



FOREST SECTOR  
CHARTER COUNCIL

ANNUAL REPORT  
2018/2019



# The Forest Sector Charter Council

## Vision

“A transformed and sustainable Forest Sector fully compliant with the Forest Sector Code.”

## Mission

“To support, promote, guide and monitor transformation of the Forest Sector by securing stakeholders compliance with the requirements of the Forest Sector Code.”

## Values

The Council operates with the following values:

Good governance

Transparency

Commitment to service (responsiveness is implied)

People-centred

Dynamism

Respect for integrity

Respect for confidentiality

Trust among and between stakeholders



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CHARTER COUNCIL

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## Acronyms

AI	Artificial Intelligence
AGM	Annual General Meeting
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BFM	Blended Financing Model
CEO	Chief Executive Officer
COP	Community Outreach Programme
CASP	Comprehensive Agricultural Support Programme
DAFF	Department of Agriculture, Forestry and Fisheries
DEDT	Department of Economic Development and Tourism
DPE	Department of Public Enterprises
DRDLR	Department of Rural Development and Land Reform
DTA	Department of Traditional Affairs
DTI	Department of Trade and Industry
DWS	Department of Water and Sanitation
EME	Exempted Micro Enterprises
ESD	Enterprise and Supplier Development
FINCOM	Finance Committee
FP&M	Fibre Processing and Manufacturing

FPAs	Fire Protection Associations
FSA	Forestry South Africa
FSC	Forest Sector Code
FSCC	Forest Sector Charter Council
HRC	Human Resources Committee
IDC	Industrial Development Corporation
LB	Land Bank
MLE	Medium and Large Enterprises
MTEF	Medium-Term Expenditure Framework
NVFFA	National Veld and Forest Fire Act
PDA	Provincial Departments of Agriculture
PGDS	Provincial Growth and Development Strategies
PPGI	Public Private Growth Initiative
QCTO	Quality Council for Trades and Occupations
QSE	Qualifying Small Enterprises
SAFCA	South African Forestry Contractors Association
SAFCOL	South African Forestry Company Limited
SOE	State-Owned Entities
SONA	State of the Nation Address
SSA	Sawmilling South Africa
SSP	Sector Skills Plan
YES	Youth Employment Service



# Message from the Chairperson

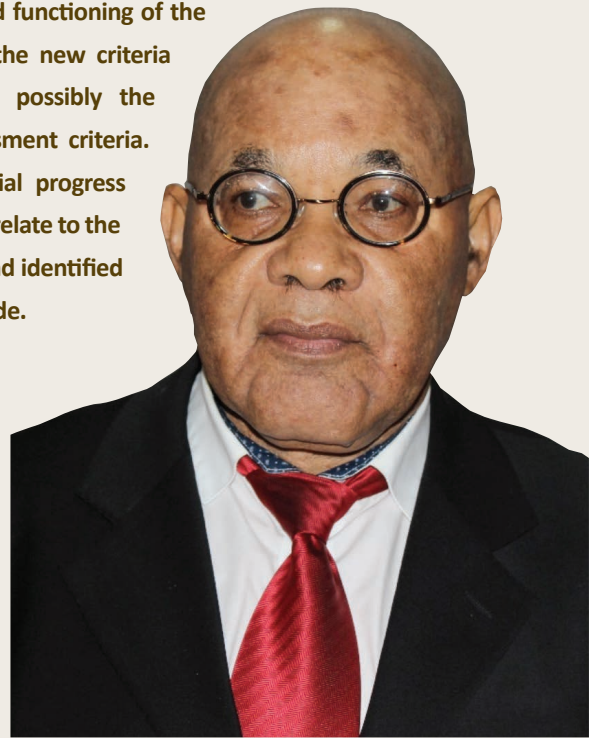
**This year (2019) has been a pivotal year for the continued functioning of the Forest Sector Charter Council. Remarkably so, due to the new criteria of measurement of affiliated industry members and possibly the underestimation of the repercussions of the new assessment criteria. However, as a Council, we continue to make substantial progress against our ambitious mandate and targets. These targets relate to the advancement of previously disadvantaged communities and identified beneficiaries as reflected in the Amended Forest Sector Code.**

**A**s a Council, we are committed to focusing our endeavours in acting as an interphase between industry, communities and government to facilitate collaborative and cooperative relations between industry, Government and communities. We are appreciative of the partnerships and assistance of the different forestry associations. Council is constructively and perpetually engaging with government institutions to realign policy to practical circumstantial imperatives.

It is, however, vital that all stakeholders understand the mandate of the Council, which is clearly stipulated in the Amended Forest Sector Code. Matters of fronting and/or disagreement with industry and Government with reference to agreements or corporate social responsibility or philanthropy, should not, in any case be tolerated as they have the potential to undermine effective Broad Based-Black Economic Empowerment (B-BBEE) implementation. The Council welcomes the establishment of the B-BBEE Commissioner, who is well suited to settle such disputes in relation to B-BBEE misrepresentation.

It will be remiss of me to deliberately avoid the impact of digital technology and artificial intelligence (AI) on the productivity and sustainability of the Forest Sector; industry is expected to respond aptly to technological advancement. This is due to internal and external seismic changes in society introducing new imperatives vital for the success of the Forest Sector. The advance of technology in recent years has been mind-blowing. We thus expect Forestry to harness this technological advancement in a humanely responsible way.

None of us has an idea of what the job market will look like in 10 years from today. It is generally accepted that machine learning and robotics will change almost every line of work. However, there is conflicting views about the nature of the change and its imminence. The question is: Are we



**Dr D.E. Mahango**  
**Chairperson of Council**

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*As a Council, we continue to make substantial progress against our ambitious mandate and targets. These targets relate to the advancement of previously disadvantaged communities and identified beneficiaries as reflected in the Amended Forest Sector Code.* ”

on the verge of a terrifying upheaval, or are such forecasts yet another example of ill-founded Luddite hysteria? Fears that automation will create massive unemployment go back to the nineteenth century, which so far have never materialised. One must recognise the fact that the threat of job losses does not only emanate from the rise of infotech but from the confluence of infotech with biotech.

To avoid the presumed forthcoming job bloodbath, society must possibly embrace AI, and focus on servicing and



leveraging AI in the Forestry Sector. By so doing, AI may create new human jobs. Thus, industry and Government should currently be focusing on addressing the following questions:

- What to do in order to prevent job losses?
- What to do in order to create new jobs?
- What to do if despite our best efforts, job losses significantly outstrip job creation?

The intermittent forest fires in the Western and Eastern Cape are indicative of the fact that there is a need for immediate action. The impact of this volatile situation is far-fetched. It thus behooves Council, industry and Government (with its stakeholders) to develop advanced strategies to curb and salvage the current situation.

The Council has embarked on an ambitious advocacy venture to raise awareness to its activities through community outreach, Chief Executive Officer visits and youth conscientisation. The latter is expected to lure more industry members to espouse the mandate and philosophy of the FSCC and thus contribute more towards broad-based black economic empowerment.

Further, we regard our inclination toward a strong corporate culture as pivotal to our continued operations. Our mission statement defines the basic tenets of our ethos. In line

with the latter, may I exploit this opportunity to applaud all Council members whose demeanor and contribution is nonpareil.

Their expertise, knowledge, integrity and judgment contributed greatly toward the advancement of the Council's mandate. The unqualified audited statements have proven once again that our consistent analysis and projections of finances have ensured that we remain aligned to the strategic objectives and guaranteed effective stewardship of the Council.

To supporting members from the different Government departments, their understanding of the finer nuances of government operations, interpretation of the Acts and alignment of Council activities to Government's strategies is highly acknowledged.

In closing, may I indicate that we are excited about the year ahead. Let us maintain the good momentum and determination to sustain our good contribution.

Thanking you



**Dr D.E. Mahango**  
**Chairperson of Council**





# The Forest Sector Charter Council and Council's Main Activities

## The Forest Sector Charter Council (FSCC)

The Forest Sector Charter Council is responsible for monitoring and reporting on implementation of the Amended Forest Sector Code (FSC) in the Forest Sector. The Council is constituted by representative members from community, industry, and Government.

## Council Meeting Attendance

Council held three quarterly meetings during the year under review. This was due to the fact that the previous term of office expired in June 2018 and was only extended in October 2018. The Annual General Meeting (AGM) was held on 21 June 2018. The Council has continued to operate effectively and discharged their mandate and duties efficaciously.

All Council committees met as required and were satisfied that they carried out their responsibilities effectively. One noteworthy accomplishment was achieved by the Finance Committee, which managed to significantly improve the amount of contributions retrieved from industry-affiliated companies. These contributions form part of Council's FY2018-19 budget requirements.

The Human Resources Committee (HRC) successfully implemented the performance appraisal processes under the newly approved policies.

The Table below reflects Council and Committee meeting attendance for the 2019 financial year.

## Attendance Register

NAME OF MEMBER	Council Meetings			AGM
	24 May 2018	22 Nov 2018	21 Feb 2019	21 June 2018
Dr Diphoko E. Mahango (Chairperson)	✓	✓	✓	✓
Ms Thabitha Shange (Vice-Chairperson)	X	✓	X	✓
Mr Daniel Kivetts (ARC Chairperson)	✓	✓	✓	✓
Mr Tyrone Hawkes (Fincom Chairperson)	✓	✓	✓	✓
Ms Rally Moropa (HR Chairperson)	✓	✓	X	✓
Mr Bruce Breedt	✓	✓	✓	✓
Mr Jaap Steenkamp	✓	✓	X	X
Mr Kirk Walker	✓	X	X	✓
Mr Lulamile Xate	✓	X	✓	X
Mr Jacob Maphutha	✓	X/P	X/P	X
Mr Michael Peter	✓	✓	X	X
Mr Roy Southey	✓	✓	✓	✓
Ms Felleng Yende	X/P	X/P	X/P	X/P
Mr Pierre Tullis	n/a	✓	X	n/a
Mr Penwell Lunga	n/a	✓	X/P	n/a

## KEY

Present	✓	Absent	X	Proxy	X/P	Other	–
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*Members of the Forest Sector Charter Council and representatives from supporting institutions, DPE, SAFCOL, FP&M Seta and DAFF.*

## Council 's Activities

### Outreach Programme

Council's ability to create long-term and sustainable relationships depends on how we interact with our stakeholders. The year under review focused on ensuring that forestry youth and women were given a basic understanding of what the industry entails in an effort to ensure their meaningful participation in the forest economy. We are happy to indicate that we successfully partnered with South African Forestry Company Limited (SAFCOL) and the Western Cape Forestry Liaison Forum in our efforts to ensure that youth are oriented and educated on the prescripts of the Amended Forest Sector Code and opportunities presented.

It was also exciting to account to the esteemed Mpumalanga B-BBEE Advisory Council on the Amended Forest Sector Codes. Such interactions allow Council to remain relevant while ensuring that real empowerment is achieved in our sector.

### Chief Executive Officer (CEO) Visits

Council acknowledges its role as the glue between industry, communities and Government and has continued to manage relationships and strengthen its visibility with industry through interactions with executives. Reports generated from these interactions were approved by the executives and shared with the Department of Agriculture Forestry and Fisheries (DAFF) Portfolio Committee.

### Council Partakes in the DAFF Round Table Value Chain Task Team

Council has been an instrumental member of the Round Table Value Chain Task Team, which emanates from the Bosberaad of the Former Deputy Minister of Agriculture, Forestry and Fisheries. In this forum, all subsector representatives are members and so are relevant departments such as the Department of Water Affairs and Sanitation (DWS), Department of Trade and Industry (dti), Department of Public Enterprises (DPE) as well as the Department of Rural Development and Land Reform (DRDLR). The Task Team has managed to deliberate conclusively on important matters aimed at finding the means to address industry's challenges and bottlenecks in order to turn the sector into a more productive, inclusive and sustainable industry.

### Council Establishes a Task Team for Fire Management

The Council fully understands that the basic timber resource in the sector is a key vehicle in bringing more black participants into the sector. Recent fires experienced in the Western/Southern Cape are detrimental to the success of B-BBEE in the Forest Sector. It is for this reason that Council established a Task Team in November 2018 to develop a proposal aimed at reinforcing the need for Governments' intervention in the matter.





### **Three-year Plan for Implementing the Community Outreach Programme**

Members representing the Community Portfolio have drawn up a three-year Operational Plan, which is informed by the vision, mission and mandate contained within Council's Strategic Plan. The Strategic Plan aims to ensure that sustainable, inclusive and impactful transformation is achieved in the Forest Sector through implementation of the Amended Forest Sector Code. The focus of the Operational Plan is based on three key areas namely, Facilitate and Connect, Engage and Educate, Monitor and Evaluate and report on the implemented plans. It is anticipated that this programme will be implemented through meetings and workshops with organised stakeholder forums.

### **Council Trending on Social media**

In an effort to remain relevant and accessible to all types of stakeholders, the Council has registered a Twitter (@ForestCharterZA) and LinkedIn (Forest Sector Charter Council) account on social media. Relevant content is posted to these accounts weekly as a means to keep our stakeholders informed about activities in our industry. These accounts also allow Council to engage directly with stakeholders.

### **Council Appoints a new Executive Director**

The Council is pleased to announce the appointment of Ms Makhosazana (Khosi) Mavimbela as the new Executive Director. Ms Mavimbela has previously served as Council's Researcher. She is known for her extensive knowledge of the B-BBEE principle as she was directly involved in the realignment process and the gazetting of the Amended Forest Sector Codes. The Council welcomes Ms Mavimbela and wishes her well in her new role.





# Happenings in the Industry

The FSCC is excited to have collaborated with some of the institutions in the events highlighted below.

## SAFCOL Celebrates Women in Forestry

SAFCOL is the only state-owned company operating in the Forest Sector. It is in the process of being accredited with a B-BBEE facilitator status, which will allow it to be recognised as a black-owned entity. Such recognition will enable other entities that procure timber from SAFCOL to improve their scorecard points. In the year under review, the Council was fortunate to participate in one of their functions where they recognised the contribution of women in their forestry business. We believe that this is a step in the right direction as we need to profile the role of women in this male-dominated industry and ensure their sustainability.



## SAPPI Hosts DAFF Deputy Minister on Arbor Week Celebration

DAFF celebrates Arbor Week every year in September. The Council was pleased to have witnessed this very important event in the Mpumalanga Province where some of the most prominent forestry companies operate. This event is meant to promote the planting of trees in an effort to green the environment while also promoting sustainable environmental management. DAFF partnered with SAPPI to orient the Deputy Minister and delegates on the planting activities involved from nurseries to the processing phase. The Department must be sincerely thanked for this initiative.





## SAFCA Holds a Capacity Building Indaba

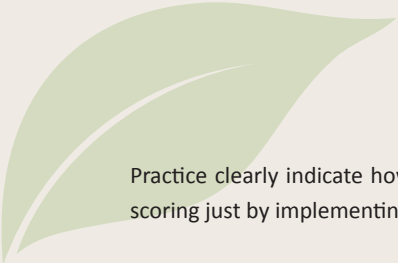
The South African Forestry Contracting Association (SAFCA) held a world-class capacity building workshop, with the theme of 'Modernisation'. It showcased advanced technology-based pruning and harvesting machinery that can be used in a safer way to advance productivity while minimising waste. The most remarkable display was that of the Virtual Reality Chainsaw Application Demonstration. This is one way in which our sector tries to be competitive and responds to global trends and expectations, in so far as technology is concerned.

## Minister of the dti Gazettes Y.E.S

The President, in his first State of the Nation Address (SONA), announced a programme aimed at curbing the current crisis of youth unemployment in the country. dti responded to this call and incorporated and gazetted the Youth Employment Service (Y.E.S) principle in the Generic Scorecard. Even though the Y.E.S is still not included in the current amended scorecard of the Forest Sector, companies are encouraged to respond to this crisis. The Codes of Good







Practice clearly indicate how companies can improve their scoring just by implementing Y.E.S.

More information on Y.E.S can be obtained from [www.yes4youth.co.za](http://www.yes4youth.co.za).

## DAFF Celebrates International Day of Forests

DAFF once again celebrated International Day of Forests in March 2019. The Theme was 'Forestry and Education'. This event marked the true recognition of skills gaps in the forest industry and how the sector aims to respond or react to these gaps. The key Note Adress was given by the Honorable Minister of Agriculture, Forestry and Fisheries, Mr. Senzeni Zokwana. The event was honoured by prominent African forestry participants and principals of current forestry-based institutions, who all recognised the value of education and how it can contribute meaningfully to sustainable forest management practices.





# Report of Progress made in the Implementation of the Forest Sector Charter Undertakings

The Amended FSC consists of enablers to support effective and sustainable B-BBEE implementation in the Forest Sector. Highlights of what has been achieved in the year under review on these undertakings are detailed below.

## Instruments to Support Ownership Targets

### Leveraging of State Forest Assets

Even though SAFCOL has not yet been recognised as a B-BBEE facilitator, concerted and collaborative efforts have been made by SAFCOL and the dti to ensure this accreditation process is concluded expediently.

There has been work in progress on the release of Mvenyana, Fort Usher and Lehana plantations. Community resolutions on these have been respectively adopted.

## Instruments to Support Skills Development Targets

### Sector Skills Plan for the Forest Sector

The Fibre, Processing and Manufacturing (FP&M) Seta is mandated to develop and review the Sector Skills Plan (SSP). This plan should match the changing standards of diversification and processing in as far as wood culture is concerned. Annually, industry and Government are consulted to make inputs on the plan.

## Instruments to Support Enterprise Development Targets

### Access to Funds and Financial Services for

### Emerging Black Entrepreneurs

The Enterprise Development (under the Enterprise and Supplier Development) in the Amended FSC has been prioritised, mainly due to its potential to support broad-based transformation. This element supports the creation and nurturing of business with the aim of contributing greatly to job creation.

A number of industry's financial models throughout the value chain have benefitted a recognisable number of black-owned enterprises.

### Capacity Building and Business Support for Emerging Black Entrepreneurs

Industry, through Forestry South Africa (FSA), managed to complete the Business Practice Training Programme in July 2018. The training of 270 learners on firefighting is progressively underway.

Skills training interventions coupled with the provision of basic hand tools seem to be reducing cases of plantation damage from fire as fewer small-scale plantations have been damaged.

Industry, through Sawmilling South Africa (SSA), has received funding from the Fibre Processing and Manufacturing (FP&M) Seta, which was used to develop training material and curriculum for four occupations and one trade. All have been accepted by the Quality Council for Trades and Occupations (QCTO) and will be published soon.

### Expedite the Authorisation Process for Afforestation, Paper and Sawmilling Facilities

The Cooperation Agreement between DAFF and the Industrial Development Corporation (IDC) is in the process of being finalised. In relation to the applications of licensing, only 45 applications were received. Twenty-three of these were processed. Only 12 were approved.

### Small-grower Certification

An appropriate certification methodology is key for the sustainability of small growers. A legal opinion is awaited on the criteria, indicators and standards for sustainable forest management of these entities.





## Secure Land Rights and Holding Structures on Communal Land for New Afforestation

The Communal Land Tenure Amendment Bill was approved for public comments. It is anticipated that the Department of Traditional Affairs (DTA) will host a Land Summit of traditional leaders to discuss, among others, the Bill. The Bill will thereafter be aligned with the recommendations of the Land Summit and the Presidential Advisory Panel on Land Reform to be presented for endorsement.

## Framework Agreements with Banks and Other Funding Institutions

Even though it has been reported previously that there are currently no agreements with funding institutions for forestry, DAFF has made a submission to National Treasury. This move will enable DAFF to disburse the Comprehensive Agricultural Support Programme (CASP) funds to Forestry. Industry, through FSA, has been in discussion with Land Bank on how it may access the R800 million set aside for the restitution and redistribution of farms.

## Instruments to Support Industry-specific Initiatives

### Integrated Forest Sector Development in Provincial and Municipal Planning

The implementation of the Forestry Beneficiation Strategy together with the Sawmilling Strategy is critical for the sustainability of the sawmilling industry. In support of this sub-sector, relevant key stakeholders inclusive of Government, academia, research institutions and industry deliberated on the need to support a wood culture society and how to promote the use of timber in the construction industry. This would, in turn, create an aggressive market for the wood processing industry.

DAFF, (Forestry) and Industry (FSA) have assisted the Department of Economic Development and Tourism (DEDT) in Mpumalanga to draft Phase 1 of the Forest Sector Development Plan, which seeks to address the barriers that hinder the Sector's potential towards sustainable economic growth and expansion in the Province.







The Eastern Cape Provincial Growth and Development Strategies (PGDS) are currently being reviewed.

### **Forestry Protection Services**

A National Fire Working Group met to discuss, among other things, the effectiveness of engagement with relevant stakeholders in Integrated Fire Management. The established Task Team thereafter engaged with landowners, both from the Department and State-Owned Entities (SOE), on their role and compliance in respect of the National Veld and Forest Fire Act (NVFFA).

In commemoration of the devastating 2017 Knysna fires, a Fire Management Symposium, in collaboration with Nelson Mandela University, was successfully held in October. Presentations and discussions between fire management specialists were shared under the theme: 'Ecosystems-based Fire Management for Effective Disaster Risk Reduction'.

In addition, a number of fire protection associations (FPAs) were audited. Firebreaks were also monitored in most areas, except in George.

All newly appointed officials and interns in all provinces were provided with NVFFA Foundation Training.

The draft Enforcement and Compliance Strategy has been finalised and is awaiting approval.

### **Strengthening Representative Industry Structures**

Evidently, there has been an extensive collaboration between associations on a wide range of activities of importance to the Sector. One major example is the detailed five-year Business Plan for the value chain that was presented to the Presidency. This plan was mentioned at the State of the Nation Address (SONA) and forms part of the Public Private Growth Initiative (PPGI).

### **Development of the National Framework for Settlement of Land Claims for Sustainable Use of Existing Plantations**

The Department of Rural Development and Land Reform (DRDLR) has established a new financial support model for Producers called Blended Financing Model (BFM). The initiative involved the development of a blended financial instrument from public and private funds between the Land Bank as the financial administrator, commercial banks, DAFF, DRDLR and Provincial Departments of Agriculture (PDAs). The blended financial instrument will consist of a public sector grant component from DAFF and DRDLR, and a loan component from the Land Bank and commercial banks, referred to as a 'soft loan'.

A Memorandum of Understanding (MoU) between the Land Bank and DAFF has been signed, with a couple of million rand transferred to the Land Bank, and some over the Medium-Term Expenditure Framework (MTEF) period. The Land Bank has assessed about 18 potential projects.



# Status of Transformation

The Council is currently within its tenth year of reporting on the B-BBEE performance of the Forest Sector since the gazettement of the FSC (now revised into the amended FSC). However, this is the second report under the new criteria espoused in the amended FSC.

The report is critical as it marks the 10-year lifespan of the B-BBEE programme. It begins to assess whether there has been a shift in distribution and allocation of economic benefits and opportunities in the Forest Sector for previously disadvantaged individuals. It also seeks to validate the impact of the new principles introduced in the amended FSC.

The financial period 2018/2019 has seen a desirable increase in the number of reporting entities across the three types of measured entities. Sixty-eight valid certificates were received in total, 26 were received from Medium and Large Entities (MLEs) while 17 were Qualifying Small Entities (QSEs). The remaining 25 fell within the Exempted Micro Enterprises (EMEs).

There has been a significant increase in the number of the generic entities not only submitting their valid B-BBEE certificates but also attaching the underlying information for a more comprehensive performance review. More unenhanced QSEs reported this year compared to the previous year.

The Sector maintained a level 6 rating even for the year. This trend was anticipated as the adjustments to the amended scorecard are aggressive and may require some time to adjust. It is encouraging, though, that despite some entities being downgraded, they still complied to report.

The performance on the scorecard elements varied slightly when compared to last year. Only the Ownership element showed great improvement. The sector achieved acceptable performance

in Enterprise and Supplier Development (ESD) and Socio-Economic Development (SED). Poor performance was achieved in Skills Development (SD) and Management Control (MC).

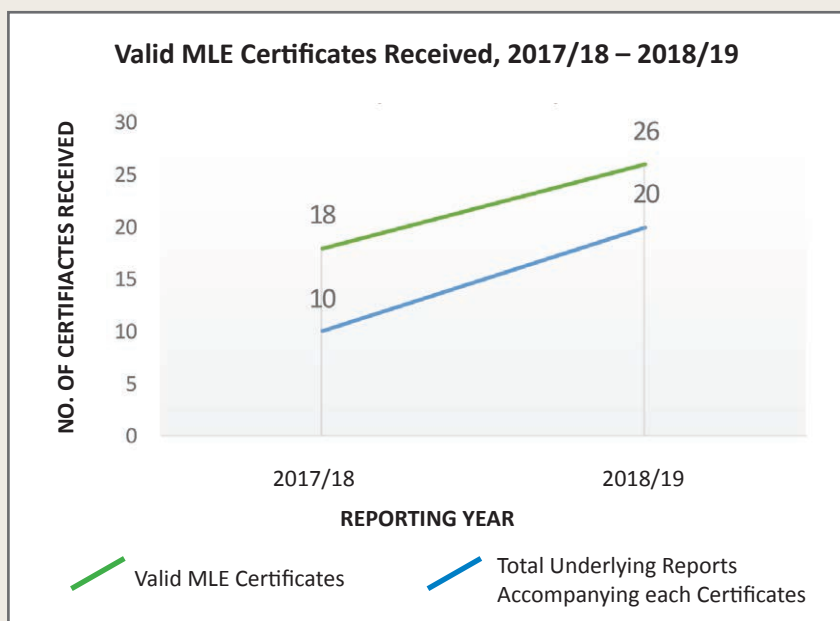
However, QSEs performed very poorly in Ownership, SD and MC. Satisfactory performance was observed in ESD and SED. Such performance has led to the QSEs achieving a level 8 status, a level that this category has never received in the last nine reporting years.

EMEs achieved an overall of level 2. This proves that most EMEs either achieved a level 1 or 2 status due to the enhancement to this level on condition that the black ownership profile is 51% or 100%.

## Medium and Large Enterprises (MLE) Analysis

Although certificate submissions prior to 2017 MLE are not shown in Figure 1 below, it is worth noting that MLE submissions have started to increase again (Figure 1). The submission in terms of the number of reporting entities under MLE matches is the highest number of MLE submissions received in the 2014/2015 reporting year.

Figure 1: MLE B-BBEE Certificates Received per Year





The number of underlying reports accompanying MLE certificates has increased notably for the current reporting year. Twenty underlying reports were received by Council, increasing from 10 in the previous year. Underlying reports allow for more in-depth analysis of the MLE performance as details regarding the scores achieved in each element are shown.

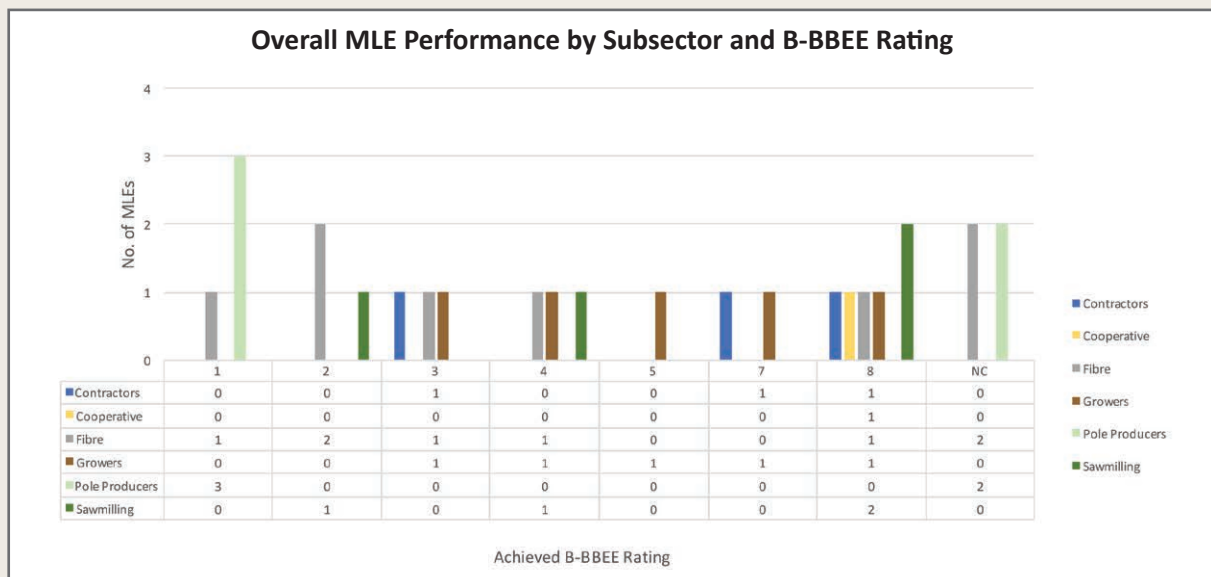
Figure 2 below gives an indication of B-BBEE levels achieved by the MLEs belonging to the different sub-sectors. A total of six MLEs achieved a level 8 B-BBEE rating. Additionally, four MLEs received a non-compliant B-BBEE rating. Three of these non-compliant entities did not report in 2017/2018. Additionally, four MLEs achieved a level 1 B-BBEE rating. Fifteen MLEs overall achieved a level 4 B-BBEE rating or higher. This shows that the majority of MLEs are committed to empowerment.

The pole producers sub-sector achieved the highest number of level 1 B-BBEE ratings with three achieving this score. The fibre sub-sector recorded the most diverse performance, achieving every level of B-BBEE ratings, excluding levels 5 and 6. None of the reporting entities received a level 6 rating.

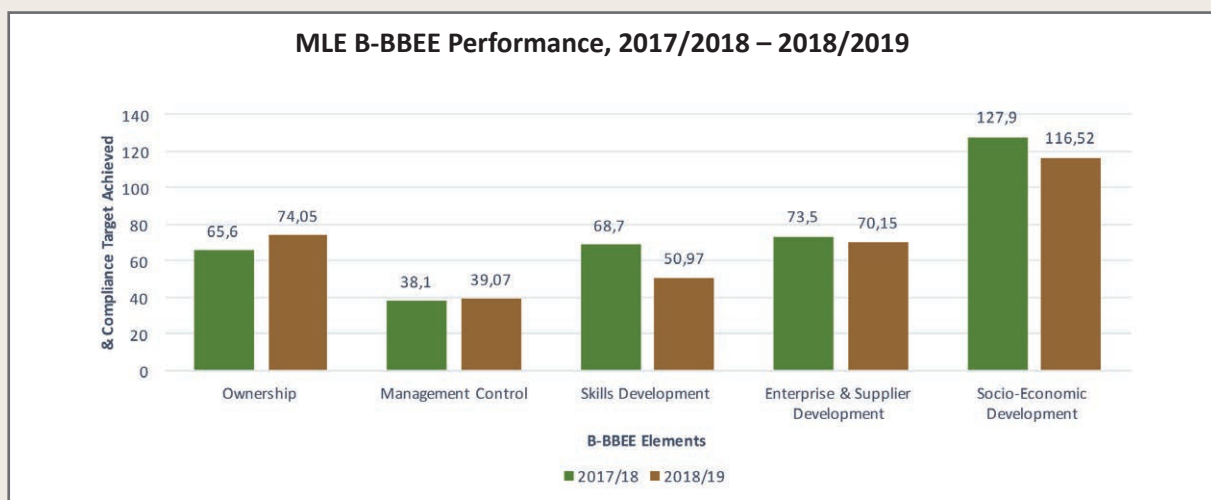
Figure 3 compares the current scores achieved in each of the five elements to the scores received in the previous year. In the current reporting year (2018/2019), exceptional performance was observed in Socio-Economic Development, Ownership and Enterprise and Supplier Development respectively.

The Ownership performance for the current reporting year has improved significantly, reaching over 74% of the target

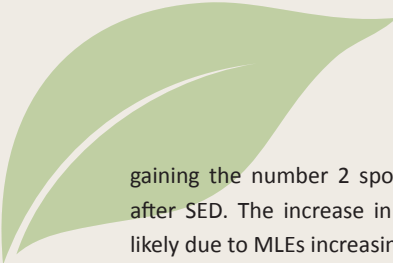
**Figure 2: MLE Performance by Sub-sector, 2018/2019**



**Figure 3: MLE Performance as a % of the Target, 2017/2018 – 2018/2019**







gaining the number 2 spot for best performing elements after SED. The increase in the Ownership performance is likely due to MLEs increasing their overall black ownership.

The Skills Development performance demonstrated a notable decline in performance from achieving over 68% of the target in 2017/2018 to less than 50% of the target in 2018/2019.

The poorer performance may have resulted from a combination of factors considering the increased number of submissions from non-compliant and new MLEs.

Management Control continues to prove challenging for MLEs to implement, with them consistently failing to achieve at least 50% of the target. However, there was an insignificant improvement in the current reporting year possibly due to better performance in Board representation and lower management positions.

### Qualifying Small Enterprises (QSE) Analysis

Qualifying Small Enterprises are Measured Entities with a turnover between R10 million and R50 million per annum. QSEs are measured using their own specific Amended FSC Scorecard, which assesses the same principles as the MLE scorecard.

Lower targets are set for most elements in the QSE scorecard

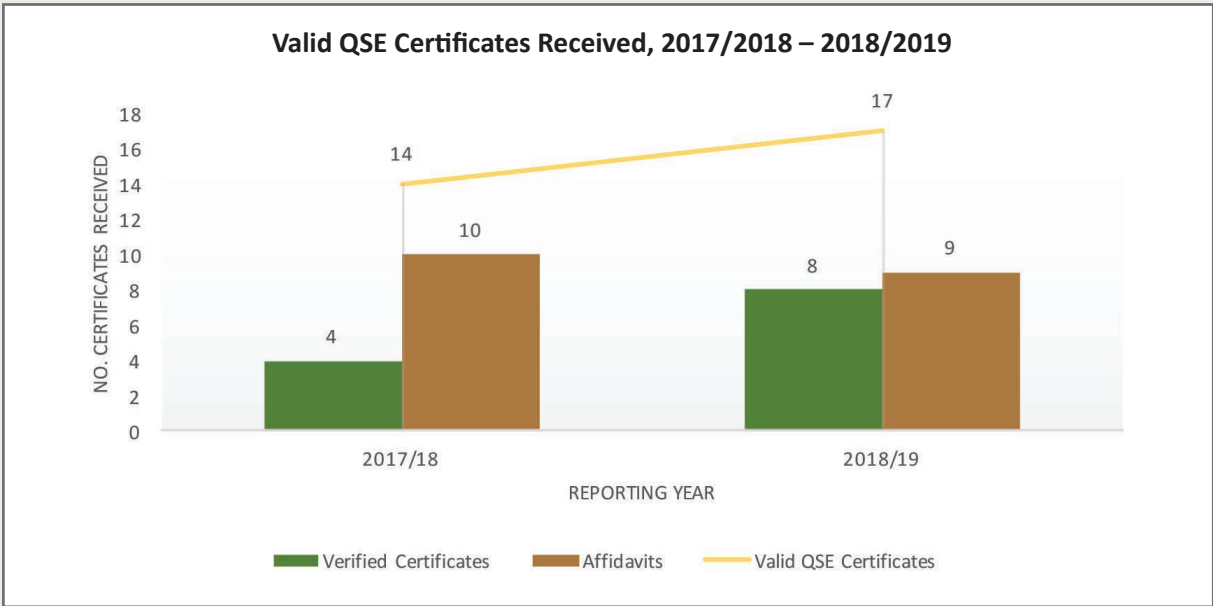
compared to the MLE scorecard. Additionally, QSEs who are 51% or 100% BO or BWO, can now become verified using an affidavit, as do EMEs. These QSEs are termed 'Enhanced' QSEs.

Figure 4 compares the number of valid QSE certificates received in 2017/2018 and 2018/2019 respectively. The number of certificates received has increased by more than 15% with a healthy increase in number of submissions from non-enhanced QSEs (those that are not majority BO and are verified on all scorecard elements). It is worth noting that this year's QSE certificate submission has been the highest following the 2014/2015 reporting year where 22 certificates were analysed, a trend that has been observed also in the MLEs.

Eight unenhanced QSEs were assessed on the QSE scorecard. The scores achieved in each of the five elements is shown in Figure 5 below. The performance is further compared to the average scores in the last reporting period. The assessment was based on four verified scorecards (unenhanced QSEs) in 2017/2018. The nine affidavits received only provide information regarding black and black female ownership of the Measured Entity.

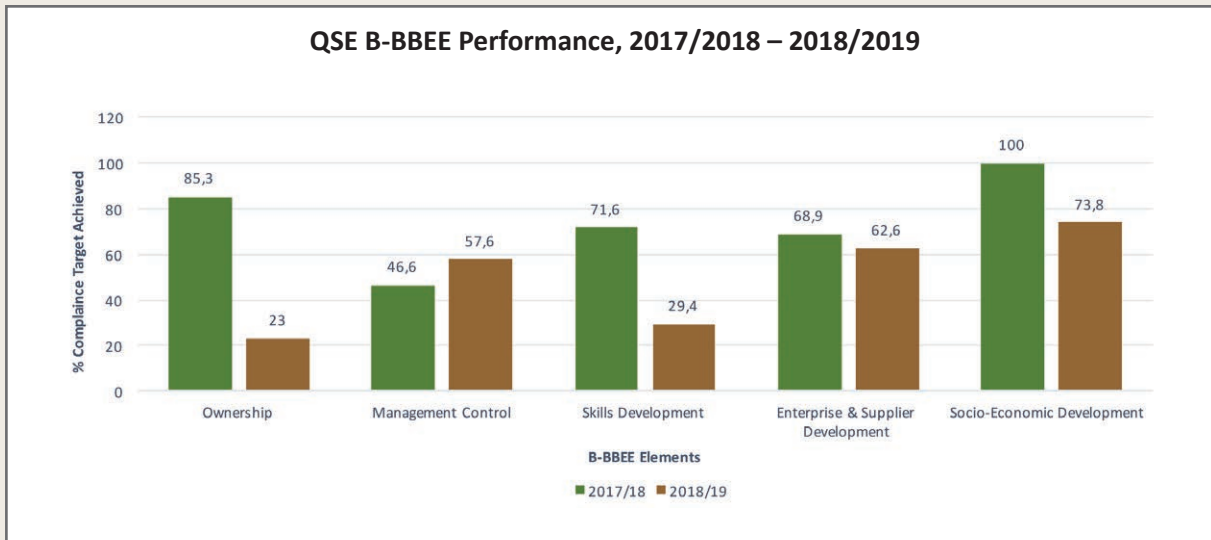
About six reporting unenhanced QSEs performed extremely poorly in Ownership. This resulted in a significant decline in the Ownership performance by QSEs as indicated in Figure 5. The average black ownership of the unenhanced QSEs is 6,5%, further highlighting the poor performance by QSEs.

Figure 4: QSE B-BBEE Certificates Received, 2017/2018 – 2018/2019





**Figure 5: QSE Performance as a % of the Target, 2017/2018 – 2018/2019**



Skills Development by QSEs also declined noticeably in the current reporting year. The average score for Skills Development among the eight unenhanced QSEs is 5,9 points. This translates into the result of 29,4% of the compliance target, shown in Figure 5.

Unlike MLES, QSEs improved their Performance for Management Control. The Enterprise and Supplier Development as well as the Socio-Economic Development performance declined slightly as observed within the MLEs.

### Exempted Micro-Enterprises (EME) Analysis

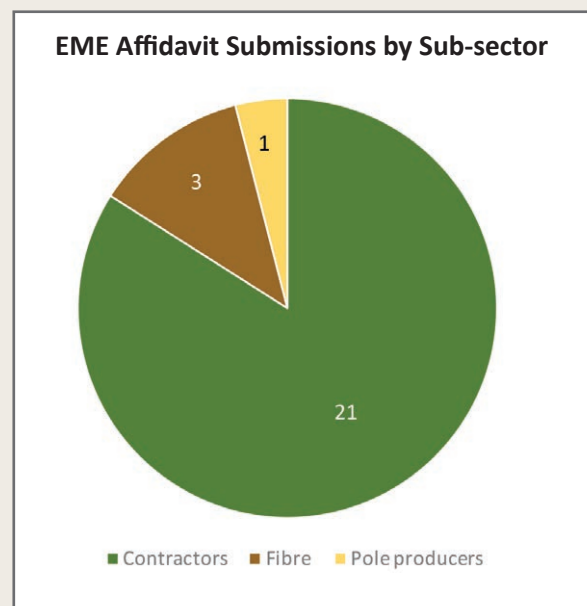
Exempted Micro Enterprises (EMEs) are entities with a turnover of less than R10 million per annum. EMEs are automatically awarded a level 4 B-BBEE rating but may be elevated to level 1 or 2 if they are 100% or 51% BO respectively.

The number of submitting EMEs has increased from 21 to 25 affidavits. Figure 6 shows that the majority of submitting EMEs were contractors, similar to QSEs. Three reporting EMEs belonged to the fibre sub-sector and are mostly involved in the manufacture and selling of crates and pallets. A total of nine EMEs achieved a level 1 rating while five EMEs achieved level 2. Only 11 EMEs achieved level 4. This implies that the majority of reporting EMEs are enhanced due to their BO profile of above 51%.

### Conclusion

A number of notable events occurred in the reporting period that may have affected the industry’s overall

**Figure 6: EME Certificate Submission by Sub-sector**



economic performance as well as its ability to implement B-BBEE. Such events include the fires in the Southern Cape that destroyed over 7 000 ha of plantations. This event will definitely affect the industry’s economic value, employment levels as well as a number of small businesses in the area, while also diminishing the total timber resource available to the sector.

The number of submitting entities has improved from the previous reporting year from 55 certificates to 68 certificates in total. The improvement is largely from MLEs. MLEs submitted 26 certificates, eight more than the previous year, while also increasing the number of underlying reports



submitted. The number of unenhanced QSEs reporting also increased from four previously to eight.

Each category of company size maintained the previous performance, with MLEs scoring a level 6. A total number of 13 MLEs were downgraded due to one or a combination of the priority elements. Enhanced QSEs achieved an average level 1 score while unenhanced QSEs achieved a level 8 score. The EMEs achieved a level 2 overall as all are subject to enhancement.

Poor performance was observed in Skills Development in both categories of measured entities. This results from this year's assessment of SD, which verifies the structural challenges associated with this element and the aggressive response required – this element underpins the performance of some of the other elements. The sector maintained a level 6, achieving 72.19 points. This score shows a marginal decline from 74.48 in the previous reporting year.

## B-BBEE Reporting Entities

MLEs	QSEs	EMEs
Corruseal Group (Pty) Ltd	Masonga Contractors	Dikwata Harvesting (Pty) Ltd
Khulani Timber Industries	Mhlambanyathi Fire Fighting (Pty) Ltd	Farmusa Agric & Forestry Construction (Pty) Ltd
Maqhilika Timber	Ngwenya Forestry Services (Pty) Ltd	Lens Forestry Contractors
Tzaneng Treated Timbers (Pty) Ltd	Pine Timber Board Express CC	Mandlezile Trading CC
Industrial Timber Supplies (Pty) Ltd	Sabie Forestry Supplies (Pty) Ltd	PJV Forestry Service CC
Sappi Southern Africa	Sibsa Weed Services CC	SA Pallet Crate and Box CC
Timrite (Pty) Ltd	Siyakhula Forestry Contractors (Pty) Ltd	Timber Logging Solutions CC
Iningi Investments 143 (Pty) Ltd	Imphisi Harvesting (Pty) Ltd	Umthombo Forestry Logistics
Mondi Limited	Indlovu Forestry Cc	WSB Transport CC
SAFCOL	Micloo Forestry Services	CMO Logistics
Bedrock Mining Support	Mint Road Sawmills	Umgano Forestry
Mpact Limited	Themba Forestry Contractors CC	Somusa Forestry (Pty) Ltd
York Timbers Holdings CC	Bitline SA	Tusker Crafting Specialist (Pty) Ltd
MTO Forestry	Five Star Timber Contracting CC	GR Forestry (Pty) Ltd
Amathole	Ixopo Contractors	Fractal Forestry CC
Kanyi Ilanga Trading (Pty) Ltd	Sutherland Seedlings CC	Greens Timbers (Pty) Ltd
Forestry Plant & Equipment Sales CC	Zultech Cc	The Lumber Yard (Pty) Ltd
Green Tissue (Pty) Ltd		The Pole Yard West Coast
NCT Forestry Co-operative Limited		R and S Logging (Pty) Ltd
Normandien Farms		San Cotona Investment CC
PG Bison		Sizanani Village Maintenance CC
Singisi Forest products		Timbermech (Pty) Ltd
Baltic Timber Company (Pty) Ltd		Tingasmart (Pty) Ltd
EVOWOOD (Pty) Ltd		Umbati Timber Trading CC
Johannesburg Timber and Box CC		WS Forestry Equipment Repairs CC
World Hardwood (Pty) Ltd		









# Annual Financial Statements for the Year Ended 31 March 2019

**Forest Sector Charter Council NPC**  
(Registration number 2009/006567/08)  
Annual Financial Statements  
for the year ended 31 March 2019

## General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Oversight over and facilitation of 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.
<b>Directors</b>	Dr Diphoko Mahango (Chairperson) Bruce Breedt Tyrone Hawkes Daniel Kivetts Jacob Maphutha Rally Moropa Michael Peter Thabitha Shange Roy Southey Dr Jaap Steenkamp Kirk Walker Lulamile Xate Penwell Lunga
<b>Business address</b>	SAFCA 6 Hulley Road Isando 1690
<b>Auditor's</b>	Dziwa & Company Registered Auditor
<b>Level of assurance</b>	These Annual Financial Statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.



## Index

The reports and statements set out below comprise the Annual Financial Statements presented to the shareholders:

<b>Index</b>	<b>Page</b>
Councillors' Responsibilities and Approval	22
Councillors' Report	23
Independent Auditor's Report	24-25
Statement of Financial Position	26
Statement of Comprehensive Income	27
Statement of Changes in Equity	28
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Accounting Policies	30-31
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The following supplementary information does not form part of the Annual Financial Statements and is unaudited:	
Detailed Income Statement	36







## 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 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 councillors acknowledge that they are ultimately responsible for the system of internal financial control established by the Council 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 Council and all employees are required to maintain the highest ethical standards in ensuring the Council's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Council is on identifying, assessing, managing and monitoring all known forms of risk across the Council. While operating risk cannot be fully eliminated, the Council 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 Council's cash flow forecast for the year to 31 March 2020 and, in the light of this review and the current financial position, They are satisfied that the Council has or 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 Council's annual financial statements. The annual financial statements have been examined by the Council's external auditors and their report is presented on page 23.

The annual financial statements set out on page 26-35, which have been prepared on the going concern basis, were approved by the Council on 31 May 2019 and were signed on its behalf by:

### Approval of Annual Financial Statements



**Dr Diphoko Mahlono (Chairperson)**



# Councillors' Report

The councillors have pleasure in submitting their report on the annual financial statements of Forest Sector Charter Council NPC for the year ended 31 March 2019.

## 1. 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 Council are set out in these annual financial statements.

## 2. Councillors

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

### Councillors

Dr Diphoko Mahango (Chairperson)

Bruce Breedt

Tyrone Hawkes

Daniel Kivetts

Jacob Maphutha

Rally Moropa

Michael Peter

Thabitha Shange

Roy Southey

Dr. Jaap Steenkamp

Kirk Walker

Lulamile Xate

Penwell Lunga

### Changes

Executive

Appointed Monday,  
1 October 2018

## 3. Events after the reporting period

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

## 4. Going concern

The councillors believe that the Council has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The councillors have satisfied themselves that the Council is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The councillors are not aware of any new material changes that may adversely impact the Council.

## 5. SARS material non-compliance

The councillors are aware that the Council is not fully compliant with the requirements of the Income Tax Act. Income tax returns has not been filed since the inception of the company. To regularize this material non-compliance, the Council will be appointing a tax consultant to apply for a tax exempt status as a Public Benefit Organization and as soon as granted, will file all the outstanding income tax returns. If the Council was required to file all income tax returns as regular taxpayer, the estimated tax liability is in the region of R3 000 000.



## Independent Auditor's Report

### To the members of Forest Sector Charter Council NPC

#### Opinion

We have audited the annual financial statements of Forest Sector Charter Council NPC set out on pages 26 to 35, which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Forest Sector Charter Council NPC as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of the Councillors for the Annual Financial Statements

The councillors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the 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 misstatement, whether due to fraud or error.

In preparing the annual financial statements, the councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the councillors either intend to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the councillors.
- Conclude on the appropriateness of the councillors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Dziwa & Company**  
SK Dziwa

**31 May 2019**  
**Bramley, Johannesburg**



## Statement of Financial Position as at 31 March 2019

Figures in Rand	Note(s)	2019	2018
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	2	17 503	51 179
Current assets			
Trade and other receivables	3	396 423	646 493
Cash and cash equivalents	4	7 941 004	4 846 052
		<b>8 337 427</b>	<b>5 492 545</b>
<b>Total assets</b>		<b>8 354 930</b>	<b>5 543 724</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Retained income		7 840 268	5 475 285
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	5	514 662	68 439
<b>Total equity and liabilities</b>		<b>8 354 930</b>	<b>5 543 724</b>

## Statement of Comprehensive Income

Figures in Rand	Note(s)	2019	2018
Revenue	6	7 786 674	7 053 104
Other income	7	241 455	1 004 517
Operating expenses		(5 663 146)	(5 765 064)
<b>Operating surplus/(deficit)</b>	8	<b>2 364 983</b>	<b>2 292 557</b>
<b>Surplus/(deficit) for the year</b>		<b>2 364 983</b>	<b>2 292 557</b>
Other comprehensive income		-	-
<b>Total comprehensive income (deficit) for the year</b>		<b>2 364 983</b>	<b>2 292 557</b>





## Statement of Changes in Equity

Figures in Rand	Retained Income	Total Equity
<b>Balance at 1 April 2017</b>	<b>3 182 728</b>	<b>3 182 728</b>
Deficit for the year	2 292 557	2 292 557
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>2 292 557</b>	<b>2 292 557</b>
<b>Balance at 1 April 2018</b>	<b>5 475 285</b>	<b>5 475 285</b>
Surplus for the year	2 364 983	2 364 983
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>2 364 983</b>	<b>2 364 983</b>
<b>Balance at 31 March 2019</b>	<b>7 840 268</b>	<b>7 840 268</b>
Note(s)		

## Statement of Cash Flows

Figures in Rand	Note(s)	2019	2018
<b>Cash flows from operating activities</b>			
Cash generated from (used in) operations	12	3 097 551	1 815 711
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(2 599)	-
<b>Total cash movement for the year</b>		<b>3 094 952</b>	<b>1 815 711</b>
Cash at the beginning of the year		4 846 052	3 030 341
<b>Total cash at end of the year</b>	<b>4</b>	<b>7 941 004</b>	<b>4 846 052</b>





## Accounting Policies

### 1. Basis of Preparation and Summary of Significant Accounting Policies

The annual financial statements have been prepared on a going concern basis 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, except for biological assets at fair value less point of sale costs, 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 assets which the company holds for its own use or for rental to others and which are expected to be used for more than one period.

Property, plant and equipment is initially measured at cost.

Cost includes 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.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation Method	Average Useful Life
Office equipment	Straight line	6 years
Computer equipment	Straight line	3 years
Computer software	Straight line	6 years

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

## 1.2 Impairment of Assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets or goodwill may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

## 1.3 Employee Benefits

### *Short-term Employee Benefits*

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

## 1.4 Revenue

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

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



## Notes to the Annual Financial Statements

Figures in Rands	2019	2018
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### 2. Property, Plant and Equipment

	2019			2018		
	Cost or revaluation	Accumulated Depreciation	Carrying Value	Cost or revaluation	Accumulated Depreciation	Carrying Value
Furniture and fixtures	122 313	(109 017)	13 296	119 714	(89 751)	29 963
Office equipment	23 662	(20 052)	3 610	23 662	(18 385)	5 277
Computer equipment	108 626	(108 029)	597	108 626	(92 687)	15 939
<b>Total</b>	<b>254 601</b>	<b>(237 098)</b>	<b>17 503</b>	<b>252 002</b>	<b>(200 823)</b>	<b>51 179</b>

#### Reconciliation of property, plant and equipment – 2019

	Opening Balance	Additions	Depreciation	Closing Balance
Furniture and fixtures	29 963	2 599	(19 266)	13 296
Office equipment	5 277	-	(1 667)	3 610
Computer equipment	15 939	-	(15 342)	597
	<b>51 179</b>	<b>2 599</b>	<b>(36 275)</b>	<b>17 503</b>

#### Reconciliation of property, plant and equipment – 2018

	Opening Balance	Depreciation	Total
Furniture and fixtures	55 801	(25 838)	29 963
Office equipment	6 985	(1 708)	5 277
Computer equipment	44 455	(28 516)	15 939
	<b>107 241</b>	<b>(56 062)</b>	<b>51 179</b>

### 3. Trade and Other Receivables

Trade receivables	393 573	623 971
Other receivables	2 850	22 522
	<b>396 423</b>	<b>646 493</b>

### 4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	-	(24)
Bank balances	7 941 004	4 846 076
	<b>7 941 004</b>	<b>4 846 052</b>

### 5. Trade and Other Payables

Trade payables	168 233	23 560
Payroll related accruals	251 062	-
Other payables (Councillors fees, S&T allowances and related claims)	95 367	44 879
	<b>514 662</b>	<b>68 439</b>

### 6. Revenue

Industry contributions – Members of the Forestry Sector	3 114 674	2 637 104
Government contribution – Department of Agriculture, Forestry and Fisheries	4 672 000	4 416 000
	<b>7 786 674</b>	<b>7 053 104</b>

## Notes to the Annual Financial Statements (continued)

Figures in Rands	2019	2018
<b>7. Other Income</b>		
FP&M Seta grants	239 829	1 002 244
Internal recoveries	1 626	2 273
	<b>241 455</b>	<b>1 004 517</b>
<b>8. Operating Surplus/(Deficit)</b>		
Operating surplus/(deficit) for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Premises		
• Contractual amounts	104 069	81 119
Equipment		
• Contractual amounts	59 514	47 050
	<b>163 583</b>	<b>128 169</b>
Depreciation on property, plant and equipment:	36 275	56 062
Employee costs	2 090 671	1 545 871
<b>9. Employee Costs</b>		
<b>Employee costs</b>		
Basic	1 494 360	1 098 735
PAYE, UIF and SDL	596 311	447 136
	<b>2 090 671</b>	<b>1 545 871</b>
<b>10. Depreciation, Amortisation and Impairments</b>		
The following items are included within depreciation, amortisation and impairments:		
<b>Depreciation</b>		
Property, plant and equipment	36 275	56 062
<b>11. Auditor's Remuneration</b>		
Fees	69 483	65 550
<b>12. Cash Generated from Operations</b>		
Surplus/(deficit) before adjustments	2 364 983	2 292 557
<b>Adjustments for:</b>		
Depreciation and amortisation	36 275	56 062
<b>Changes in working capital:</b>		
Trade and other receivables	250 070	(308 697)
Trade and other payables	446 223	(224 211)
	<b>3 097 551</b>	<b>1 815 711</b>



## Notes to the Annual Financial Statements (continued)

Figures in Rands	2019	2018
<b>13. Related Parties</b>		
<b>Relationships</b>		
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)	
Ultimate responsible authority	Department of Agriculture, Forestry and Fisheries (DAFF)	
<b>Related party balances and transactions</b>		
<b>Related party balances</b>		
<b>Amounts included in Trade receivable</b>		
Charcoal	6 102	-
FSA	243 043	243 042
FSA Non-affiliated	255 588	-
Mining Timber	27 118	-
Non-affiliated Pole Producers	12 612	-
PAMSA	125 756	314 512
PAMSA Non-affiliated	263 449	-
SAFCA	-	55 406
SAFCA Non-affiliated	114 026	-
Sawmilling South Africa	46 026	34 000
Sawmilling SA Non-affiliated	263 874	-
SAUPA	31 728	29 989
Total	1 389 322	676 949
<b>Provision for doubtful debts</b>	(995 747)	(52 978)
<b>Trade receivables per Note 3</b>	<b>393 575</b>	<b>623 971</b>
<b>Expense recognised for bad or doubtful debts relating to related party balances:</b>		
FSA Non-affiliated	255 588	-
PAMSA Non-affiliated	263 449	-
Sawmilling South Africa	-	233 272
Sawmilling South Africa Non-affiliated	263 874	-
SAFCA Non-affiliated	114 026	-
Non-affiliated Pole Producers	12 612	-
Charcoal	6 102	-
Mining Timber	27 118	-
	<b>942 769</b>	<b>233 272</b>
<b>Related party transactions</b>		
<b>Revenue received from related parties:</b>		
PAMSA	1 509 068	1 517 379
FSA	643 375	608 105
Charcoal	6 102	-
SAWPA	34 981	33 063
SAWMILLING SOUTH AFRICA	110 464	371 674
SAUPA	31 728	29 989
SAFCA	22 734	76 894
DAFF	4 672 000	4 416 000

## Notes to the Annual Financial Statements (continued)

Figures in Rand	2019	2018
<b>13. Related parties (continued)</b>		
<b>Revenue received from related parties:</b>		
FSA Non-affiliated	255 588	-
PAMSA Non-affiliated	172 410	-
SAFCA Non-affiliated	58 620	-
Non-affiliated Pole Producers	12 612	-
Sawmilling SA Non-affiliated	229 874	-
Mining Timber	27 118	-
<b>Total</b>	<b>7 786 674</b>	<b>7 053 104</b>

### 14. Councillors' Remuneration

Attendance fees and related allowances paid for Council, Committee and Ad-hoc meetings

2019	Attendance fees	Travel and subsistence allowances paid	Total
Dr Diphoko Mahango (Chairperson)	353 607	36 371	389 978
Daniel Kivetts	75 847	36 501	112 348
Rally Moropa	70 160	17 692	87 852
Thabitha Shange	33 870	-	33 870
	<b>533 484</b>	<b>90 564</b>	<b>624 048</b>
<b>2018</b>			
Dr Diphoko Mahango (Chairperson)	533 492	55 907	589 399
Daniel Kivetts	63 039	29 567	92 606
Rally Moropa	104 119	18 786	122 905
Thabitha Shange	32 834	3 813	36 647
	<b>733 484</b>	<b>108 073</b>	<b>841 557</b>



## Detailed Income Statement

Figures in Rand	Note(s)	2019	2018
<b>Revenue</b>			
Government contribution – Department of Agriculture, Forestry and Fisheries		4 672 000	4 416 000
Industry contributions – Members of the Forestry Sector		3 114 674	2 637 104
	6	<b>7 786 674</b>	<b>7 053 104</b>
<b>Other income</b>			
FP&M Seta grants		239 829	1 002 244
Recoveries		1 626	2 273
		<b>241 455</b>	<b>1 004 517</b>
<b>Expenses)</b>		<b>(5 663 146)</b>	<b>(5 765 064)</b>
<b>Surplus/(deficit) for the year</b>		<b>2 364 983</b>	<b>2 292 557</b>

Figures in Rand	Note(s)	2019	2018
<b>Operating expenses</b>			
Accounting fees		(278 458)	(290 921)
Advertising and branding		(5 589)	(54 567)
Annual report		(19 895)	(17 043)
Auditors remuneration	11	(69 483)	(65 550)
Bad debts		(942 769)	(233 272)
Bank charges		(7 335)	(6 298)
Catering		(23 683)	(39 409)
Cleaning		(39 390)	(35 882)
Computer expenses		(58 000)	(83 225)
Consulting: B-BBEE status reports		-	(287 976)
Consulting: amendment of FSCC codes		(47 373)	-
Consulting: grant registration and forestry skills development		(235 000)	(1 000 000)
Consulting: policy development and BEE scorecard		(13 633)	-
Depreciation, amortisation and impairments		(36 275)	(56 062)
Employee costs		(2 090 671)	(1 545 871)
Forest Sector Codes		(6 400)	(60 530)
Insurance		(17 303)	(17 605)
Lease rentals on operating lease		(163 583)	(128 169)
Legal expenses		(55 200)	-
Meeting and workshop venues		(38 787)	(33 151)
Meeting attendance costs		(530 460)	(733 050)
Office consumables		(1 792)	(525)
Postage		(703)	(457)
Printing and stationery		(40 132)	(43 085)
Repairs and maintenance		(851)	-
SARS penalties and interest		(10 897)	-
Secretarial fees		-	(22 971)
Telephone and fax		(99 184)	(121 825)
Travel and accommodation		(712 113)	(757 678)
Travel and subsistence claims – council members		(93 587)	(108 505)
Travel and subsistence claims – staff		(24 600)	(21 437)
		<b>(5 663 146)</b>	<b>(5 765 064)</b>









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