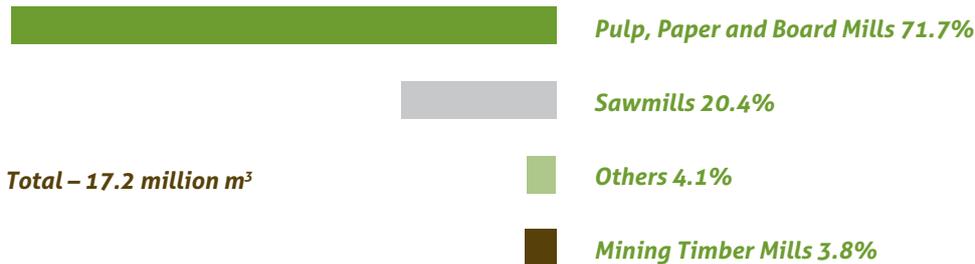
Plantation Area by Management Objectives 2013



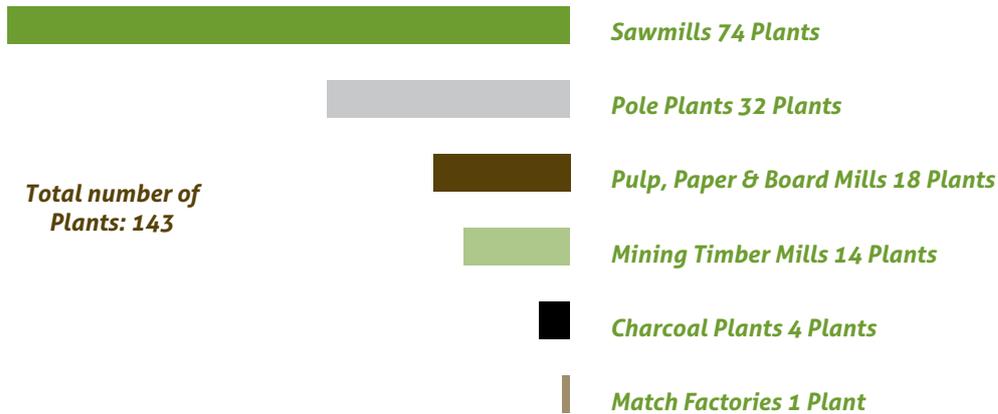
Roundwood Production by Product 2013



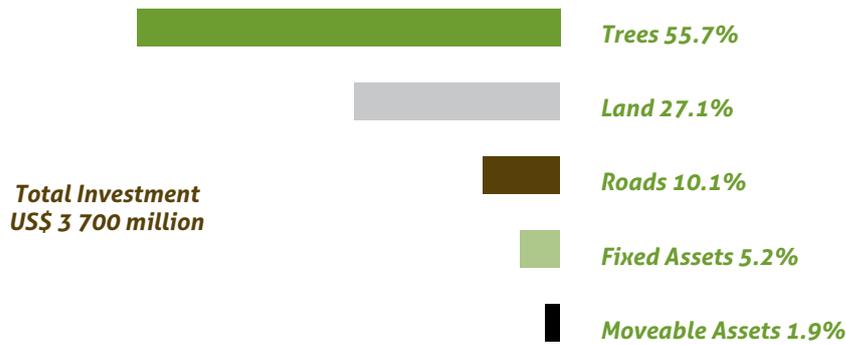
Intake of Roundwood into Processing Plants 2013



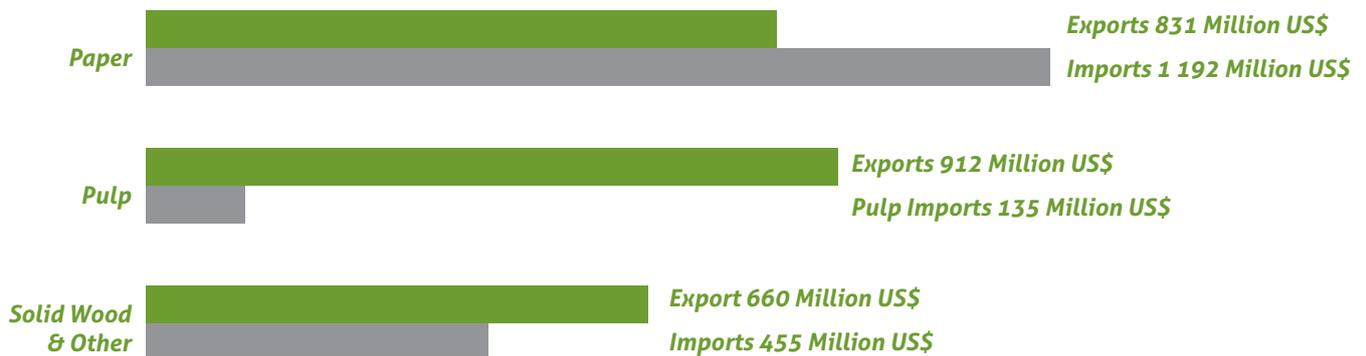
Number of Processing Plants by Type 2013



Investment in RSA Forestry Industry 2013



Imports vs. Exports of Forest Products 2014



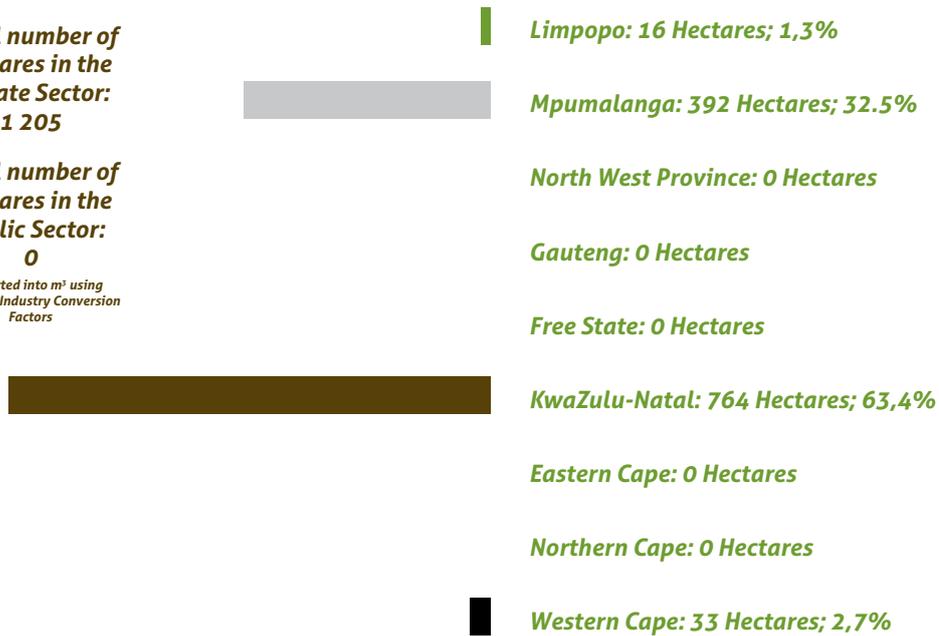
**Positive trade balance in 2014
= US\$ 620 million**

New Afforestation by Province

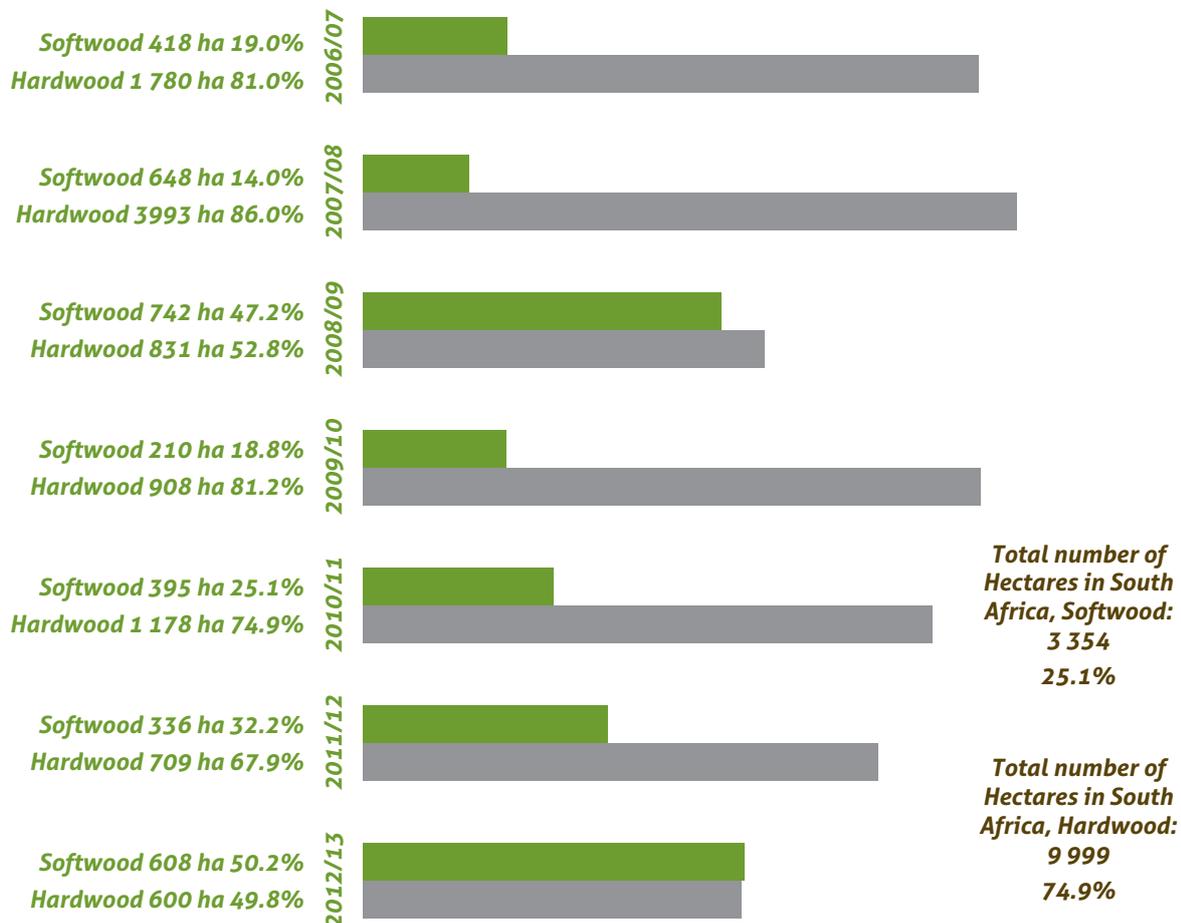
Total number of Hectares in the Private Sector:
1 205

Total number of Hectares in the Public Sector:
0

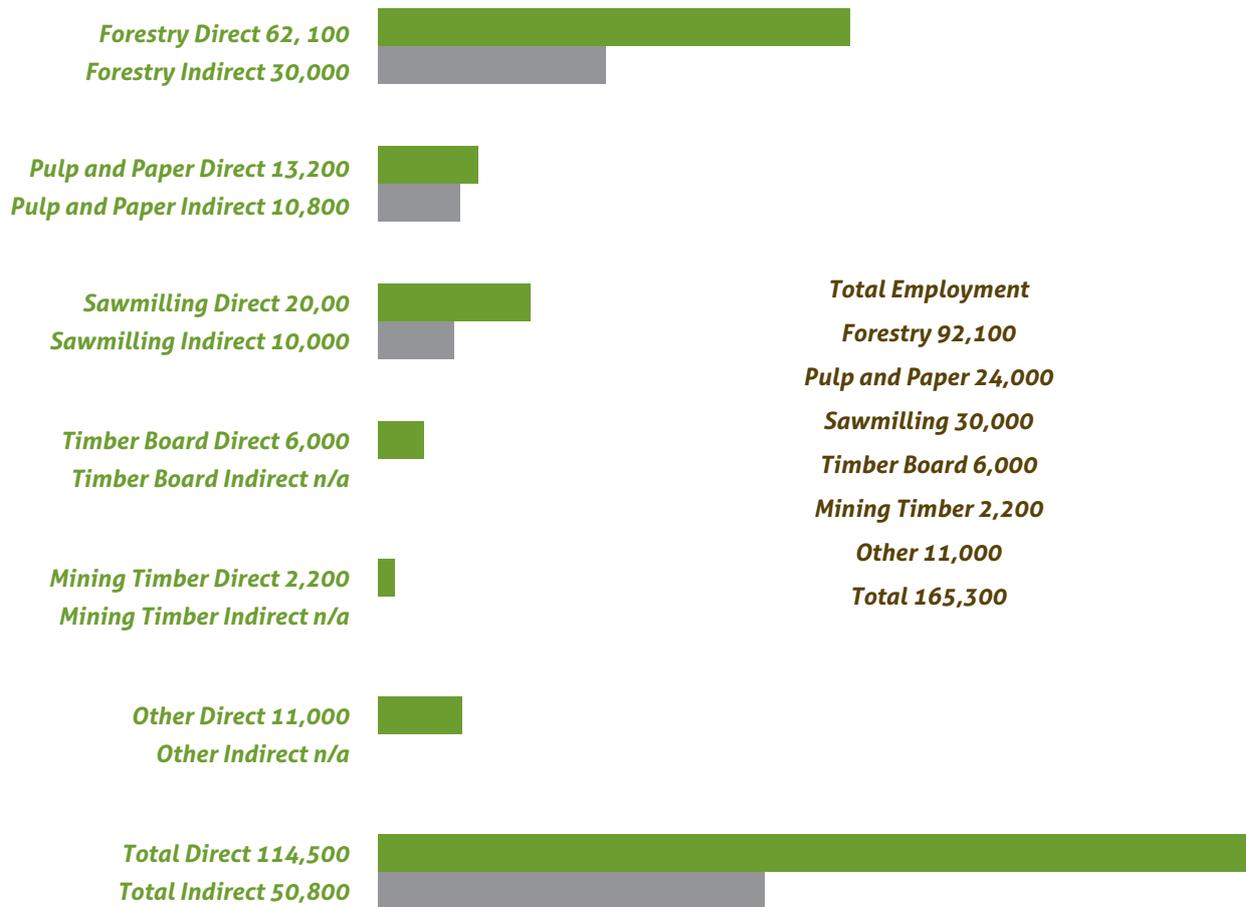
Converted into m² using Standard Industry Conversion Factors



New Afforestation by Species over the last 7 years



Employees by Sector in South Africa 2013



Report of progress made in the implementation of the Forest Sector Charter undertakings

This section provides an update on the industry and government commitments in consultation with the community and labour representatives in support of the Forest Sector Charter Implementation. These commitments and instruments serve as enablers for the forest sector as well as for individual enterprises to achieve their B-BBEE targets.

Instruments to support ownership targets

Funding facility for B-BBEE transactions

The Council facilitated the Department of Rural Development and Land Reform (DRDLR)'s extension of the funding period for forestry claims from five (5) to eight (8) years. Funding will be made available for both the maintenance and infrastructure developments supported with approved business plans. The funding will cover 100% of the funding requirements.

Mbazwana, Manzengwenya and Mabaso (MMM) Transfer

The Departmental Bargaining Council has established a HR task team to deal with the related labour issues. The Forest Sector Charter Council (FSCC) also facilitated DAFF-legal services department forwarding the Community Forestry Agreement (CFA) from the Tribunal Authority to the office of the State Attorney for further legal advice.

Rosbach Transfer

The FSCC facilitated the development of a business plan and its implementation by DAFF, and the other stakeholders. Transfer agreements are being finalised.

Injaka Plantation

The DRDLR is still in the process of transferring ownership of this land and facilitating its development. A strategic partner is still to be identified.

Instruments to support skill development targets

Sector skills plan for the Forest Sector

The FSCC facilitated the active participation of industry and DAFF in the development of the sector's five year training plan called the Sector Skills Plan, by the Fibre

and Processing and Manufacturing Sector Education and Training Authority (FP & M Seta). The Institute for Commercial Forestry Research (ICFR) is also developing other training toolkits for additional species such as wattle. This training will be for small growers.

Instruments to support preferential procurement targets

The Council developed and approved the Industry Codes of Conduct for Emerging Forest Grower Schemes. These Codes of Conduct for Emerging Grower Schemes aim to facilitate fair practices and conduct between growers and independent companies.

Instruments to support enterprise development targets

Access to funds and financial services for emerging black entrepreneurs

The Council facilitated the support by Forestry South Africa (FSA) of the revised proposal to the employment creation fund (ECF) for grant funding for afforestation under the aegis of the Dti. FSA also submitted an independent application to the Jobs Fund, although the application was unsuccessful. Through the auspices of the Council, a task team constituted by DAFF, IDC, industry, the Council's labour representatives and Dti has been established to oversee the implementation of a Forest Enterprise Development Fund. This initiative aims to provide access to funding and promote entrepreneurship in the Forest Sector.

Capacity building and business support for emerging black entrepreneurs

A Business Development Forum Indaba was held in November. The forum focused on people, the forest enterprise development fund, licensing constraints, building excellent partnerships, and on how trees could be used as a catalyst for rural economic development.

Expedite the authorisation of afforestation licenses

The Department of Agriculture, Forestry and Fisheries has participated in forestry stakeholders workshops, aimed at raising awareness on matters relating to the licensing process.

The Council facilitated the finalization of twenty four (24) out of fifty five (55) Water Use License Applications (WULAS) which were also supported by DAFF and the DTI. The remaining environmental authorization applications are awaiting final decision.

The Council has also facilitated a review of the results of the geo-hydrological assessment study in St. Lucia under the Isimangaliso catchment. The outcome from this review will enable the department to finalise at least a further 11 WULAs.

Small grower certification

The Council has facilitated the commitment of funds by industry through FSA in conjunction with the Forest Stewardship Council (FSC), to further develop a standard to increase accessibility to certification by small emerging growers.

FSA are also exploring the development of an independent small grower standard which can be used to inform the FSC and other certification bodies in the future.

This small grower standard aims to serve as an enabler for the emerging growers to participate sustainably in the forest industry.

Instruments to support industry specific initiatives

Integrated planning for Forest Sector Development

Authorisation has been issued by the Department of Economic Development and Environmental Affairs (DEDEA), for the 27 Eastern Cape (EC) Applications conducted by Asande.

The preferred service provider (PSP) has undertaken and finalised the EIA studies. However the Department of Environmental Affairs is still correcting some of the discrepancies realised. To date, a Record of Decision (RoD) of an estimated area of 8,000 ha has been issued, while DAFF is awaiting for the Department of Water Affairs and Sanitation (DWAS) to process the final stages of the afforestation licenses for the same area.

Facilitation of forestry development in Eastern Cape

The Department of Water Affairs and Sanitation (DWAS) has issued eleven (11) communities with water licenses, ten (10) are still outstanding.

Facilitation of forestry development in KwaZulu-Natal (KZN)

The Dti is currently funding environmental impact assessment (EIA) studies on behalf of communities in Umzimkhulu, KZN.

Formalization of the charcoal industry

DAFF and the Dti are collaborating on the formalisation of the charcoal industry.

Forestry Protection Services

The Department of Science and Technology (DST) approved the FSA Sector Specific Innovation Fund application which was supported by DAFF. The quantum received will support research and development in a number of key areas including forest protection.

Transport infrastructure development

FSA continued to engage Transnet on matters relating to transport infrastructure. Such interactions have yielded exceptional results in a way that the tariffs have been reduced and efficiencies increased.

Strengthen representative industry structures

FSA has increased the number of small growers represented on its Executive Committee. The industry has lobbied for support to the Wood Foundation under the Sector Promotion Strategy.

Forest Sector Research and Development Strategy

The finalised Research and Development strategy has been published and distributed to stakeholders. Funding for its implementation is still being sourced.

Restitution claims on forest land

The settlement model for land owned by South African Forestry Company (SAFCOL) is being piloted in Limpopo, Mpumalanga and KwaZulu-Natal. A service provider has been appointed by SAFCOL to evaluate the efficiency of this settlement model piloted in these regions. DRDL in consultation with FSA is also prioritising the development of a settlement model for forestry claims owned by small and medium growers.



Status of Transformation in the Forest Sector

The main aim of this section is to indicate or report on the compliance of the industry with the Forest Sector B-BBEE Codes of Good Practice as a main driver of Transformation. This is achieved by assessing the scorecard performance of the two categories of reporting entities namely the Medium and Large Enterprises (MLEs), Qualifying Small Enterprises (QSEs). The Exempt Micro Enterprises (EMEs) assume an automatic level 4 status or level 3 only if they are more than 50 percent black owned and have proven to be compliant with the codes of good conduct.

Medium and Large Enterprise Analysis

The MLE analysis shows the industry performance of each of the seven scorecard elements within the sub-sectors, when compared to the KPMG report. The KPMG report gives a snapshot of how entities falling within different industries are implementing B-BBEE.

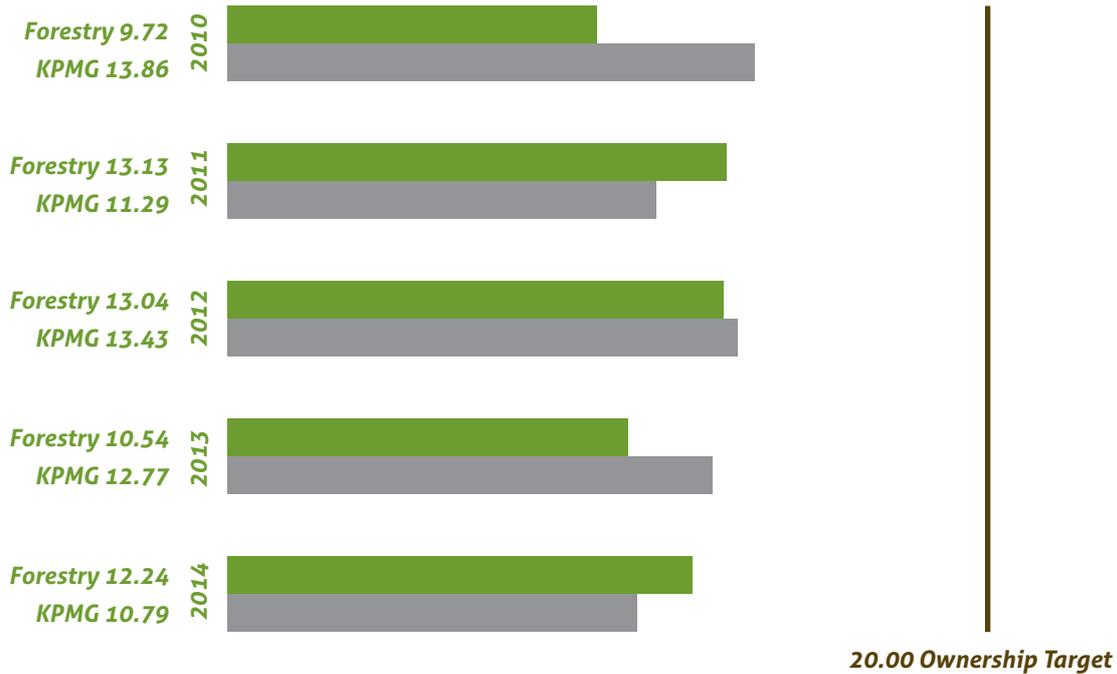


Ownership

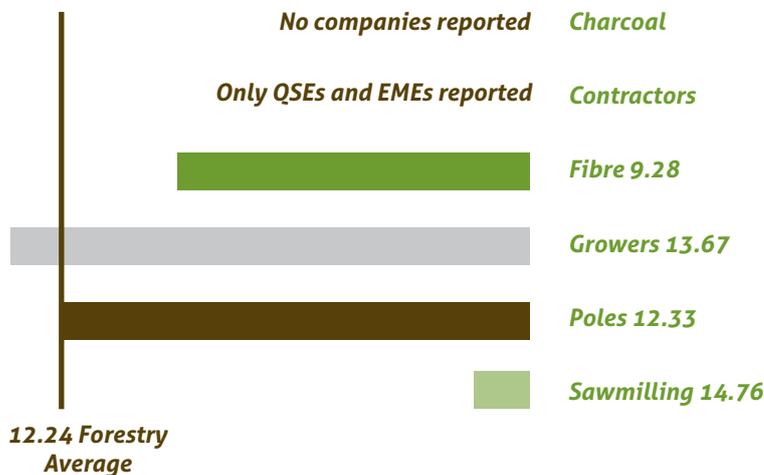
The target points for the ownership element are 20. The average score recorded ranged from 10.54 points to 12.24 points between 2013 and 2014 as shown in graph 1 below. Growers and sawmilling sub-sectors recorded above average scores as indicated in graph 2. None of the charcoal sub-sector member companies participated. All contractors that

reported did not qualify as MLEs as they were either QSEs or EMEs. Underperformance was noted from black women and designated group shareholdings. The observed low performance on the Ownership element's designated groups and realisation points is hindering its ability to move beyond a low two digit score.

Graph 1: 2010-2014 MLE Ownership vs KPMG Average Performance



Graph 2: 2014 MLE Ownership Sub-sector Scorecard Performance

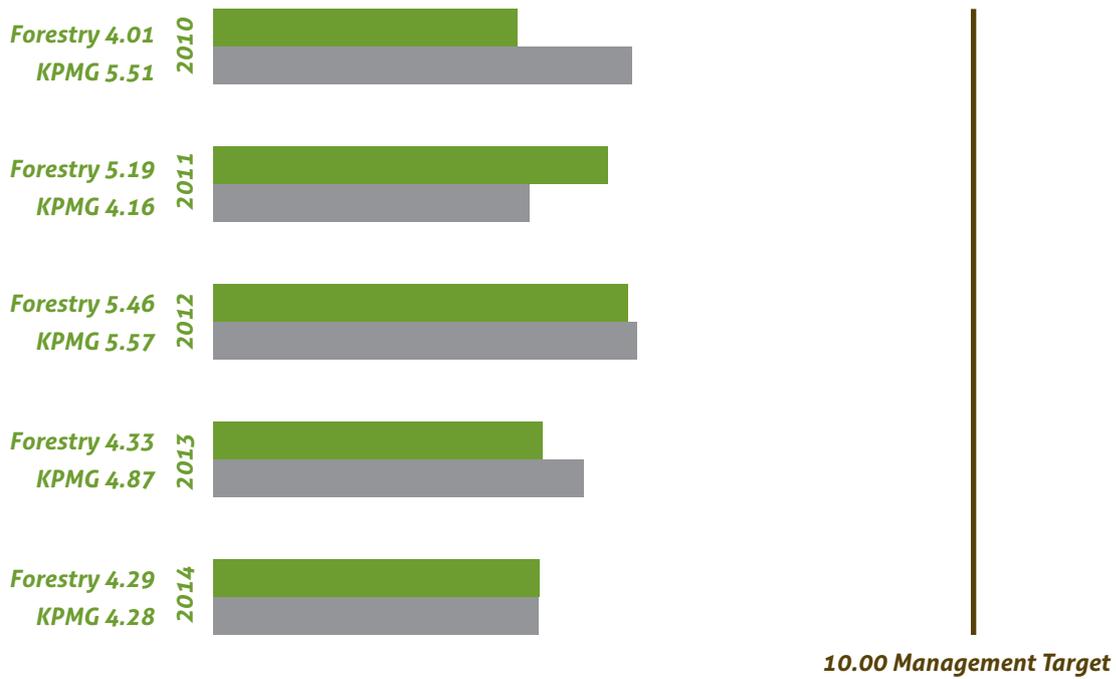


Management Control

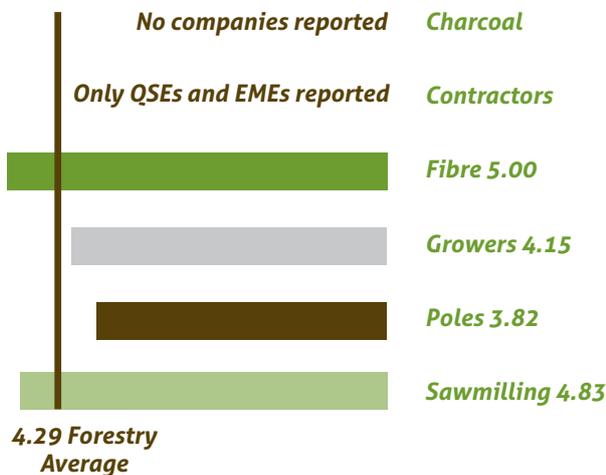
The target points showed a slight decline from 4.33 points to 4.29 points by the industry from 2013 to 2014 as shown in graph 3. Management Control has consistently struggled to move beyond 50% of target. Fibre and

Sawmilling sub-sectors achieved above average scores, while the Poles sub-sector continued to lag behind (graph 4). Representation of black women directors and executives is limited.

Graph 3: 2010-2014 MLE Management Control vs KPMG Average Performance



Graph 4: 2014 MLE Management Control Sub-sector Scorecard Performance

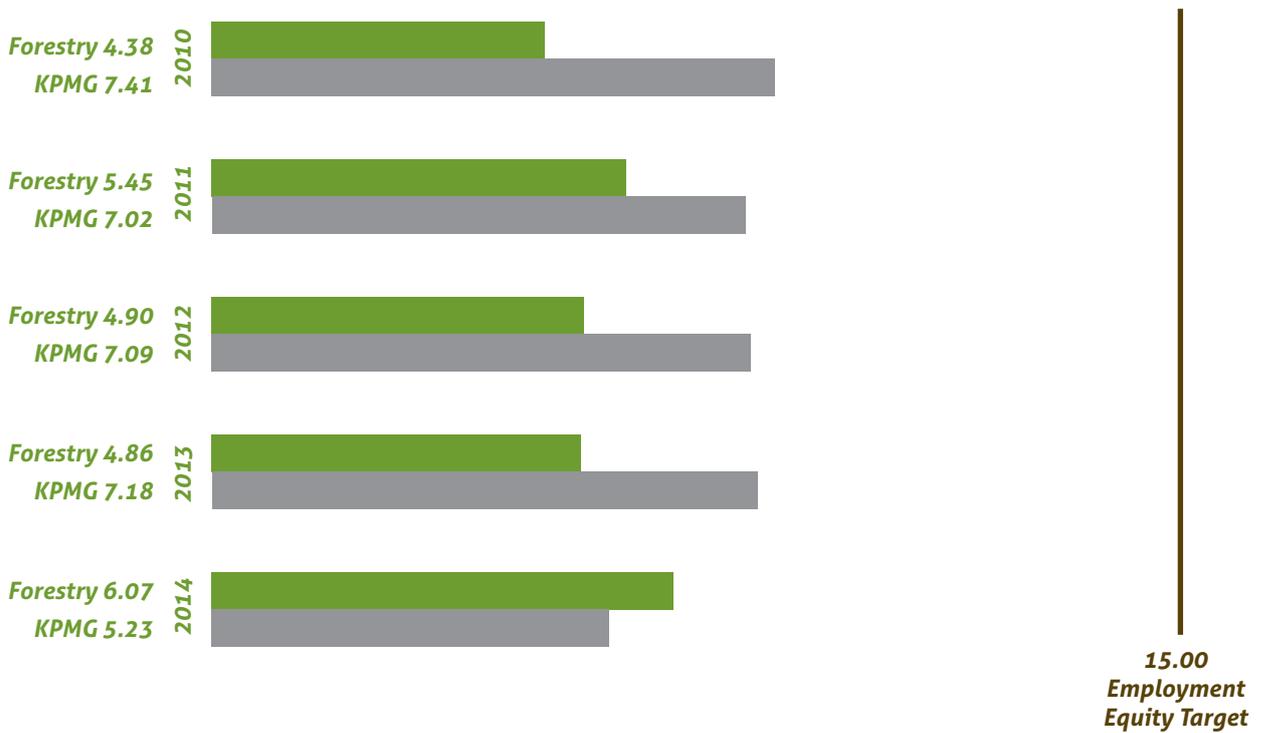


Employment Equity

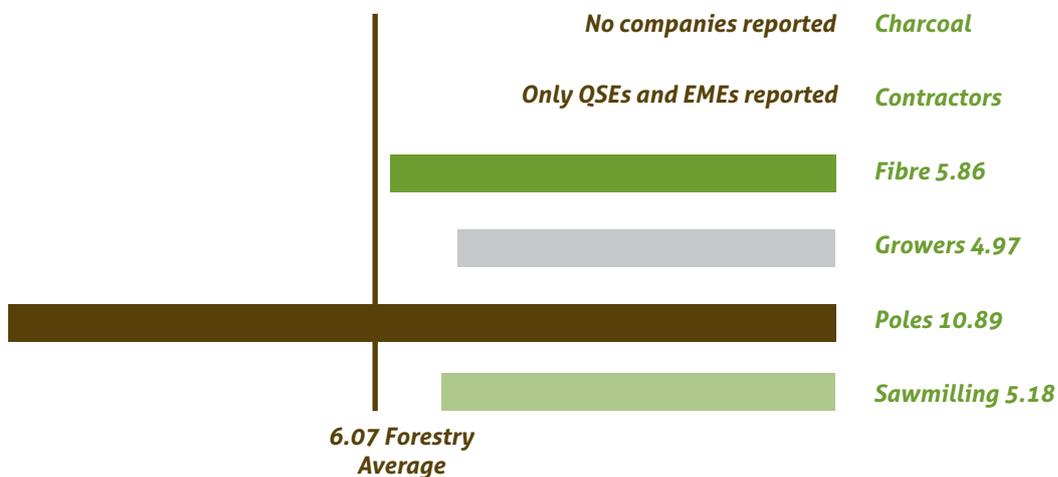
The 6.07 points (40% of target) achieved in 2014 is the highest recorded score in the five year reporting period (graph 5). Even though this was the first time the industry's score was above the KPMG average, further improvement is needed. On

this element, the industry seems to lag behind on middle management and senior management. Poles is the only sub-sector that outperformed the industry's average score as shown in graph 6.

Graph 5: 2010-2014 MLE Employment Equity vs KPMG Average Performance



Graph 6: 2014 MLE Employment Equity Sub-sector Scorecard Performance

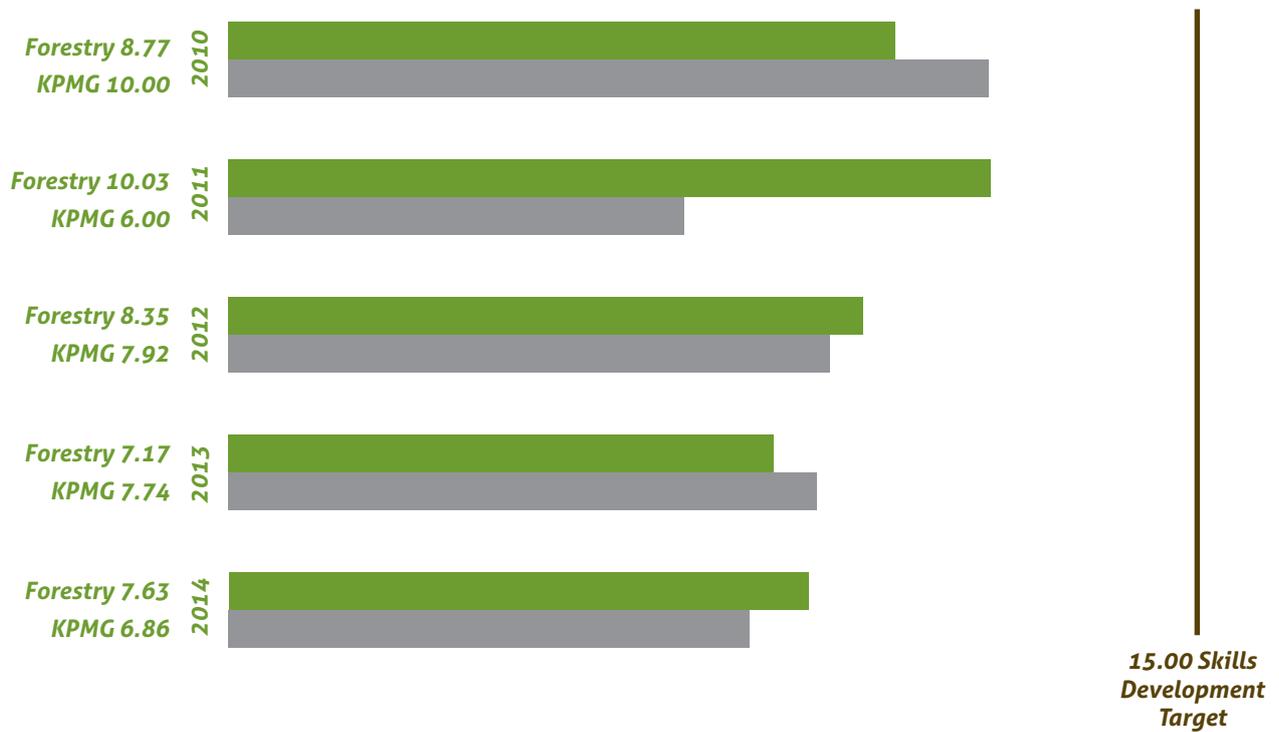


Skills Development

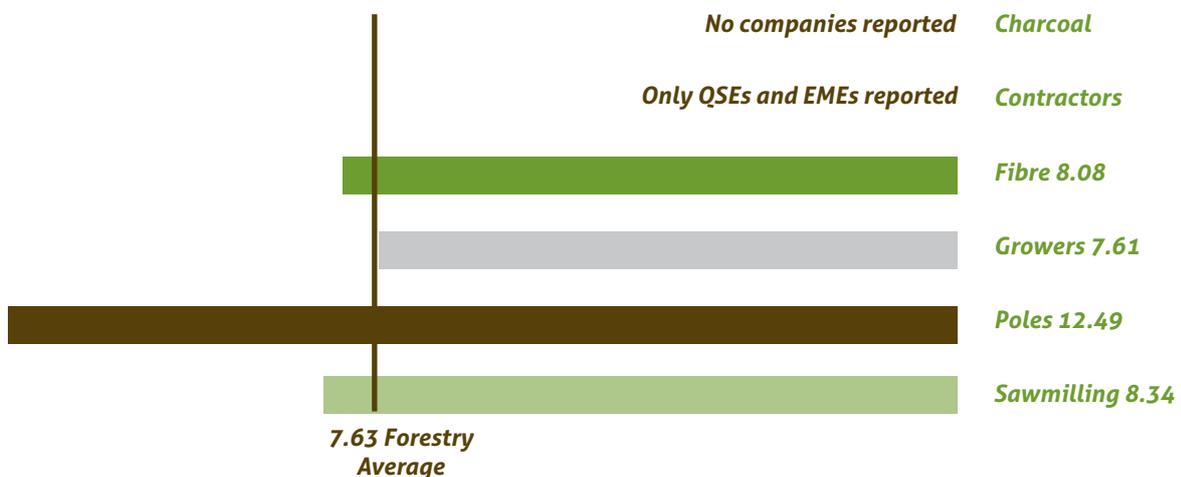
Skills Development improved slightly from 2013 to 2014 and is recovering from a downward trend. Even though the performance on skills development has been restored above the KPMG target, further improvement is still required (graph

7). The Poles sub-sector achieved an average score five points higher than the industry average, indicated in graph 8. The CEE Report also indicated that 60% of black employees have limited exposure to Skills Development.

Graph 7: 2010-2014 MLE Skills Development vs KPMG Average Performance



Graph 8: 2014 MLE Skills Development Sub-sector Scorecard Performance

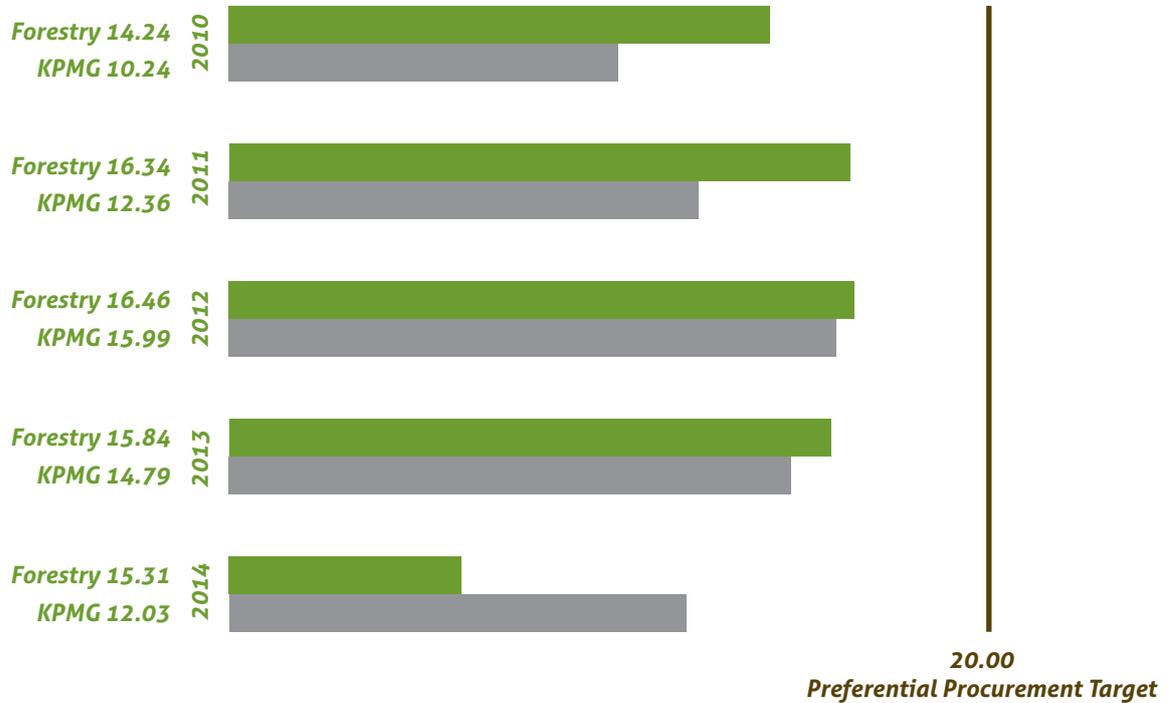


Preferential Procurement

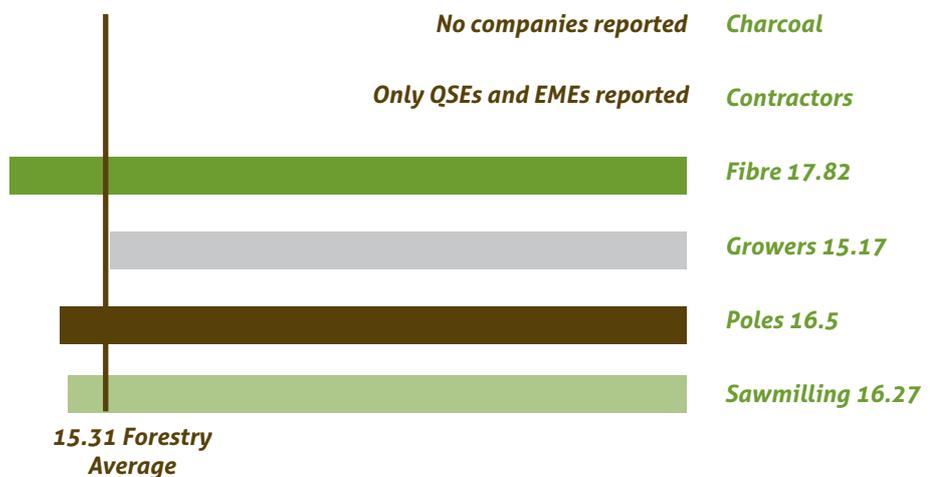
Preferential Procurement average scores dipped slightly year on year with the Industry average score consistently above

the KPMG average (graph 9). Three of the four sub-sectors recorded an above average score (graph 10).

Graph 9: 2010-2014 MLE Preferential Procurement vs KPMG Average Performance



Graph 10: 2014 MLE Preferential Procurement Sub-sector Scorecard Performance

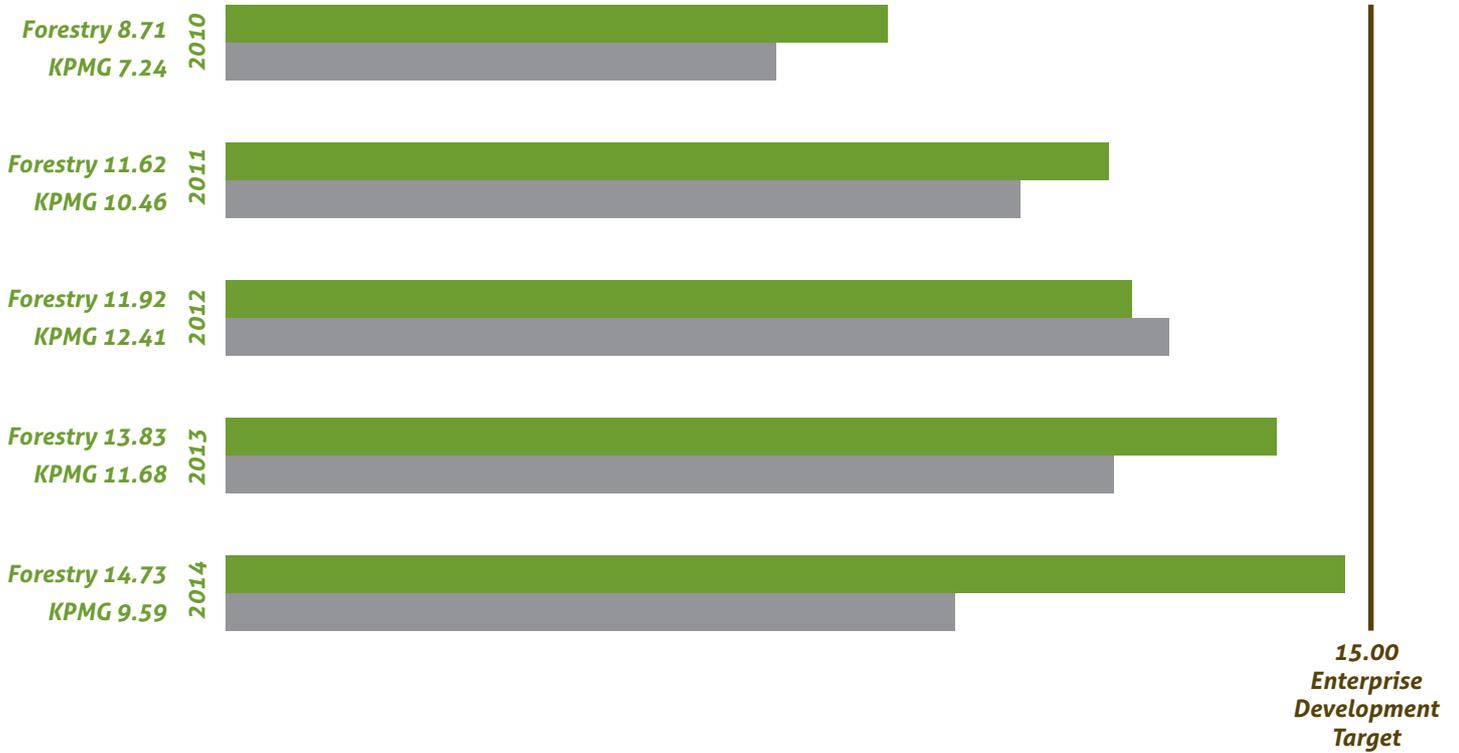


Enterprise Development

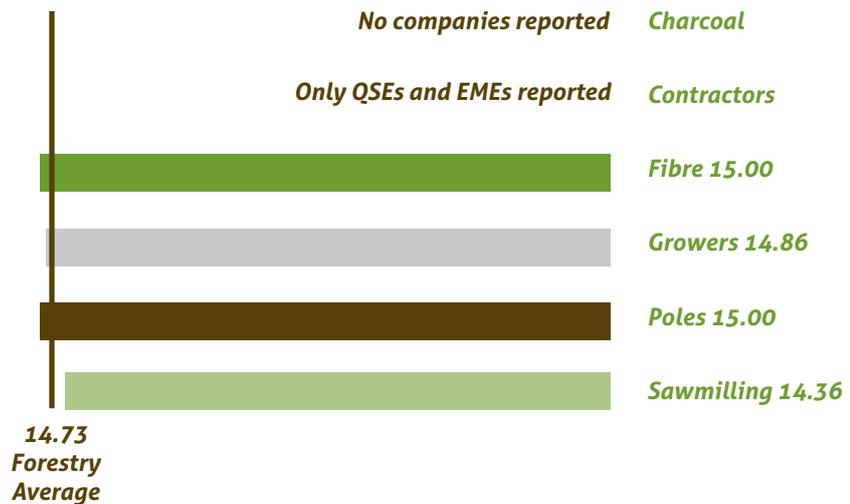
Enterprise Development has consistently improved over the five reporting periods with the Industry average score above that of

KPMG report for the last two reporting periods, indicated in graph 11. Three of the four sub-sectors performed above average (graph 12).

Graph 11: 2010-2014 MLE Enterprise Development vs KPMG Average Performance



Graph 12: 2014 MLE Enterprise Development Sub-sector Scorecard Performance

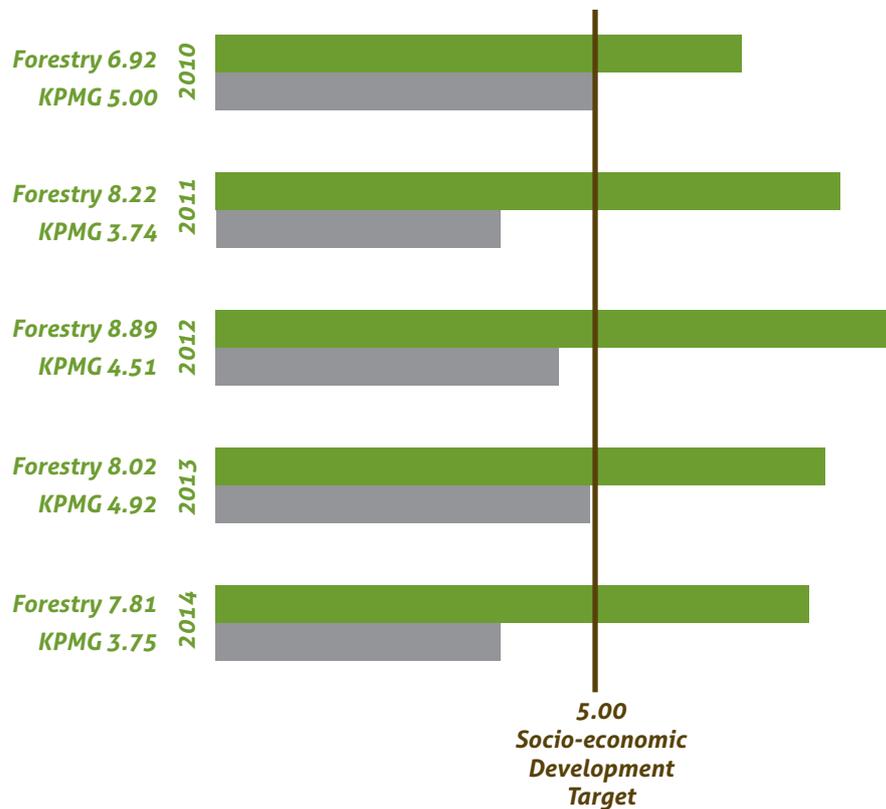


Socio- Economic development (SED)

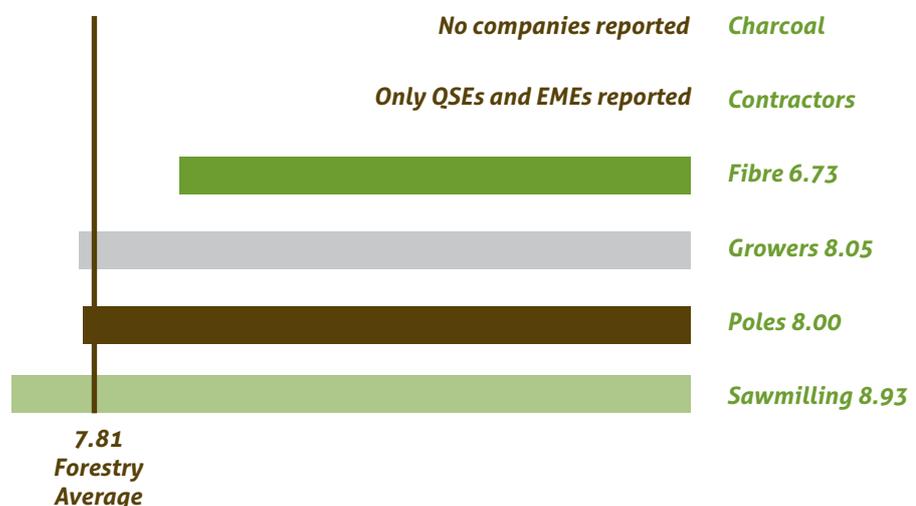
The Industry consistently performed above target across the five reporting periods and consistently performed above the

KPMG average (graph 13). The Sawmilling sub-sector performed well above average, as shown in graph 14.

Graph 13: 2010-2014 MLE Socio-economic Development vs KPMG Average Performance



Graph 14: 2014 MLE Socio-economic Development Sub-sector Scorecard Performance



Qualifying Small Enterprise (QSE) Analysis

QSEs have generally benefitted from the ability to be rated on any four of their preferred scorecard elements. Amongst the seven scorecard elements, Employment Equity, Preferential Procurement and Socio-economic Development continued to be the most preferred. Skills Development seems to be the least selected scorecard element and the most challenging to implement.

Most scorecard elements reported a score of above 20 points for the selected scorecard elements. QSE's maintained their level three (3) status throughout the reporting period. An average score of 87.69 in 2014 was achieved. Graph 15 shows which of the elements were preferred across the reporting entities within the QSEs.

Graph 15: Scorecard Elements Selected

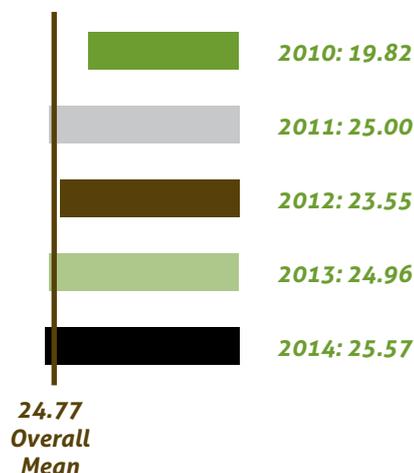


Ownership

The Ownership element was not as popular with the QSEs as only 33% of the total QSEs selected to be evaluated against this element. At least four of the companies that selected ownership were 100% black owned. Only two QSEs had black

women shareholders, who held an average of 8%. The average score was pushed up by bonus points awarded. QSEs selecting the ownership element have always performed exceptionally well as indicated in graph 16.

Graph 16: 2010-2014 Ownership Scorecard Performance

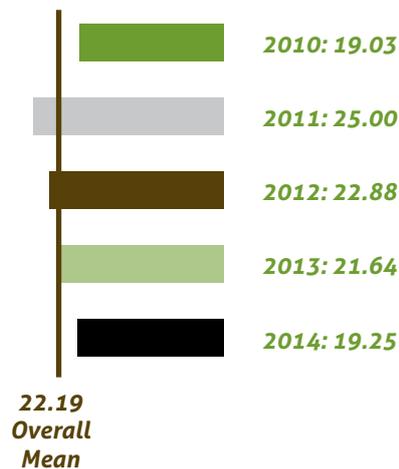


Management Control

Since most QSEs are generally family-run and not black-owned they are unable to include additional people at Ownership and Executive Management levels. This is indicative in that only 33% of QSEs selected to be evaluated against the Management

Control element. The average score achieved by QSEs declined between 2011 and 2014. In 2014, the average score achieved was 19.25, slightly lower than the average mean score of the consecutive five reporting years as shown in graph 17.

Graph 17: 2010-2014 Management Control Scorecard Performance

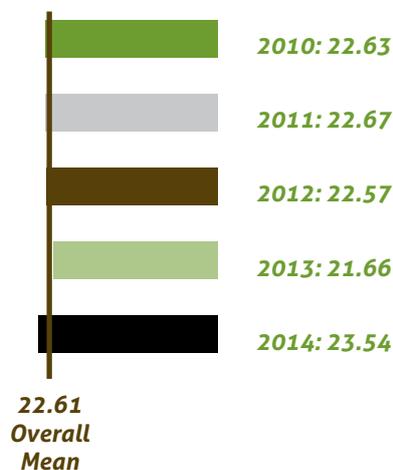


Employment Equity

QSEs find it easier to comply to the Employment Equity element of the scorecard with all participating companies selecting to be evaluated against this element. The average score of 23.54 achieved in 2014 increased by two points when compared to the 2013 score (graph 18).

An impressive seven QSEs were awarded bonus points for having representation above the economically active population (EAP) - (people between 15 and 64 years of age who are either employed, unemployed or seeking employment).

Graph 18: 2010-2014 Employment Equity Scorecard Performance



Skills Development

Skills Development was the least selected element, due to the size of most QSEs who typically have limited numbers of employees. The average score achieved within the five year reporting period was below one third of target of twenty five

(25) points (graph 19). This proved that it was not only the least selected element but also challenging to implement. However, the slight year-on-year increase as shown in graph 19 indicates a growing recognition of the benefit of investing in skilling staff.

Graph 19: 2010-2014 Skills Development Scorecard Performance

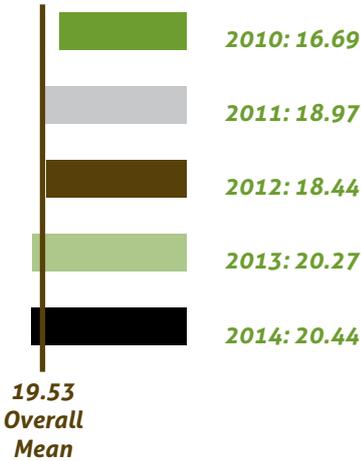


Preferential Procurement

Preferential Procurement was selected by nearly three quarters of QSEs and recorded its highest average score in 2014, shown in graph 20.

Preferential procurement appears to be an easier element to implement amongst the QSEs as is the case with the MLEs.

Graph 20: 2010-2014 Preferential Procurement Scorecard Performance

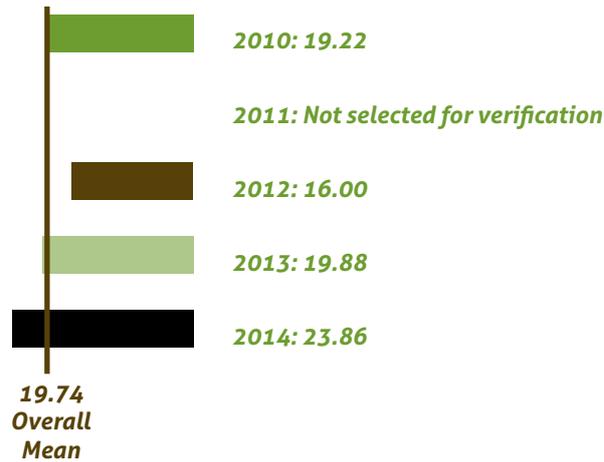


Enterprise Development

Despite the QSEs limitation in resources to monitor Enterprise Development, and the cost of executing and managing Enterprise Development initiatives, average performance continued on an upward trajectory over the last three reporting periods (graph 21). This demonstrates the potential to use

Enterprise Development as a lever to create supply chain opportunities that improve on a company's Preferential Procurement score. The average score of 23.86 points in 2014 was the highest score achieved within the 5 year reporting period.

Graph 21: 2010-2014 Enterprise Development Scorecard Performance

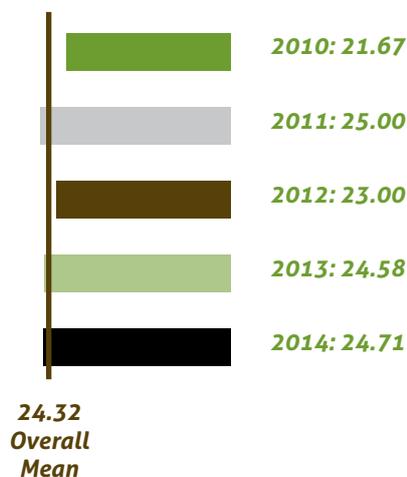


Socio-Economic Development (SED)

Socio-economic Development was one of the most popular scorecard elements amongst the QSEs, achieving an average score of 24.71 points, as indicated in graph 22. The QSEs

maintained a score of above 85% throughout the reporting period, indicative of industry commitment towards community development.

Graph 22: 2010-2014 Socio-economic Development Scorecard Performance



Overall Findings

The sector achieved a Level Four performance (66.5 points) for MLEs; 2.2 points higher than the previous year's performance. This was also a level increase from the previous year of 2013. Four of the seven scorecard elements recorded a year-on-year improvement. Almost 30% of ownership of MLEs in the industry are in the hands of black people. However, there has been a low performance on the Ownership element's designated groups and realization of the points allocated.

Management Control has consistently struggled to move beyond 50% of target. Even though Employment Equity's scored 6.07 points showing an improvement, further progress is still required. Black women representation seems to be the most difficult to implement in these two elements. Skills Development performance was above the KPMG target but still needs to improve further.

Although there was a downward trend observed in the Preferential Procurement element, the scores recorded have been consistently above the KPMG average. Enterprise Development has recorded a consistent year-on-year improvement. The Enterprise Development element achieved 98% of target and is one of the elements that the sector is finding it easier to implement. The high performance on Socio-economic Development indicates that corporates continue to spend more than 1% of net profit after tax (NPAT).

The QSEs consistently achieved above eighty percent (80%+) of the target, with the exception of Skills Development. The most commonly selected elements were Employment Equity, Preferential Procurement and Socio-economic Development. In the case of EMEs, they maintained a level four status throughout the reporting period.



Annual Financial Statements

(Registration number 2009/006567/08)
Annual Financial Statements for the year ended March 31, 2014

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These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.



Forest Sector Charter Council NPC

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended March 31, 2014

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To oversee and facilitate the implementation of the Transformation Charter which, as its main objective, to promote Broad-Based Black Economic Empowerment in the Forest Sector.
Directors	Pasco Dyani (Chairperson - Forest Sector Charter Council) Themba Siyolo (Chairperson Finance committee and Deputy Chairperson- Forest Sector Charter Council) Dr Diphoko Mahango Viv McMenamin Simangaliso Mkhwanazi Dinga Mncube (Member - Finance Committee) Mary-Anne Mngomezulu (Member- Human Resource Committee) Bruce Breedt Jane Molony Ben Nkambule Watson Nxumalo Sebueng Chipeta (Member - Finance committee) Roy Southey Dr Jaap Steenkamp Lulamile Xate Sakhiwo Zako (Member - Human Resources Committee) Jacob Maputha Stephen Bila Khwezilomso Mabasa
Registered office	SAFCA Building 6 Hulley Road Isando, 1600
Business address	SAFCA Building 6 Hulley Road Isando, 1600
Postal address	PO Box 9682 Pretoria, GA 0001
Auditors	SM Xulu Inc. Chartered Accountants (S.A.) Registered Auditors
Preparer	The annual financial statements were compiled under the supervision of: Boysie Phehlukwayo Chartered Accountant (SA) Phehlukwayo Corporate Services

Forest Sector Charter Council NPC

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended March 31, 2014

Directors' Responsibilities and Approval

The directors 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 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 judgements and estimates.

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

The directors are of the opinion, based on the information and explanations given by management, that the system

of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to March 31, 2015 and, in the light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing 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 35.

The annual financial statements set out on pages 35 to 42, which have been prepared on the going concern basis, were approved by the Council board of directors on July 24, 2014 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)



Chartered Accountants (SA)
Registered Auditors

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4 Peltier Drive | Sunninghill | 2157 E: info@smxulu.co.za
Postnet Suite 476 | Private Bag X26 Sunninghill | 2157 W: www.smxulu.co.za

Johannesburg
Durban

Independent Auditors' Report

To the member of Forest Sector Charter Council NPC

We have audited the annual financial statements of Forest Sector Charter Council NPC, as set out on pages 35 to 42, which comprise the statement of financial position as at March 31, 2014, 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.

Directors' Responsibility for the Annual Financial Statements

The company's directors 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 requirements of the Companies Act 71 of 2008, and for such internal control as the directors 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 NPC as at March 31, 2014, 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.

SM Xulu Inc.

Chartered Accountants (SA) Registered Auditors

Per: SM Xulu

Chartered Accountant (SA) Registered Auditor Director

July 24, 2014
Sunninghill First Floor Elite House
Block 3 Sunninghill Office Park 4 Peltier Drive Sunninghill
2191

Forest Sector Charter Council NPC

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended March 31, 2014

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Forest Sector Charter Council NPC for the year ended March 31, 2014.

1. Review of activities

Forest Sector Charter Council NPC was incorporated in South Africa with interests in the forest industry. The company operates in South Africa.

Main business and operations

The main objective of this Charter is to promote Broad-based Black Economic Empowerment 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 structure and in the 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 their 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-added 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.
- Promoting access to finance for Broad-based Black Economic Empowerment in the Forest Sector.
- Promoting equitable representation in industry structures and equitable access to forestry support systems.
- Providing an enabling environment for transparency, fairness and consistency when measuring and adjudicating on matters relating to B-BBEE in the Forest Sector.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

3. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act, No 71 of 2008.

4. Directors

The directors in office at the date of this report are as follows:

Directors	Changes
Pasco Dyani (Chairperson - Forest Sector Charter Council)	
Themba Siyolo (Chairperson Finance committee and Deputy Chairperson - Forest Sector Charter Council)	
Sibusiso Gumede	Resigned 17 February 2014
Dr Diphoko Mahango	
Viv McMenamin Simangaliso Mkhwanazi	
Dinga Mncube (Member - Finance Committee)	
Mary-Anne Mngomezulu (Member - Human Resource Committee)	
Bruce Breedt	
Jane Molony	
Ben Nkambule	
Watson Nxumalo	
Sebueng Chipeta (Member - Finance committee)	
Roy Southey	
Dr Jaap Steenkamp	
Lulamile Xate	
Sakhiwo Zako (Member - Human Resources Committee)	
Jacob Maputha	
Stephen Bila	
Khwezilomso Mabasa	Appointed 11 March 2014

5. Events after the reporting period

The directors are not aware of any material events which occurred after the reporting date and up to the date of this report.

6. Auditors

SM Xulu Inc. will continue in office in accordance with section 90 of the Companies Act, No 71 of 2008.

Forest Sector Charter Council NPC

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended March 31, 2014

Statement of Financial Position

Figures in Rand	Note(s)	2014	2013
Assets			
Non-Current Assets			
Property, plant and equipment	2	98,856	120,922
Current Assets			
Trade and other receivables	3	176,964	236,961
Cash and cash equivalents	4	4,139,192	4,297,011
		4,316,156	4,533,972
Total Assets		4,415,012	4,654,894
Equity and Liabilities			
Equity			
Retained income		4,345,662	4,145,306
Liabilities			
Current Liabilities			
Trade and other payables	5	69,350	509,588
Total Equity and Liabilities		4,415,012	4,654,894

Statement of Comprehensive Income

Figures in Rand	Note(s)	2014	2013
Revenue	6	4,852,284	4,514,518
Other income		671	-
Operating expenses		(4,645,567)	(2,828,209)
Operating surplus		207,388	1,686,309
Finance costs	7	(7,032)	(80,988)
Surplus for the year		200,356	1,605,321
Other comprehensive income		-	-
Total comprehensive income for the year		200,356	1,605,321

Forest Sector Charter Council NPC

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended March 31, 2014

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at April 1, 2012	2,539,985	2,539,985
Surplus for the year	1,605,321	1,605,321
Other comprehensive income	-	-
Total comprehensive income for the year	1,605,321	1,605,321
Balance at April 1, 2013	4,145,306	4,145,306
Surplus for the year	200,356	200,356
Other comprehensive income	-	-
Total comprehensive income for the year	200,356	200,356
Balance at March 31, 2014	4,345,662	4,345,662

Note(s)

Statement of Cash Flows

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Grants receipts from sector members		4,852,284	4,514,518
Cash paid to suppliers and employees		(5,001,228)	(2,756,774)
Cash (used in) generated from operations	10	(148,944)	1,757,744
Finance costs		(7,032)	(80,988)
Net cash from operating activities		(155,976)	1,676,756
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(9,562)	(118,206)
Proceeds on sale of property, plant and equipment	2	7,719	-
Net cash from investing activities		(1,843)	(118,206)
Total cash movement for the year		(157,819)	1,558,550
Cash at the beginning of the year		4,297,011	2,738,461
Total cash at end of the year	4	4,139,192	4,297,011

Forest Sector Charter Council NPC

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended March 31, 2014

Accounting Policies

1. Presentation of Annual Financial Statements

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

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 accumulated impairment losses.

Cost includes all costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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
IT equipment	3 years
Computer software	6 years

The residual value, depreciation method and useful life of each asset are reviewed at each annual reporting period if there are indicators present that there has been a significant 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.

1.2 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price. This includes transaction costs, except for financial instruments which are measured at fair value through profit or loss.

Financial instruments at amortised cost

Debt instruments, as defined in the standard, are subsequently measured at amortised cost using the effective interest method.

Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At the end of each reporting 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 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.



Forest Sector Charter Council NPC

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended March 31, 2014

Notes to the Annual Financial Statements

Figures in Rand

2014

2013

2. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and impairments	Carrying value	Cost / Valuation	Accumulated depreciation and impairments	Carrying value
Furniture and fixtures	90,438	(13,816)	76,622	80,876	-	80,876
Office equipment	13,662	(9,217)	4,445	13,662	(7,347)	6,315
IT equipment	24,166	(6,377)	17,789	36,248	(2,517)	33,731
Computer Software	1,999	(1,999)	-	1,999	(1,999)	-
Total	130,265	(31,409)	98,856	132,785	(11,863)	120,922

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	80,876	9,562	-	(13,816)	76,622
Office equipment	6,315	-	-	(1,870)	4,445
IT equipment	33,731	-	(7,048)	(8,894)	17,789
	120,922	9,562	(7,048)	(24,580)	98,856

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	-	80,876	-	80,876
Office equipment	8,066	1,082	(2,833)	6,315
IT equipment	-	36,248	(2,517)	33,731
	8,066	118,206	(5,350)	120,922

3. Trade and other receivables

Grant income receivable from members of the Forest Industry

176,964

236,961

Trade receivables are shown net of impairment for bad debts amounting to R 242 237.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	827	-
Bank balances	4,138,365	4,297,011
	4,139,192	4 297,011

Forest Sector Charter Council NPC

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended March 31, 2014

Figures in Rand	2014	2013
5. Trade and other payables		
Trade payables	4,164	126,154
Reimbursable expenses due to directors	-	5
Payroll related accruals	65,186	383,429
	69,350	509,588
6. Revenue		
Grants - Members of the Forest Sector	1,321,284	1,349,518
Grants - Department of Agriculture, Forestry and Fisheries	3,531,000	3,165,000
	4,852,284	4,514,518
7. Finance costs		
SARS interest and penalties	-	80,988
Settlement interest	7,032	-
	7,032	80,988
8. Taxation		
No provision has been made for 2014 tax as the company is in the process to apply for the exemption with the South African Revenue Services.		
9. Auditors' remuneration		
Fees	50,000	68,377
10. Cash (used in) generated from operations		
Profit before taxation	200,356	1,605,321
Adjustments for:		
Depreciation and amortisation	24,580	5,349
Profit on sale of assets	(671)	-
Finance costs	7,032	80,988
Changes in working capital:		
Trade and other receivables	59,997	(152,340)
Trade and other payables	(440,238)	218,426
	(148,944)	1,757,744

Forest Sector Charter Council NPC

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended March 31, 2014

Figures in Rand

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2013

11. Related parties

Relationships

Members of the Forest industry

Paper Manufacturers Association of South Africa (PAMSA),
Forestry South Africa (FSA), Sawmilling South Africa (SSA),
South African Wood Preservers Association (SAWPA),
South African Utility Pole Association (SAUPA), South African
Forestry Contractors Association (SAFCA),

Government

Department of Agriculture, Forestry and Fisheries (DAFF)

Related party balances and transactions with other related parties

Related party balances

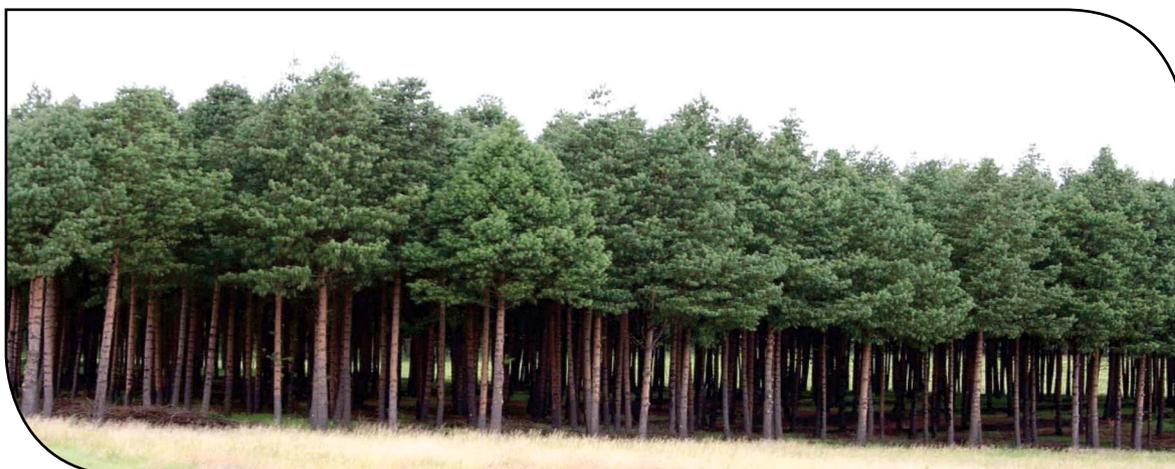
Amounts included in Trade receivable regarding related parties

Forestry South Africa (FSA)	49,548	3,430
Sawmilling South Africa (SSA)	25,491	146,332
South African Utility Pole Association (SAUPA)	-	16,000
Paper Manufacturers Association of South Africa (PAMSA)	101,924	50,963
South African Forestry Contractors Association (SAFCA)	-	20,234

Related party transactions

Revenue received from related parties

Paper Manufacturers Association of South Africa (PAMSA)	611,544	611,544
Forestry South Africa (FSA)	594,576	594,576
Sawmilling South Africa (SSA)	101,964	101,964
Department of Agriculture, Forestry and Fisheries (DAFF)	3,531,000	3,165,000
South African Wood Preservers Association (SAWPA)	13,200	13,200



Forest Sector Charter Council NPC

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended March 31, 2014

Figures in Rand

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12. Directors' remuneration

Executive

2014

	Travel and accommodation costs	Remuneration received as Directors	Subsistence and travel claims	Total
Pasco Dyani (Chairperson - Forest Sector Charter Council)	51,909	211,310	74,287	337,506
Zodwa Phakedi	-	931,431	-	931 431
	51,909	1,142,741	74 287	1 268 937

2013

	Remuneration received as Council executive	Travel and accommodation costs	Subsistence and travel claims	Total
Pasco Dyani (Chairperson - Forest Sector Charter Council)	550,000	150,071	1,256	701,327

Non-executive

2014

	Travel and accommodation costs	Remuneration received as Directors	Subsistence and travel	Total
Dr Diphoko Mahango	24,383	30,174	15,955	70,512
Mary-Anne Mngomezulu (Member - Human Resource Committee)	28,684	35,987	30,419	95,090
Ben Nkambule	7,449	-	-	7,449
Watson Nxumalo	10,532	-	-	10,532
Sakhiwo Zako (Member - Human Resources Committee)	25,476	35,659	12 160	73,295
Stephen Bila	-	8,229	-	8,229
	96,524	110,049	58,534	265,107

2013

	Travel and accommodation costs	Subsistence and travel claims	Total
Sibusiso Gumede	18,470	9,430	27,900
Dr Diphoko Mahango	29,895	-	29,895
Mary-Anne Mngomezulu (Member - Human Resource Committee)	97,012	65,488	162,500
Ben Nkambule	5,269	-	5,269
Watson Nxumalo	9,902	-	9,902
Sakhiwo Zako (Member - Human Resources Committee)	24,204	37,688	61,892
Stephen Bila	-	3,482	3,482
	184,752	122,683	307,435

Forest Sector Charter Council NPC

(Registration number 2009/006567/08)

Annual Financial Statements for the year ended March 31, 2014

Figures in Rand

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13. Prior period error

Property, plant and equipment

Furniture and fittings purchased in the prior year was accounted for in the current year. As a result, the Company's property, plant and equipment together with trade payables in the prior year were understated, that is, furniture and fittings amounting to R80 876 and creditors amounting to R80 876 were omitted from the prior year annual financial statements.

Statement of Financial Position

Property, plant and equipment

- 80,876

Trade and other payables

(80,876)





Forest Sector Charter Council

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