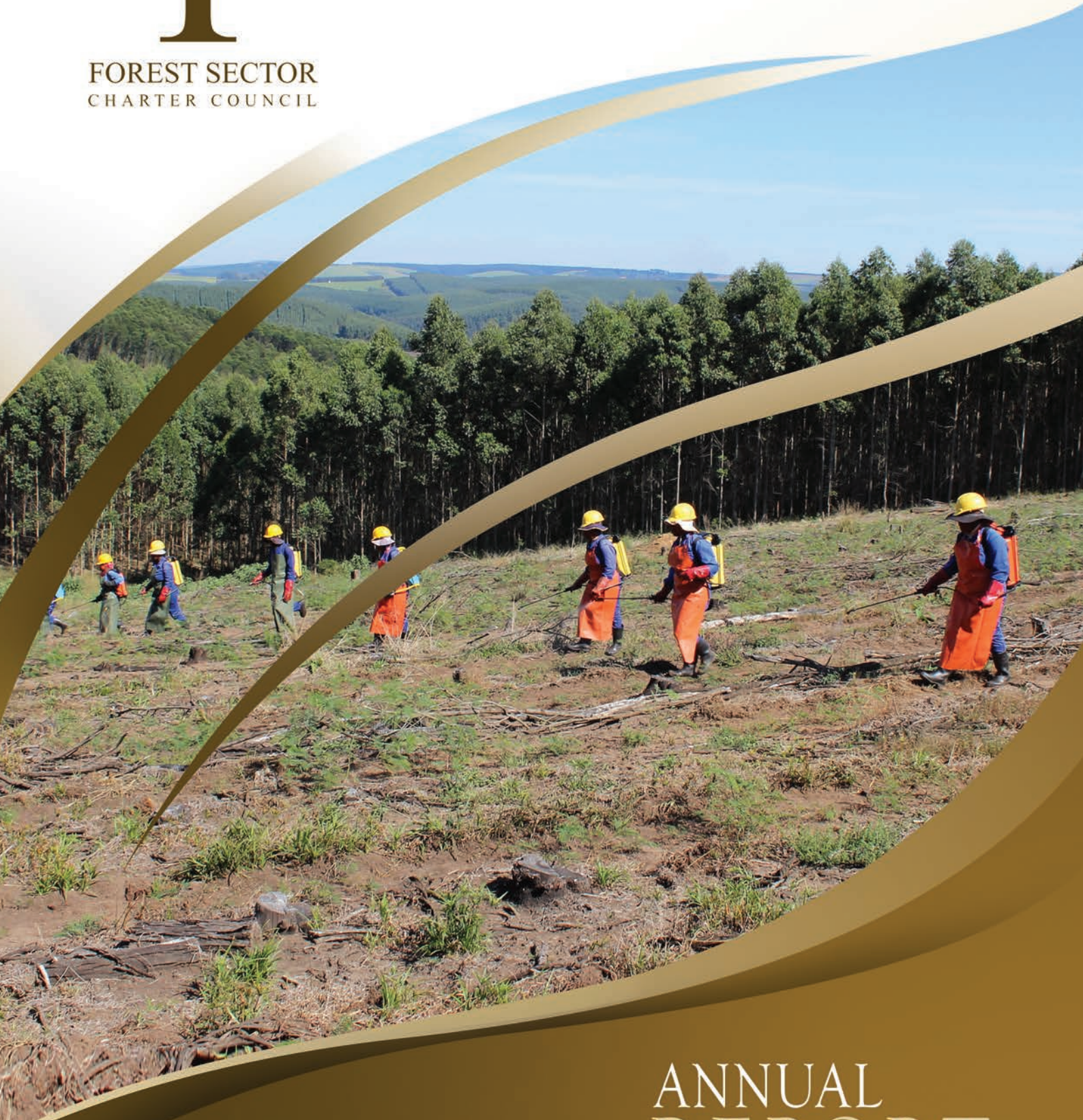




FOREST SECTOR
CHARTER COUNCIL



ANNUAL
REPORT
2021/2022

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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Acronyms

AGM	Annual General Meeting	HRC	Human Resources Committee
ARC	Audit and Risk Committee	IDC	Industrial Development Corporation
B-BBEE	Broad-Based Black Economic Empowerment	IFSA	International Forestry Students Association
BEE	Black Economic Empowerment	JCT	Joint Technical Committee
CEO	Chief Executive Officer	MLE	Medium and Large Enterprises
CFA	Community Forestry Agreements	NFAC	National Forestry Advisory Council
COP	Community Outreach Programme	NPO	Not-for-Profit Organisation
CSI	Corporate Social Investment	NMU	Nelson Mandela University
CIPC	Companies and Intellectual Property Commission	PAMSA	Paper Manufacturers Association of South Africa
DALRRD	Department of Agriculture, Land Reform and Rural Development	PES-2	Presidential Employment Stimulus
DDG	Deputy Director-General	POC	Planning and Organising Committee
DFFE	Department of Forestry, Fisheries and the Environment	POPI	Protection of Personal Information
DPE	Department of Public Enterprises	PPGI	Public-Private Growth Initiative
dtic	Department of Trade, Industry and Competition	QSE	Qualifying Small Enterprises
DWS	Department of Water and Sanitation	SAFCA	South African Forestry Contractors Association
EME	Exempted Micro-Enterprises	SAFCOL	South African Forestry Company Limited
ESD	Enterprise and Supplier Development	SARS	South African Revenue Service
EXCO	Executive Committee	SAWPA	South African Wood Preservers Association
EU	European Union	SD	Skills Development
FAO	Food and Agricultural Organisation	SED	Socio Economic Development
FINCOM	Finance Committee	SFRA	Stream Flow Reduction Activity
FP&M	Fibre Processing and Manufacturing	SSA	Sawmilling South Africa
FSA	Forestry South Africa	SSP	Sector Skills Plan
FSC	Forest Sector Code	SAUPA	South African Utility Pole Association
FSCC	Forest Sector Charter Council	WULA	Water Use License Application
		VAT	Value Added Tax



Message from the Executive Director

It has been a privilege to have been part of the leadership of the Forest Sector Charter Council over the past three years. In my first three years as the Executive Director, my goal at the time was to make sure that the Council becomes better and stronger than I had found it. In pursuing this goal, I have been determined to follow a simple and consistent strategy, not only providing clarity and direction to my team but remaining loyal to the mandate of the Council. This development is encouraging and one looks forward to the changes that lie ahead on this transformation journey, as it is often said that 'change is good and must be relevant'.

2022 marked the end of the Forest Sector Charter Council's reviewed FY2017-2022 Strategic Plan which served as the road map for the yearly activities and directed us to a path of stability, objectivity, efficiency and accountability. There are many recorded achievements as a result of the FY2017/2022 Strategic Plan over the five years. The highlights of 2022 were the two webinars, one organised to celebrate the numerous contributions of women in the sector for the second time. The other was about orienting forestry professionals on the importance of skills and attitudes in order to boost productivity in the workplace.

Another highlight was the collaboration with the entire sector in forging a way forward in particular, the Forestry Masterplan, intended to drive the sector into sustainable growth and transformation. Our ongoing engagements with the entire Sector, either through the Community Outreach Programme or the numerous transformational forums and Industry organised Associations could not have come at a more perfect time when the forest sector was recovering and adjusting to unprecedented challenges brought about by the COVID-19 pandemic. My earnest wish for the Council is to continue to reinforce effective synergies with all stakeholders and pursue its mandate in a prudent manner that will always advocate for impactful B-BBEE implementation.

Council has always been committed to good governance and practical ethical conduct. The clean audit received in



*Makhosazana Khosi Mavimbela
Executive Director*

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2022 is one of the many demonstrations of our governance responsibility. Council's risk mitigation plans proved beyond doubt their realistic application and consideration, with all Risk mitigated entirely.

Sadly, the saying that goes, 'Tomorrow is Never Guaranteed' brought a meaning to the FSCC in 2022. We are deeply saddened that over the 2022 financial year, we lost three of our most valuable members, the Chairperson Dr DE Mahango, Dr Jaap Skeenkamp and Mr Themba Siyolo. I was personally close to the three members as we shared common thoughts and

ideas on certain matters. Our thoughts and condolences are with their families and friends. Their numerous contributions in all spheres will always be remembered.

On behalf of Management, I wish to express our many thanks to the outgoing Council for their commitment and confidence in approaching its work from a broad perspective. The many achievements recorded during their tenure speaks volumes about their courageous deliberations and decisions. We wish them all the luck and believe we will be in contact in future. As a commitment to them, and for steering the transformation ship in the right direction, we pledge to forge ahead with meaningful and innovative projects so as to expand the Council's footprint and I believe the incoming Council is well positioned to do just that.

On behalf of the Council, we wish to welcome, Ms Evidence Musiello, Mr Thabo Dlangamandla, and Ms Tselane Ramakadi to the team and wish them every success as they execute their duties.

In conclusion, I would like to extend my sincerest gratitude to Mr Tyrone Hawkes and Mr Lulamile Xate who when seconded as Interim Management never hesitated, but took the responsibility with confidence. I only experienced enormous support, trust, commitment and more from them and my work as the Executive Director was more manageable and fulfilling throughout.

Makhosazana Khosi Mavimbela
Executive Director: FSCC





The Forest Sector Charter Council's Main Activities

The Forest Sector Charter Council (FSCC)

The Forest Sector Charter Council, 'Council' is mandated to oversee, facilitate and report on Transformation in the Forest Sector. 2022 has not been much of a difference and continued to be a challenge as the Council was adapting to the COVID-19 pandemic. Not only was the pandemic an inconvenience, but the Council sadly lost some of the members and their term was ending in the financial year for the incumbent Council members.

In 2022, the Council only managed to hold two meetings and an Annual General Meeting (AGM). There was a quorum in all meetings and the AGM. In all meetings, a declaration and disclosure exercise was conducted in compliance with the Companies Act with reference to the section on conflicts of interest.

The Council was guided by principles of good corporate governance so as to diligently perform its fiduciary duties and responsibilities. All debates and suggested and implemented resolutions in meetings continued to drive the Council's strategic imperative of ensuring that our sector is fully

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Council acknowledges its responsibilities in ensuring that each of its committees execute its statutory mandate efficiently. The Audit and Risk Committee (ARC) continued to assess and monitor all threats that could have a negative impact on the Council's business objectives in order to uphold the standards of an ethical organisation.

The Finance Committee (Fincom) successfully prepared and implemented a functional budget with accurate monthly and quarterly Management and Financial reports in compliance with all relevant regulations and internal financial controls.

In addition, the Human Resources Committee (HRC) successfully capacitated the staff personnel and managed to fill up all the three (3) vacant positions, namely Researcher, Research Assistant and Admin Financial Officer in the Council in response to the negative staff turnover.

The Executive Committee 'EXCO' of Council also met at least three times to deliberate on key strategic matters and recommendations as tabled by the Committees.

In November 2021, the Council relocated from its previous offices in the South African Forestry Contractor's Association (SAFCA) building to Woodview Office Park in Woodmead. It is currently sharing offices with the Paper Manufacturers Association of South Africa (PAMSA). The Council's term came to an end on the 30 November 2021. Mr Tyrone Hawkes and Mr Lulamile were appointed to serve as the interim Management so as to assist the Executive Director, Ms Makhosazana Mavimbela whilst waiting for the appointment of the new Council.

The outgoing Forest Sector Charter Council Members

Council Members	End of Term
Dr Diphoko E. Mahango (Chairperson)	Late
Ms Thabitha Shange (Vice-Chairperson)	30/11/2021
Mr Daniel Kivetts (ARC Chairperson)	30/11/2021
Mr Tyrone Hawkes (Fincom Chairperson)	30/11/2021
Ms Rally Moropa (HR Chairperson)	30/11/2021
Mr Bruce Breedt	30/11/2021
Dr Jaap Steenkamp	Late
Mr Lulamile Xate	30/11/2021
Mr Jacob Maputha	30/11/2021
Mr Michael Peter	30/11/2021
Mr Roy Southey	30/11/2021
Ms Felling Yende	30/11/2021
Mr Pierre Tullis	30/11/2021
Mr Penwell Lunga	30/11/2021
Ms Tanucia Coopasamy	30/11/2021
Ms Susan Leseke (acting DDG)	30/11/2021
Ms Pumeza Nodada (acting DDG)	30/11/2021

Council's Activities

This report presents the Council's achievements on the deliverables as detailed in the Business Plan.

Community Outreach Programme (COP)

The Council continued to strengthen its visibility with industry through interactions with forestry companies under the Community Outreach Programme (COP). The focus of the COP Operational plan in 2022 was on entities that were finding B-BBEE challenging, with some even receiving lower B-BBEE ratings as a result and/or were not compliant with the annual reporting requirement. The FSCC managed to network with eight entities both virtually and physically. All presentations were tailor-made to suit the measured entity that was prioritised at the time. A number of areas of concern were raised ranging from the frustrations of lower scores after a verification process, the technicality of the ownership element in cases of family-owned businesses and the cost associated with the verification process in its entirety. It is reassuring that most of the entities prioritised, welcomed the discussions with the FSCC.

Forestry professional webinar

The FSCC is committed to creating long term collaborative relationships with its stakeholders, including the Forestry Professionals with the intention of advocating for a more inclusive participation in meaningful B-BBEE implementation. In the year under review, the FSCC hosted one of the most successful webinars for all Forestry Professionals under the subject, 'Skills Development vs Attitude, which matters most'. The objective was to unpack one of the scorecard elements being 'Skills Development', considering the impact of the COVID-19 pandemic on job creation and retention. Additionally, this opportunity provided a deeper understanding of how skills and attitude impacts employment prospects and highlighted the critical skills and attitudes employers prefer or value. The webinar boasted of prominent guest speakers who all gave some insights on the subject of importance. Judging from the huge turnout, the entire industry together with the young professionals are acknowledged for prioritising this critical subject matter and also for their willingness to partner with the FSCC to drive this initiative.

Forestry Masterplan

The Forestry Masterplan is premised on three key pillars, i.e., investment, growth and transformation. The FSCC continued to participate in Focus Area and 1 & 5 and 2 & 4 in particular on the transformation deliverables. In support of deliverables

under these Focus Areas, the FSCC provided qualifying inputs of significance in support of Black ownership. The FSCC will provide an annual report to the Task teams on the Enterprise and Supplier Development (ESD) indicator with reference to emerging and small enterprises in terms of log supply as espoused in the Amended Forest Sector Code (FSC). In addition, the FSCC proposed an amendment, (still to be gazetted) to the Amended FSC which will compel bigger companies to provide their suppliers' B-BBEE credential so as to be better positioned to magnify the transformation factor in terms of growth amongst these groupings.

FSCC collaborates with the sector to host the second Women Webinar in Celebrations of Women's Month

Forestry is a diverse industry that ranges from corporate companies to small scale growers and family-run private entities. In celebration of Women's Month, the Forest Sector Charter Council in partnership with the 'She is Forestry SA' initiative and the entire Forest Sector hosted the second Webinar in August 2021 under the theme, 'Celebrating Women

in the Forest Sector'. The second Webinar was sponsored by Forestry South Africa (FSA) and provided the perfect platform for showcasing the integral role women play in driving the sector forward. Every component of the webinar articulated how the Forestry sector was embracing the inclusiveness of women in forestry transformation, as advocated in a series of interventions such as research, education, entrepreneurship, innovation etc.

These remain the fundamental pillars for the sector towards forging indelible ways and measures to address the myriad of challenges faced by the sector to which women continue to exert the sphere of influence and excellence. Numerous outstanding women in the sector, who participated as either panellist and/or guest speakers, gave us cause for celebrating formidable female leaders who are game changers in pursuit of women empowerment and gender equity, a cause the FSCC supports. The FSCC is sincerely thankful to the entire sector for the exceptional support for this initiative and the additional sponsorship that was received from Sappi Southern Africa, NCT Forestry, Mondi, Fibre, Processing & Manufacturing Seta, Sabie Poles, Sawmilling South Africa (SSA), South African Wood Preservers Association (SAWPA) and SAFCOL.



FSCC Unpacks the Rural Development Principle at NMU

The FSCC continued to orient its stakeholders about the prescripts of the Amended FSC. In 2022, Council also interacted with the Department of Development Studies from the Nelson Mandela University (NMU), and unpacked the 'Rural Development' targets and the impact of this principle in taking the Forestry sector forward. The deliberation focused on how the Rural Development targets are intended to create business opportunities, provide access to resources and advice to advance rural economic development.

Council interacts with National Forestry Advisory Council

The FSCC always prioritises its interaction with the National Forestry Advisory Council (NFAC) as key in facilitating meaningful B-BBEE implementation in the Sector and maintaining a supportive relationship. In 2022, the FSCC presented the performance of the Ownership element over the last three years of implementation to the NFAC. This presented an opportunity to interrogate the patterns of ownership and/or shareholding as well as economic interest in the hands of previously disadvantaged black people and gauge its impact on economic participation and inclusion.

dtic hosts the Sector Council Forum & JTC

The Department of Trade, Industry and Competition (dtic) B-BBEE unit under the leadership of Mr. Jacob Maphutha and Ms Lindiwe Mavundla successfully convened the Sector Council Forum quarterly meetings even in the year under review. The meetings were intended to promote

Sector Council collaborations and create an environment of knowledge sharing and repository. Significantly in the year under review, was the much-anticipated debate on the improved reporting requirements, and a reporting matrix proposing a reporting mechanism to give a realistic status of transformation in each sector.

Consideration of other matters of priority, including the ongoing litigation, investment and undertakings to support growth as well as the Employment Equity targets and the influence of the Protection of Personal Information (POPI) Act could not be left out as they are all influencers of B-BBEE implementation. Additionally, the participation of the FSCC in the dtic Joint Technical Committee, (JTC) facilitated for an enhanced and deeper understanding of the verification and technical processes. Of key importance, was the deliberation on the dates of assessment in relation to each Measured entity's end of financial year in response to the requirement of reporting annually. Mr. Maphutha and Ms Mavundla are greatly acknowledged for their commitment to both the Sector Council Forum initiative, dtic JTC and in ensuring that all Sector Councils remain relevant.

Social Media

The value of our social media platform has been progressively growing. The FSCC continued to interact with its stakeholders even in the year 2022 through its social media platforms. Relevant content was posted to these accounts weekly as a means to keep our stakeholders informed about the latest developments and other activities in the industry. Unfortunately, only one radio show was hosted through the skills village in partnership with the B-BBEE Chamber, Diversity and Inclusion. Ms Arlerne Arlene Wilson-Max from the BEE Chamber is thanked sincerely for organising this show.

Happenings in the Forest Industry



FSA celebrates Women's Month

In celebration of Women's month, August 2021, Forestry South Africa (FSA) in partnership with the entire sector, once again undertook a number of initiatives to recognise the contribution of women in the Forestry Sector. Through their Instagram platform, @forestry_explained, FSA profiled 35 inspirational women who shared their incomparable experiences and learnings from the sector. A number of articles were also written by FSA to illustrate the fundamental role of women in the Forestry Sector. The FSCC through the Executive Director also shared her learnings in the campaign and presented an article themed, 'Gender Equality, Small Steps makes a Huge Difference'. The FSA management led by the exceptional Mr. Michael Peter FSA Executive Director, Dr Ronald Heath Head of Communications and the team in particular, Dr Katy Johnson is thanked for driving this important cause.

DFFE recognises Women of Significance during Women's Month Participation (Sunday World)

During Women's month, the Department of Forestry, Fisheries and the Environment (DFFE) also celebrated women in the department and profiled women of significance in the Sunday World Heroic Women's celebration article. The Sunday World project recognises women who are pioneers in their industry and making a difference in the chosen area of interest. The FSCC's Executive Director was privileged to have been featured in the article. The department is acknowledged for this recognition and for taking this initiative to new heights.



SAFCA holds the 8th Training Indaba

The South African Forestry Contractors Association NPC, (SAFCA NPC) in partnership with the Forestry Training Providers Association (FITPA) hosted the 8th Forestry Training Indaba in November 2021 under the theme '2021, Stronger together we made it'. Presentations under the category 'Tips and Tricks for Contracting' intended giving contractors support under these trying times. The FSC was honoured to give a presentation under the sub theme the 'Future of Forestry' which focused more on the evolution of forestry in support of women inclusion and recognition. Reference was made to the 'She is Forestry SA' initiative and its intended objectives of acknowledging the many contributions of women in the Forestry Sector. The SAFCA NPC team led by Mrs Pamela Naidoo must be really proud for successfully coordinating this Indaba which couldn't come at a more perfect time.

Sadly, in July 2021, we lost the Chief Executive Officer of SAFCA, Dr Jaap Steenkamp who represented the South African Forestry Contractors in the Council. We wish to acknowledge the new CEO of SAFCA, Mr. Dwayne Marx and wish him well in his new role. We also believe that we will have a good working relationship with him.

FSCC collaborates with FSA and IFSA to celebrate International Forest Day

In support of celebrating the International Day of Forests, FSA and FSCC partnered with International Forestry Students Association (IFSA) to launch a photo competition for South African Forestry Students. The competition was run through the FSA Instagram platform @forestry_explained and

promoted this year's Food and Agricultural Organisation (FAO) theme, 'sustainable production and consumption'. Through this initiative, the intention was to encourage forestry students from across the country to share their forestry experience through imagination that talks to this theme and promotes sustainable production and consumption of forestry products. Forestry students are the future employees and entrepreneurs who will be charged with taking the industry forward and addressing challenges like food security, poverty alleviation and sustainable use of natural resources. It is therefore important to get them involved in this dialogue early.

FP&M Seta holds a Skills Summit

The FSCC was thrilled to have participated in one of a kind Skills Summit organised by the FP & M Seta under the theme 'Strengthening ERRP through skills, embracing technological changes and innovation for employability in the sustainable manufacturing sector'. The FSCC's Executive Director, Ms Makhosazana Mavimbela featured in the panel discussion under the subject, 'Empowering Women through Skills Development'. As the FSCC, we saw this opportunity befitting the course we intend. It also related to how skills development is leading to women's employment, productivity and promotability, considering the role of women in prehistory. Such introspection is key to women's involvement and empowerment in the sector, a philosophy that the FSCC subscribes to as committed in the Amended Forest Sector Code. The CEO of FP& M Seta, Dr Felleng Yende, has once again illustrated her commitment to driving effective skills development in the sector, an agenda she has innovatively driven with pride and distinction since her appointment to the CEO role.

FSA celebrates International Day of Women & Girls in Science

FSA launched their Forestry Research Webinar Series on the 11th February with an all women line up in celebration of International Day of Women and Girls in Science. The theme was 'Science in a Forestry Context – diverse, innovative and driving the sector forwards'. The event showcased a number of inspirational women who through science and research are responding to the global challenges our Sector faces and taking the industry to new heights. Additionally, the event was used to raise awareness about research and its importance in enabling our sector to remain competitive and relevant to the demands of technological evolution. Dr Ronald Heath and Dr Katy Johnson are acknowledged for successfully driving this initiative.



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

The Amended FSC lists commitments for both industry and Government Departments. These obligations are enablers for B-BBEE compliance and enforcement. The section below explains progress achieved on these commitments in the year under review.

Instruments to Support Ownership Targets

Funding facility for B-BBEE transactions

A working group on the Blended Finance Instrument was established under the Forestry Masterplan Key Focus Area 1. A process to scan funding instruments that might be suitable to accommodate forestry enterprises is underway. In addition, detailed engagements are being undertaken with some of the funding facilities with the view of establishing an instrument for forestry enterprises.

Restructuring of State Forests Assets

All Community Resolutions for the identified areas have been adopted. Pending is the final outcome of the vetting for all the Community Forestry Agreements (CFA) that have submitted to Legal Services in the DFFE.

New Afforestation

DFFE has identified about 28 000 ha that is suitable for further development.

Skills Development – Instruments to Support Skills Development Targets

Funding for Identified Skills Development Projects

DFFE has secured funding from the FP& M Seta which will be used to train about 90 potential contractors in the Western Cape. Training will be conducted on critical skills such as chainsaw operation so as to increase the chances of gaining either employment or securing contracts from existing businesses.

Participation of DFFE in all FP& M Seta activities

DFFE through the Forestry Master Plan has selectively identified activities of significance in Key Focus Area 5. These include a process to undertake a sector skills audit to identify the skills gap in the sector.

The audit will also assist in the identification, development and implementation of appropriate skills programmes for Small and Medium Enterprises in the Sector.

Preferential Procurement – Instruments to Support Preferential Procurement Targets

The industry is working together with labour and government in the Masterplan process to develop a charter to outline and qualify decent work and conditions.

Instruments to Support Enterprise and Supplier Development Targets

Access to Funds and Financial Services for Emerging Black Entrepreneurs

The industry through FSA produced a second issue of its Corporate Social Investment (CSI) Narrative after the first one produced in 2019 to document some of the gains made in the element. A sample of the new black-owned enterprises created is detailed in the Industry's CSI Narrative in addition to the points scored by the industry on this element.

Industry made numerous submissions during the drafting of the National Policy on Comprehensive Producer Development Support for the inclusion of new entrants and emerging entrepreneurs in the forests sector. Forestry is now a listed commodity in the support framework even though the policy now resides with DALRRD. Considering that the policy framework is now under DALRRD, the previous submissions and discussions made has yielded the Government grant contribution to the IDC's Agri-Industrial Fund, the only blended finance instrument that funds forestry operations so far.

Additionally, the other deliberations were undertaken in the Forestry Masterplan task team and were aimed at establishing a Blended Finance Instrument that will provide a basis for Forestry Enterprises to receive funding. Industry through FSA in partnership with DFFE and the IDC also applied the Presidential Employment Stimulus (PES-2), to assist emerging black timber growers, which unfortunately was not successful.

Small grower certification

A process is initiated through the Masterplan Focus Area 2 and is intended to facilitate markets for small growers.

Capacity Building and Business Support for Emerging Black Entrepreneurs

Industry, through FSA applied for €6 million from the European Union (EU) as a natural progression of the FOREST21 project to establish a regional innovation system for academia, government, industry, and society to collaborate. The five South African Institutions of Higher Education are now collaborating with three European universities and industry players in Norway and Finland.

A Project Advisory Board led by Dr Mawila of the George Campus of Nelson Mandela University has also been established to oversee the successful implementation of the FOREST21 project.

Expedite the Authorisation Process for Afforestation and Paper and Sawmilling Facilities

In May 2021, the Department of Water and Sanitation (DWS) had received thirteen (13) new Water Use Licence Applications (WULA) for Stream Flow Reduction Activity (SFRA). Only eight (8) were declined. Thirty (30) were finally issued. Fifteen (15) are still under assessment.

Instruments to Support Industry-Specific Initiatives

Strengthening Representative Industry Structures

The investment of teaching growers how to use online tools for meetings, and data costs seems to be paying dividends, but in some areas, the poor internet connectivity due to lack of poor infrastructure is still an impediment. Industry continued to hold physical and virtual grower consultations in 2021 under strenuous conditions imposed by COVID19 and fortunately, there were no reported instances of positive cases resulting from these meetings.

Industry participated in Regional Industry Strategies and Wood Clusters initiatives in developing road infrastructure plans

The industry continued to invest tens of millions of Rand per year in rural road infrastructure. Industry through FSA successfully lobbied the South African Revenue Service (SARS) for a special dispensation for small producers on issues of refunds and diesel rebates. As a sequel and in the interim;

- diesel refund users will not have to be registered for the Value Added Tax (VAT) though small producers below the compulsory threshold may register voluntarily for VAT to access the refund scheme.
- diesel used in forest protection (fighting fires), return trips of specialised haulages were now qualifying diesel refund activities.
- SARS has requested for a written submission for small-scale growers with less than R10 million yearly turnover (in line with all Exempted Micro Enterprises) to collectively apply for a refund through mills as their agents





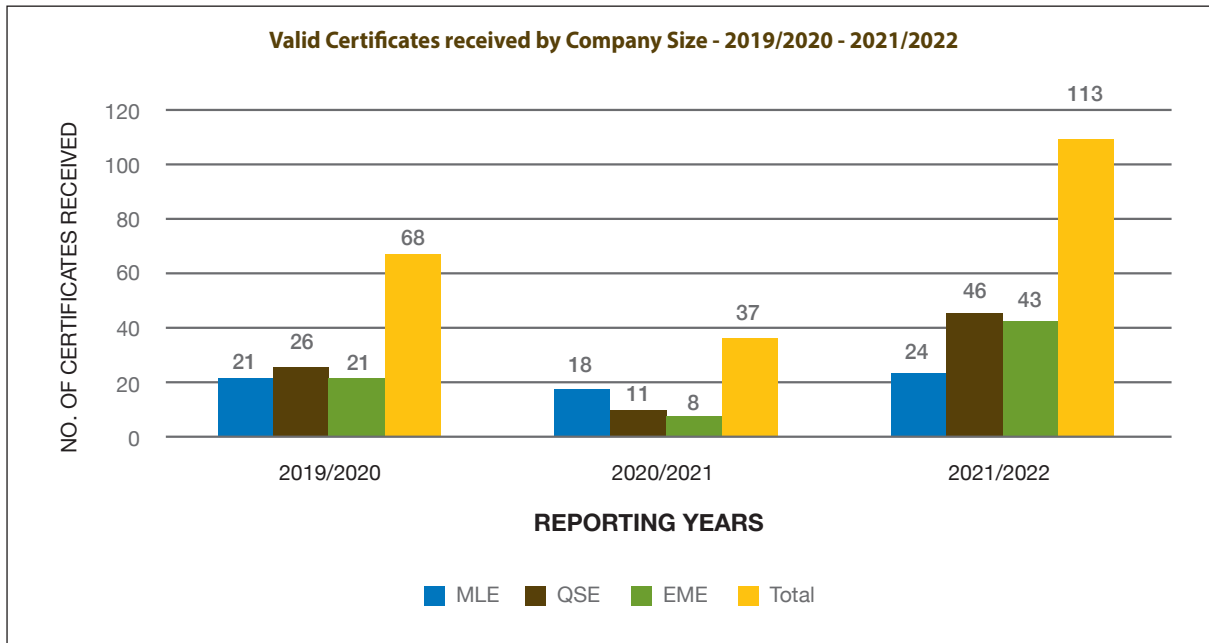
FY2021/22 Forest Sector's performance towards B-BBEE scorecard targets

The forestry industry continues to make great strides in transforming the socio-economic landscape of the sector. The approved Forestry Masterplan together with the Public Private Growth Initiative (PPGI) emphasised the sector's commitment to investment, growth and transformation. The year 2021/2022 marks the fifth year since the Amended Forest Sector Codes (FSC) were introduced in the Forest Sector. The report is intended to deliver insights into the sector's performance against the set scorecard targets. The Forest sector just like all other sectors even though it was regarded as an essential service continued to bear the effect of the most unfortunate COVID-19 pandemic.

A total of 113 valid certificates were received, showing a significant increase when compared to the 37 submissions received in the previous reporting year as shown in the Figure 1 below. Medium and Large Enterprises (MLEs) submitted 24 certificates and underlying reports which was 6 more when compared to the previous year. For the first time since reporting on the Amended FSC, all MLEs submitted both their certificates and underlying reports, making it even more possible to undertake further analysis on the indicators of each scorecard element. Qualifying Small Enterprises (QSEs)

submitted forty-six (46) B-BBEE certificates with eight (8) certificates received from Unenhanced and the remaining thirty-eight (38) submitting affidavits and showing a substantial increase from the previous report. All the eight Unenhanced QSEs submitted also their underlying report allowing for the in-depth analysis even in this category. Forty-three (43) affidavits were received from Exempted Micro Enterprises (EMEs) and showing also a significant increase from the previous reporting year.

Figure 1: Certificates Received by Company Size over three reporting years



The Amended FSC defines the sub-sectors together with the trades and operations qualified in each sub-sector. The sub-sectors include Growers, Fibre, Sawmilling, Contracting, Pole and Charcoal manufacturing. It is anticipated, and subject to

the gazetting of the changes to the Amended FSC, that there will be an inclusion of other processing activities within the Fibre sub-sector such as recycling, lignin, energy and fuels production.

Figure 2: Certificates Submission by Sub-sector, 2022

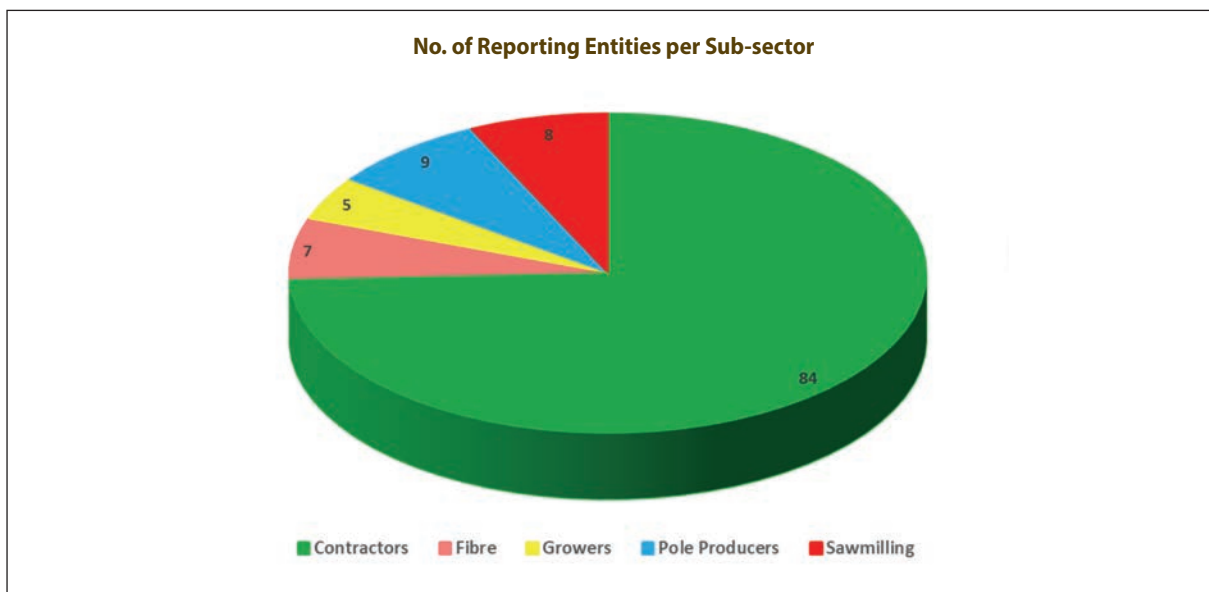


Figure 2 above displays the total number of submissions (either in a form or a B-BBEE certificate or an affidavit) received for the 2021/22 reporting period. A noticeable number of submissions were received from the contractors and these were mostly from QSEs and EMEs with only a few reporting as MLEs contractors. As reported even in previous years,

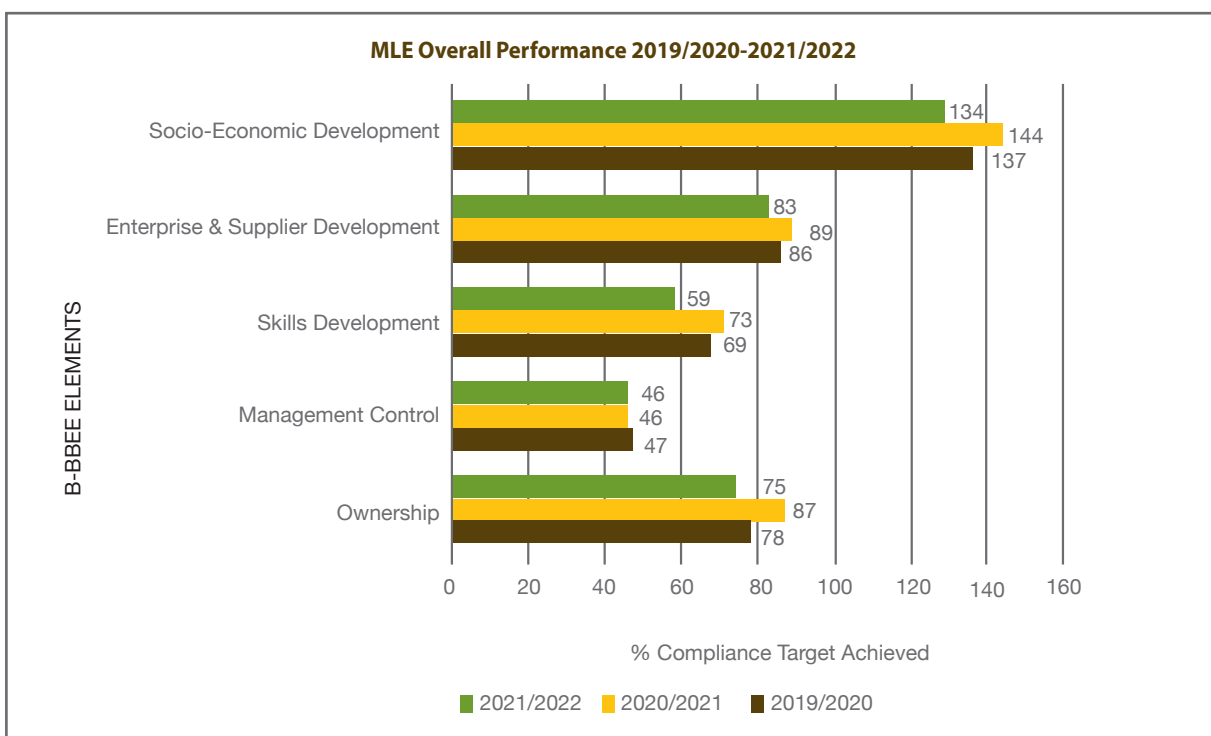
these entities are heavily involved in contracting operations, such as silviculture, harvesting and also provide security and weeding services. The Pole sub-sector recorded the second highest number of submissions, followed by Sawmilling, then Fibre with Growers recording the least submissions. No submissions were received from the Charcoal sub-sector.

Medium and Large Enterprises (MLEs)

The Medium and Large Enterprises are the biggest contributors to the B-BBEE programme, with the largest annual turnover of above R50 million. Notably, this grouping has also the highest number of consistent reporting entities. MLEs achieved an average of 80 points and maintained a level 4 B-BBEE rating when excluding bonus points. In the reporting year under review, slight declines were observed in four (4) of the five (5) scorecard elements, namely

Ownership, Skills Development (SD), Enterprise and Supplier Development (ESD), Socio-Economic Development (SED) with the exception of the Management Control and Socio-Economic Development as displayed on Figure 3 below. The declines may be justified by the continued effect of the COVID-19 pandemic and possibly, the high fuel cost and uncertain economic growth. The Management Control element showed slight improvement possibly due to effective implementation of the succession plans and also the proposed changes to the Employment Equity Act.

Figure 3: MLE Overall Performance per Element as a Percentage of the Compliance Target

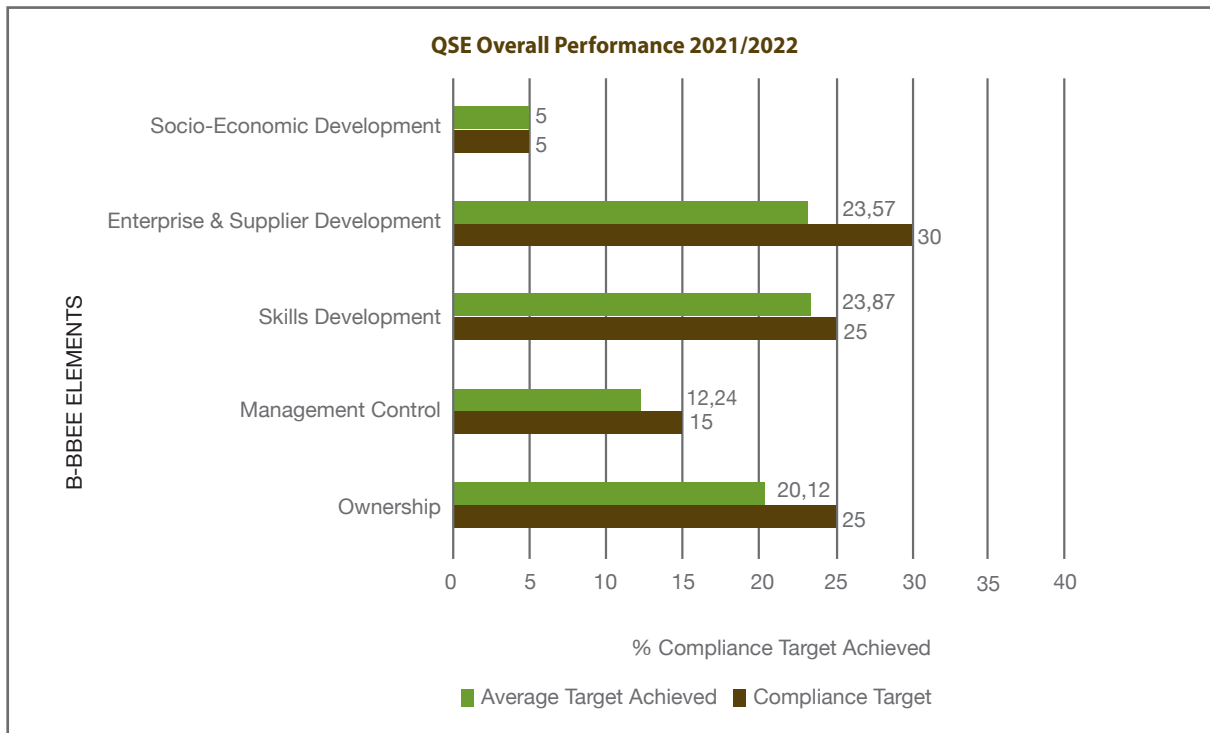


Qualifying Small Entities (QSEs)

QSEs are measured entities with an annual total turnover between R10 million and R50 million. QSEs are either Enhanced (majority black owned) or Unenhanced, (minority black owned). Unenhanced QSEs are verified using the five scorecard elements though their targets are lower when compared to the MLEs. Enhanced QSEs are only required to submit an Affidavit or a CIPC certificate confirming level of black ownership, annual turnover and Empowering Supplier Status (which is still automatically applicable). Forty-six (46) QSEs reported for the year, with eight (8) certificates received

from Unenhanced and the remaining thirty-six (36) from Enhanced QSEs. Sixteen (16) Enhanced QSEs achieved a level 1 with the remaining twenty-two (22) achieving a level 2. Only five (5) of the Unenhanced achieved a level 1 score, with one each achieving a level 2, 3 and 8 respectively. Only one Unenhanced QSE was downgraded as a result of the Ownership and Skills Development elements. QSEs achieved a level 2 which is a level downgrade from the previous reporting year. The overall performance of the Enhanced QSEs is displayed in the Figure 4 below.

Figure 4: QSE Overall Performance per Element as a Percentage of the Compliance Target



Unenhanced QSEs performed exceptionally well in all the scorecard elements achieving about 80% and above in all the elements and even achieving the full score on the Socio-Economic Development (SED) element. Such performance is encouraging and may confirm industry’s commitment to supporting B-BBEE compliant entities in particular the ones with a higher or better B-BBEE level.

Exempted Micro Enterprises (EMEs)

EMEs are the main beneficiaries of B-BBEE with an annual turnover of up to R10 million. In most cases, such entities provide contracting services to the bigger entities. The approved Forestry Masterplan has also emphasised the need to develop such entities as they have a potential to create more jobs. The average black ownership profile within this group is 54% while the average black women ownership is 8%. Figure 5 below shows the level achieved by the reporting EMEs in the year 2021/2022.

Figure 5: EME B-BBEE levels achieved, 2022

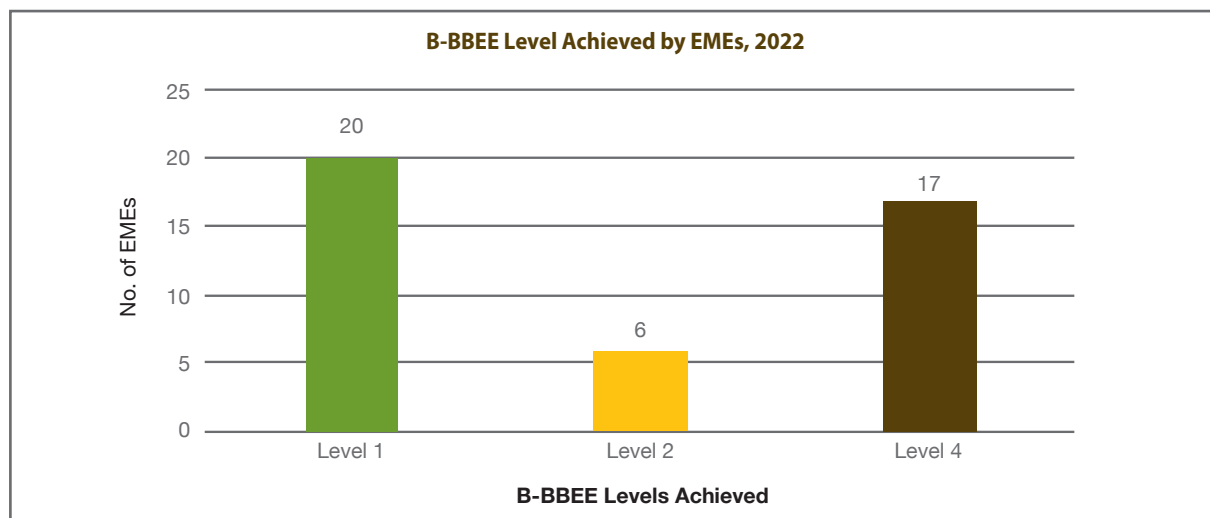


Figure 5 above shows that Enhanced EMEs were the most reporting entities though there were very few who were 51% and above but less than 100% black owned. The sector is still assumed to have a large number of minority black owned as reflected on the Figure 5 above. Further analysis also shows that most of the enhanced EMEs are owned by black males with very few being owned by black women or Designated groupings. It is evident that most EMEs are enhanced making them more preferred by larger contracting companies as this has a cascading effect on the procurement recognition points.

Conclusion

MLEs maintained level 4, while QSEs recorded an average B-BBEE ratings of Level 2 and EMEs achieved a Level 2 respectively. All the reporting sub-sectors performed well with the Fibre sub-sector continuing to outperform most sub-sectors in the MLE category, though it is encouraging

that most of the MLEs are consistent and some even showing improvements in the overall scores achieved. It should be noted that such observation though is subject to the number of reporting entities in each sub-sector and the levels achieved. There were only four (4) MLEs that were downgraded as a result of either or a combination of, Ownership, Skills Development (SD) and Enterprise & Supplier Development (ESD) element. The QSE Level 2 rating is largely a result of few submissions from unenhanced (non-black- owned) and mostly submissions of affidavits that were largely Level 2 (51% or more black-owned). EMEs received a Level 2 rating due to a high number of Level 4 certificates confirming that there are few companies in this scope that are majority black owned. The overall Sector's performance is commendable and very encouraging in particular at the time when the entire world is recovering from the negative economic effect aggravated by the COVID-19 pandemic.



B-BBEE Reporting Entities

MLEs	QSEs	
Iningi Investment 143	Cintasign (Pty) Ltd	Devonix (Pty) Ltd
Maqhiliqa Timber	Farmusa Agric and Forestry Construction	Hlatini Forestry Specialists
Mondi Limited	Indlovu Forestry	Iswepe Silvicultural Services
Mpact	Kanyi Ilanga Trading (Pty) Ltd	Mhlambanyathi Fire Fighting
Natal Forest Products	Mhlambanyathi Group (Pty) Ltd	Ngwenya Forestry Services (Pty) Ltd
Sappi Southern Africa	Natal Box Factory CC	Philasiphile Contractors (Pty) Ltd
Timrite	Pine, Timber & Board Express CC	Ringomode (Pty) Ltd
Vuka Timbers (Pty) Ltd	Sibsa Group (Pty) Ltd	Sibsa weed Services CC
Industrial Timber Supplies	TR Mabuza Contractors Cc	Takhe Transport
Bedrock Mining Support	UG Timbers	Welverdiend Forestry (Pty) Ltd
MTO Forestry	Winnie Logging Services (Pty) Ltd	Alpha Defence Solution (Pty) Ltd
Tzaneng Treated Timbers	Black Forest Harvesting	Can Do Timbers (Pty) Ltd
Amathole	Double D 207 (Pty) Ltd (Malvern Farm)	Gauteng Pallets East CC
Lowers Creek TreatedTimbers	Hlanganani Forestry (Pty) Ltd	Imphisi Harvesting
Noepark	Ingulule Road Maintenance	Masibambisane Harvesting (Pty) Ltd
SAFCOL	Micloo Forestry Services (Pty) Ltd	Mooiplaas Forestry Contracting (Pty) Ltd
Imishini Contracting Services	Mooiplaas Silviculture Services (Pty) Ltd	Sakhizwe Bush Control CC
PG Bison	Sibambane Forestry	Siyakhula Forestry Contractors (Pty) Ltd
White River Sawmills	Somusa Forestry (Pty) Ltd	SOS Eucs (Pty) Ltd
York Timbers Holdings CC	SOS Harvesting (Pty) Ltd	SOS Silviculture (Pty) Ltd
Khulani Timbers	Themba Forestry (Pty) Ltd	Thuthugani Contractors (Pty) Ltd
Braecroft Timbers	Thuthuka Forestry (Pty) Ltd	Tingasmart (Pty) Ltd
Merensky	Timbermech (Pty) Ltd	Matume Sawmills CC
R & B Timbers		

EMEs			
Amahlathi Ethu Trading (Pty) Ltd	Dinoko Sulie Trading (Pty)	ES Forestry (Pty) Ltd	Flepu Hardworkers (Pty) Ltd
Goobs Forestry (Pty) Ltd	Inkunzi Kayihlehli (Pty) Ltd	Jerry and Sons Contractor Trust	Jezywiz (Pty) Ltd
Kettledas and Son Contractors	Lens Forestry Contactor	Linger Forestry	LK Maart Forestry (Pty) Ltd
Loridel Forestry CC	Mandlezile Trading CC	Masonga Contractors CC	Mhlekezi Forestry (Pty) Ltd
NBR Harvesting CC	SC Forestry Contractors	SS Three (Pty) Ltd	Tumisho Developers
GDH Timber Harvesting	Kalah Forestry (Pty) Ltd	Mfezi Security Guarding Services CC	Sebenza Forestry Service (Pty) Ltd
Sebenza Shorthaul Service (Pty) Ltd	THT Forestry (Pty) Ltd	AC Higgs Timber Harvesting	Athalia
Basic Stock (PTY) Ltd	CMO Logistics	Dargle Poles (Pty) Ltd	Fractal Forest CC
HI Rope Industries (Pty) Ltd	Log X Forestry Contractors	LotLog CC	Meyer Forestry (Pty) Ltd
Nu Forestry (Pty) Ltd	RS AND SS Plant Hire CC	Sabie Poles cc	SA Forestry Management (Pty) Ltd
Sizanani Village Maintenance CC	Steel and Ropes CC	Umthi Contractors (PTY) Ltd	



Annual Financial Statements for the Year Ended 31 March 2022

**Forest Sector Charter Council NPC
(Registration number 2009/006567/08)
Annual Financial Statements
for the year ended 31 March 2022**

Index

The reports and statements set out below comprise the financial statements presented to the shareholders:

	Page
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Statement of Financial Position	24
Statement of Comprehensive Income	25
Statement of Changes in Reserves	26
Statement of Cash Flows	27
Accounting Policies	29
Notes to the Financial Statements	31

The following supplementary information does not form part of the financial statements and is unaudited:

Detailed Income Statement	36
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Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Oversight over and facilitation of the implementation of the Forest Sector Code which, as its main objective, seeks to promote Broad-Based Black Economic Empowerment in and through the Forest Sector.
Directors	Makhosazana Mavimbela
Business address	Unit 4 Woodview Office Park 1 Humber Road Woodmead Sandton 2191
Postal address	Unit 4 Woodview Office Park 1 Humber Road Woodmead Sandton 2191
Auditors	Dziwa & Company Registered Auditors

Councillors' Responsibilities and Approval

The councillors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the financial statements.

The 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 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 2023 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 financial statements. The financial statements have been examined by the Council's external auditors and their report is presented on page 23 - 24.

The financial statements set out on pages 23 to 36, which have been prepared on the going concern basis, were approved by the Council on 30 May 2022 and were signed on its behalf by:

Approval of Annual Financial Statements



Makhosazana Mavimbela

Councillors' Report

The councillors have pleasure in submitting their report on the financial statements of Forest Sector Charter Council NPC for the year ended 31 March 2022.

1. Review of financial results and activities

The 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 of South Africa. 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 financial statements.

2. Councillors

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

Councillors		Changes
Dr. Diphoko Mahango (Chairperson)	* Deceased	Resigned Sunday, 26 September 2021
Bruce Breedt		Resigned Tuesday, 30 November 2021
Tyrone Hawkes		Resigned Tuesday, 30 November 2021
Daniel Kivetts		Resigned Tuesday, 30 November 2021
Jacob Maphutha		Resigned Tuesday, 30 November 2021
Rally Moropa		Resigned Tuesday, 30 November 2021
Michael Peter		Resigned Tuesday, 30 November 2021
Thabitha Shange		Resigned Tuesday, 30 November 2021
Roy Southey		Resigned Tuesday, 30 November 2021
Dr. Jaap Steenkamp	*Deceased	Resigned Thursday, 22 July 2021
Lulamile Xate		Resigned Tuesday, 30 November 2021
Penwell Lunga		Resigned Tuesday, 30 November 2021
Tanucia Coopasamy		Resigned Tuesday, 30 November 2021
Felleng Yende		Resigned Tuesday, 30 November 2021
Pierre Tullis		Resigned Tuesday, 30 November 2021
Pumeza Nodada		Resigned Tuesday, 30 November 2021
Makhosazana Mavimbela		Resigned Tuesday, 30 November 2021

3. Councillors' term of office

The outgoing Council's term of office ended on 30 November 2021. A new Council is currently in the process of being appointed. As part of transitional measures, Mr Tyrone Hawkes and Mr Lulamile Xate have been appointed as Interim Management to ensure the smooth running and oversight of the Council's operations.

4. Contributions from the Department of Agriculture, Forestry and Fisheries

The Department of Forestry, Fisheries and the Environment has not yet paid its contributions for the 2022 financial year and the Council is not aware of the material reasons for the non payment. To meet its operational expenditure needs for the 2022 financial year, the Council relied on the contributions from other sector members and on its own internal resources.



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website: www.dziwa-inc.com

Independent Auditor's Report

To the members of Forest Sector Charter Council NPC

Opinion

We have audited the financial statements of Forest Sector Charter Council NPC (the company) set out on pages 7 to 18, which comprise the statement of financial position as at 31 March 2022, statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Forest Sector Charter Council NPC as at 31 March 2022, and its financial performance and 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 of South Africa.

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 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 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 corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The directors are responsible for the other information. The other information comprises the information included in the document titled "Forest Sector Charter Council NPC financial statements for the year ended 31 March 2022", which includes the Councillors' Report as required by the Companies Act of South Africa and the supplementary information as set out on pages 19 to 20, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (continued)

Responsibilities of the Directors for the Financial Statements

The councillors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the councillors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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.
- 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 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 financial statements, including the disclosures, and whether the 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 RA(SA)

30 May 2022
Bramley, Johannesburg

Statement of Financial Position as at 31 March 2022

Figures in Rand	2022	2021
Assets		
Non-current assets		
Property, plant and equipment	75 911	1 756
Current assets		
Trade and other receivables	2 750 527	356 004
Cash and cash equivalents	10 466 452	11 698 105
	13 216 979	12 054 109
Total Assets	13 292 890	12 055 865
Reserves and Liabilities		
Reserves		
Retained income	13 276 140	11 987 060
Liabilities		
Current liabilities		
Trade and other payables	16 750	68 804
Total Reserves and Liabilities	13 292 890	12 055 865

Statement of Comprehensive Income

Figures in Rand	2022	2021
Revenue	4 378 245	7 415 075
Other income	54 580	59 682
Operating expenses	(3 452 214)	(2 725 978)
Operating surplus	980 611	4 748 779
Investment revenue	308 469	285 733
Surplus before taxation	1 289 080	5 034 512
Taxation	-	(67 817)
Surplus for the year	1 289 080	4 966 695
Other comprehensive income	-	-
Total comprehensive surplus for the year	1 289 080	4 966 695

Statement of Changes in Reserves

Figures in Rand	Retained Income	Total Equity
Balance at 01 April 2020	7 020 365	7 020 365
Surplus for the year	4 966 695	4 966 695
Other comprehensive income	-	-
Total comprehensive income for the year	4 966 695	4 966 695
Balance at 01 April 2021	11 987 060	11 987 060
Surplus for the year	1 289 080	1 289 080
Other comprehensive income	-	-
Total comprehensive surplus for the year	1 289 080	1 289 080
Balance at 31 March 2022	13 276 140	13 276 140

Note(s)

Statement of Cash Flows

Figures in Rand	2022	2021
Cash flows from operating activities		
Cash (used in) generated from operations	(1 471 681)	4 708 588
Interest income	308 469	285 733
Tax paid	-	(3 043 117)
Net cash from operating activities	(1 163 212)	1 951 204
Cash flows from investing activities		
Purchase of property, plant and equipment	(91 792)	-
Sale of property, plant and equipment	23 351	-
Net cash from investing activities	(68 441)	-
Total cash movement for the year	(1 231 653)	1 951 204
Cash at the beginning of the year	11 698 105	9 746 901
Total cash at end of the year	10 466 452	11 698 105

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The 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 of South Africa. The 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
IT 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.

Accounting Policies (continued)

1.2 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. They 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 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 there is objective evidence, the recoverable amount is estimated and compared with the 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.

1.3 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 or investment property on the cost model 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.

1.4 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.

1.5 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

2022

2021

2. Property, plant and equipment

	2022			2021		
	Cost or revaluation	Accumulated Depreciation	Carrying Value	Cost or revaluation	Accumulated Depreciation	Carrying Value
Furniture and fixtures	93 038	(93 037)	1	122 313	(120 983)	1 330
Office equipment	23 662	(23 661)	1	23 662	(23 247)	415
IT equipment	112 882	(36 973)	75 909	108 626	(108 615)	11
Computer software	1 999	(1 999)	-	1 999	(1 999)	-
Total	231 581	(155 670)	75 911	256 600	(254 844)	1 756

Reconciliation of property, plant and equipment – 2022

	Opening Balance	Additions	Depreciation	Closing Balance
Furniture and fixtures	1 330	-	(1 329)	1
Office equipment	415	-	(414)	1
IT equipment	11	91 792	(15 894)	75 909
	1 756	91 792	(17 637)	75 911

Reconciliation of property, plant and equipment – 2021

	Opening Balance	Depreciation	Closing Balance
Furniture and fixtures	6 874	(5 544)	1 330
Office equipment	1 954	(1 539)	415
IT equipment	-	11	11
	8 828	(7 072)	1 756

3. Trade and other receivables

Trade receivables	2 733 126	353 153
Deposits	11 350	2 850
Other receivables	6 051	-
	2 750 527	356 003

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 719 309	3 259 430
Interest yielding bank balances	8 747 143	8 438 675
	10 466 452	11 698 105

5. Trade and other payables

Trade payables	6 649	4 515
Other payables	10 101	64 289
	16 750	68 804

Notes to the Annual Financial Statements (continued)

Figures in Rands	2022	2021
6. Revenue		
Industry contributions – Members of the Forestry Sector	1 767 260	2 209 075
Government contribution – Department of Forestry, Fisheries and the Environment	2 610 985	5 206 000
	4 378 245	7 415 075
7. Other income		
Surplus on sale of property, plant and equipment	23 351	-
Insurance claim recovery	-	59 682
Vodacom contract recoveries	31 229	-
	54 580	59 682
8. Operating expenses		
Operating expenses include the following expenses:		
Operating lease charges		
Lease rentals on operating lease		
• Contractual amounts	160 370	126 315
Depreciation and amortisation	17 637	7 072
Employee costs	2 158 176	1 722 836
9. Auditor's remuneration		
Fees	80 270	76 400
10. Employee costs		
Employee costs		
Basic	1 509 637	1 215 364
PAYE, UIF and SDL	648 539	507 472
	2 158 176	1 722 836
11. Depreciation, amortisation and impairments		
The following items are included within depreciation, amortisation and impairments:		
Depreciation		
Property, plant and equipment	7 072	8 675
12. Investment revenue		
Interest revenue		
Bank	308 469	285 733

Notes to the Annual Financial Statements (continued)

Figures in Rands	2022	2021
13. Taxation		
Major components of the tax expense		
Current taxation		
South African normal tax - prior period (over) under provision	-	67 817
Non provision of tax		
The Council's income and accruals are exempt from income tax under exemption number 930068132.		
14. Cash (used in) generated from operations		
Surplus before adjustments	1 289 080	5 034 512
Adjustments for:		
Depreciation and amortisation	17 637	7 072
Profit on sale of assets	(23 351)	
Interest received	(308 469)	(285 733)
Changes in working capital:		
Trade and other receivables	(2 394 524)	(114 184)
Trade and other payables	(52 054)	66 921
	(1 471 681)	4 708 588
15. Tax paid		
Balance at beginning of the year	-	(2 975 300)
Current tax for the year recognised in loss	-	(67 817)
	-	(3 043 117)

Notes to the Annual Financial Statements (continued)

Figures in Rands	2022	2021
16. 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) Department of Forestry, Fisheries and the Environment (DFFE)	
Related party balances and transactions		
Balances		
Amounts included in Trade receivables		
FSA	-	100 698
PAMSA	94 477	236 192
Sawmilling SA Non-affiliated	27 663	17 290
DFFE	2 610 985	-
Transactions		
Revenue received from related-parties:		
PAMSA	1 133 724	1 299 058
FSA	483 351	722 285
Sawpa	25 058	31 323
Sawmilling South Africa	82 990	103 757
Saup	25 058	31 323
Safca	17 079	21 349
DFFE	2 610 985	5 206 000

Notes to the Annual Financial Statements (continued)

Figures in Rand	2022	2021	
17. Councillors' remuneration			
Non-executive			
2022	Attendance fees	Travel and subsistence allowances	Total
Dr Diphoko Mahango (Chairperson)	107 651	3 682	111 333
Daniel Kivetts	22 228	6 850	29 078
Rally Moropa	39 097	7 892	46 989
Thabitha Shange	43 511	4 376	47 887
	212 487	22 800	235 287
2021			
Dr Diphoko Mahango (Chairperson)	182 912	10 683	193 595
Daniel Kivetts	34 929	-	34 929
Rally Moropa	38 104	-	38 104
Thabitha Shange	25 403	-	25 403
	281 348	10 683	292 031

18. Income statement by project and function


Total income	4 735 343	7 760 490
CEO visits	-	(69 471)
Knowledge sharing and transfer programmes	(40 025)	-
Community outreach programme (Phase 2 & 3)	(118 371)	(25 403)
Employee costs	(2 172 269)	(1 722 836)
Other operating expenses	(1 095 523)	(908 268)
	1 309 155	5 034 512

Detailed Income Statement

Figures in Rand	Note(s)	2022	2021
Revenue			
Government contribution – Department of Forestry, Fisheries and the Environment		2 610 985	5 206 000
Industry contributions – Members of the Forestry Sector		1 767 260	2 209 094
	6	4 378 245	7 415 075
Other income			
Insurance claim recovery		-	59 682
Recoveries		31 229	-
Gains on disposal of assets		23 351	-
		54 580	59 682
Expenses (Refer to page 20)		(3 452 214)	(2 725 978)
Operating surplus		980 611	4 748 779
Investment income	12	308 469	285 733
Surplus before taxation		1 289 080	5 034 512
Taxation	13	-	(67 817)
Surplus for the year		1 289 080	4 966 695

Detailed Income Statement (continued)

Figures in Rand	Note(s)	2022	2021
Operating expenses			
Accounting fees		(195 296)	(207 665)
Advertising and branding		(1 467)	-
Annual report		(39 733)	(14 835)
Audit fees	9	(80 270)	(76 400)
Bad debts		(23 324)	-
Bank charges		(6 696)	(8 041)
Catering		(2 363)	-
Cleaning		(26 839)	(43 818)
Computer expenses		(87 800)	(46 300)
Consulting: B-BBEE status reports		-	(24 092)
Depreciation, amortisation and impairments		(17 637)	(7 072)
Employee costs		(2 158 176)	(1 722 836)
Gifts		(3 669)	-
Insurance		(20 084)	(17 293)
Meeting and workshop venues		(11 069)	-
Meeting attendance costs		(258 987)	(281 348)
Office consumables		(377)	-
Office removal		(4 160)	-
Operating lease - office equipment		(51 624)	(50 474)
Operating lease - premises		(160 370)	(126 315)
Postage		(2 934)	-
Printing and stationery		(14 270)	(14 637)
SARS penalties and interest		(4 942)	-
Skills development		(23 593)	-
Subscriptions		(3 441)	-
Telephone and fax		(35 996)	(63 870)
Travel and accommodation		(137 522)	(4 470)
Travel and subsistence claims - council members		(22 046)	(10 683)
Travel and subsistence claims - staff		(9 565)	(1 068)
Website hosting		(3 899)	(4 761)
Women in forestry		(44 065)	-
		(3 452 214)	(2 725 978)



Appreciation to the outgoing Forest Sector Charter Council as it hands over the baton

This Financial year marked the end of the second term of the Council which was led by the late Dr DE Mahango. This means that we must say farewell to them for completing their term of service.

The outgoing Council has done a sterling job in shaping the Council for what it is and we can all be proud to have been led by such outstanding leaders. The outgoing Council is sincerely thanked for their efforts, tireless commitment, wisdom and willingness to support every idea brought forward to support transformation. After all, they also gave their time and talent. Although the members are leaving the Council, we will definitely be tapping into their institutional knowledge and skills and relying on their achievements as detailed in the Handover report moving forward.

Their tenure in office has been characterised by valuable and innovative philosophies, strategic thinking, accountability and, transparency which has enhanced the credibility and visibility of the Council. Through all their great work the resulting recognition has become an asset to the Council, and has fostered a reliable working relationship and partnerships with all stakeholders. The handover report speaks volumes of

the many achievements during their term of office and will definitely serve as an encyclopedia for the incoming council.

Some of the highlights during their tenure includes (to name a few):

- Created a stable, credible FSCC and held quarterly meetings that encouraged freedom of speech and exchange of ideas;
- Developed an implementable Strategic Plan which has served as a guide to support their mission in office for their success;
- Established functional Committees, such as the Audit and Risk Committee, HR Committee and Finance Committees all of which were effective and carried out their mandates with ease and pride;
- Implemented new programmes such as the CEO visits and Community Outreach Programmes intended to advocate for sustainable B-BBEE implementation across all stakeholders;
- Collaborated with the entire sector for the, 'She is Forestry SA' initiative to enhance their mandate of women inclusion and acknowledgement;

- Received clean audits in all 6 years;
- Reviewed Policies to ensure they were fit for purpose for the current times;
- Established social media platforms that gained support and recognition from stakeholders while promoting Council's visibility;
- Employed a fully competent secretariat.

We look forward to staying in touch for years to come with all the outgoing Members and their only message to the incoming council is to wish them the best of luck.

Appreciation to Mr Tyrone Hawkes (SAPPI Southern Africa) and Mr Lulamile Xate (MTO): Interim Management

The outgoing Forest Sector Charter Council seconded Mr. Tyrone Hawkes and Mr. Lulamile Xate as interim Management, pending the appointment of the New Council, so as to ensure the smooth running and oversight of the Council's operations.

As an interim management, the Council service was probably the toughest volunteer role. More than your amazing flexible ability, expertise, consistent considerations and your careful deliberation on matters of the Council, we are most grateful for your active leadership and we appreciate the time you took from your busy schedules just to continue to guide us.

We never doubted your commitment and dedication, though at times it felt like we were impossibly asking for more from your busy schedules. Your respect, dignity, commitment and seriousness are what drove us to do our work with ease and confidence. And to you, what was more rewarding, was ensuring that the Council continues to function efficiently but of course not only within its mandate but also within its financial capacity.

Working with both of you has really helped in elevating our work experience. Your understanding, motivation and kindness are some of your traits that made our work more bearable and enjoyable during this time.

On behalf of the outgoing Council and Management, we wish to express our many thanks for always putting the interest of the Council at heart. The many extra hours that you have put at no cost, have no doubt showed us your genuine pledge and support to the work of the Council.

A Big Thank you!!





Tribute to Dr Mahango, Dr Steenkamp & Mr Siyolo

In 2021, the Council was unfortunate to have lost some of their incredible leaders and it is unthinkable that we are suddenly without them. It is befitting to look at the lives and legacies of our former Chairperson Dr Diphoko Emmanuel Mahango and former members, Dr Jaap Steenkamp and Mr Themba Siyolo through a tabulation of events and the many exceptional contributions they made to the work of the Council.

Such an outlook is not only appropriate but recognizing their greatest contributions and influences that defined the destiny of B-BBEE in the Forest sector in their times.

Dr Diphoko Emmanuel Mahango: 2012-2021

Dr Mahango commonly known as 'Doc' joined the FSCC in 2012, representing the Limpopo Province Community. Dr Mahango was appointed Chairperson of the Council in 2015, as a result of his commitment and passion for transformation. He brought a wealth of experience and wisdom to his role as a chairperson from the numerous roles that he held in previous institutions.

He was a genuine workaholic and very passionate about his work and transformation in general and seeing that transformation benefits a wider group of beneficiaries. He undertook the CEO initiative with pride as he would engage with CEOs of the forest companies and communities. He was well known in the sector as he developed special relationships with stakeholders. He never subscribed to the philosophy of not giving his opinions and would often share his thoughts with them without any fear or prejudice and more so his many jokes. Sadly, he passed away on the 26 September 2021.



Dr Jaap Steenkamp: 2008-2021

Dr Jaap Steenkamp chaired the contractors sub-committee in the Charter Steering Committee, that developed both the Forest Sector Code (gazetted in 2009 and repealed) and the Amended FSC the Forest Sector Code. He was one of the founding members of the FSCC in 2009, and was a member till his untimely passing. Dr Steenkamp contributed immensely to Transformation and was a pillar of knowledge, skill, innovation and support to matters that affected the empowerment of contractors in particular.

Through his dedication, commitment and comprehension to matters of transformation, he was instrumental and led the team that developed the most practical Codes of Good Contracting. He also served tirelessly and sincerely in the team that was advocating for the recommissioning of the Western Cape plantations as a result of the devastating fires and exited areas in exchange for the creation of more jobs, timber resource availability, revenue generation and economic growth. His philosophy of fighting for the contractors made him head and shoulders above us and expectedly so as he diligently led the contractor's association for more than three decades. He sadly passed away on the 22 July 2021.



Mr Themba Siyolo: 2008- 2017

Mr Themba Siyolo participated in the Steering Committee that developed the Forest Sector Transformation Charter in 2008 and was one of the founding members of the FSCC in 2009. He served as the Vice-Chairperson of the Council in 2012-2014 and simultaneously co-chaired the two Committees of the Council namely the Fincom and HR.

Themba was genuinely passionate about transformation. He gave all his time, resources skill and worked diligently for the development of both the Forest Sector Code (repealed) and the Amended FSC. It was also due to his profound knowledge of forestry that he served generously in different Steering Committees, Charter Review steering Committee, the dti (now dtic) Technical Committee, Executive Committees in the Forestry based Associations. He retired from the Council in 2017 and sadly he passed away on the 17th July 2021.





FSCC New Employees

The Council is thrilled to announce the appointment of Mrs Evidence Miyelani Musiello as the Researcher, Mr Thabo Dlangamandla as the Research Assistant and Ms Tselane Geneva Ramakadi as the Admin Financial Officer. The Council is confident that their appointments will be a value add as they bring with them the skills, talent and experience to strengthen the Council's position in being efficient and purposeful in executing their mandate. The Council welcomes them all and wishes them well as they adapt to the Council's work principles.



Evidence Miyelani Musiello

Evidence Miyelani Musiello holds an MSc in Forestry (2018) from Nelson Mandela University. She is an open-minded individual, self-motivated and a problem solver and very flexible. She is passionate about transformation, and believes transformation has to make economic sense to all parties. She is encouraged by individuals and companies who take B-BBEE seriously. Working for the Forest Sector Charter Council as a Researcher is exciting and rewarding as it will enhance and reinforce my understanding of B-BBEE and its intended objectives and how it will be beneficial to the Forest Sector.

Thabo Dlangamandla

Thabo Dlangamandla holds an MSc in Forestry from the Nelson Mandela University. Thabo is an outstanding person that is incredibly motivated, hard-working and self-driven. He has a fervent appetite for community development within the commercial domain of plantation forest management. He is excited to have joined the Council as the new Research Assistant and sees the position as a platform to contribute meaningfully to community development.



Tselane Geneva Ramakadi

Tselane Geneva Ramakadi holds a Bachelor of Accountancy from the University of Limpopo. She is service-oriented, has strong ethical principles and is thrilled by numbers. She strives to advocate for financial education for all and personal growth. She is looking forward to serving the Council and ensuring that it adheres to all the financial principles and has all the resources to carry out its mandate.





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