



FOREST SECTOR
CHARTER COUNCIL



ANNUAL REPORT
2022/2023



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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Chairperson's Message

My appointment as the Chairperson of the Forest Sector Charter Council marked a new dawn for me, as it presents an opportunity to help drive and facilitate the change we all want to see within our sector, which is to:

- build resilience within our communities
- facilitate the development of skills and pipeline for our sector
- promoting diversity and inclusion, in particular women, across all spheres of our sector
- supporting enterprise development and creation of economic pathways

All of which will ultimately contribute positively not only to our sector but to our country.

The work of the FSCC is important, as it is through our efforts of driving meaningful transformation and facilitating the implementation of BBBEE, that the purpose and character of our entire Forest Sector is magnified. So as we begin our journey, let us always keep in mind the critical importance of our mandate, under the common purpose of advancing Transformation and BBBEE within the Forest Sector.

The immediate milestone set for the Council was to revise the expired FY2017/2022 Strategic Plan. The deliberations were intentional and conscious on establishing a revamped and relevant strategic roadmap to enhance Council's visible and impactful transformation agenda. The new strategy was to continue to address the headwinds, catalyse the key strategic projects, and reinforce new recommended initiatives. I am personally excited to be a part of this process.

The two common factors impacting our industry's growth and competitiveness is the issue of land and afforestation licenses. Shrinking afforestation land area directly means reduced fibre resource and a hinderance for the sustainability and growth of all forest businesses and new role players. The approved Forestry Master Plan's outcome of increasing the land available for afforestation could not come at a better time, and so, is the commitment to reducing the length of time of issuing water use licenses from 300 to 90 days by our President.



I am sadly aware of the passing away of my predecessor, Dr DE Mahango in 2021. In an ideal situation, having to have taken the ropes directly from him would have been absolutely perfect. But I am thankful that our paths met on several occasions and of course for matters of transformation. His unfortunate passing will no way make his contribution fade in recognition. I hope and believe he is resting eternally well in knowing that he left a lasting legacy for us all and in particular myself. I believe through the expertise, and support of the new Council I lead, you will all help me not only emulate but multiply the legacy and create more invaluable memories and propel the Council into a higher level of delivery and performance.

My sincerest thanks go to the former FSCC too. Despite being disrupted by the COVID-19 pandemic, they emerged victorious. The achievements from the strategic and firm deliberations, and implemented resolutions presented in the Handover report are witness to that.

On behalf of the new Council, I would also want to express my utmost gratitude to Mr. Tyrone Hawkes and Mr. Lulamile Xate together with the entire staff members for holding the fort while waiting for the appointment of the new Council. The



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state of affairs of the Council, achievements and operations showed beyond doubt that all was in safe and capable hands and that their dedication to the Council was boundless. We are all proud of you.

To conclude, I want to remind Members about my opening remarks, in the first meeting I chaired, where I emphasized the need for all of us to pledge to operate in a highly professional, result-oriented and ethical manner whilst amplifying our focus and impact. I am grateful to you all for the support and enthusiasm shown so far, in my first few months of being the Chairperson. I am confident and excited that through all your commitment to the strategic objectives, the vision of having a fully transformed sector will be realised.

Nelly Ndlovu

Chairperson: Forest Sector Charter Council

Appointment of New Council

Who are we?

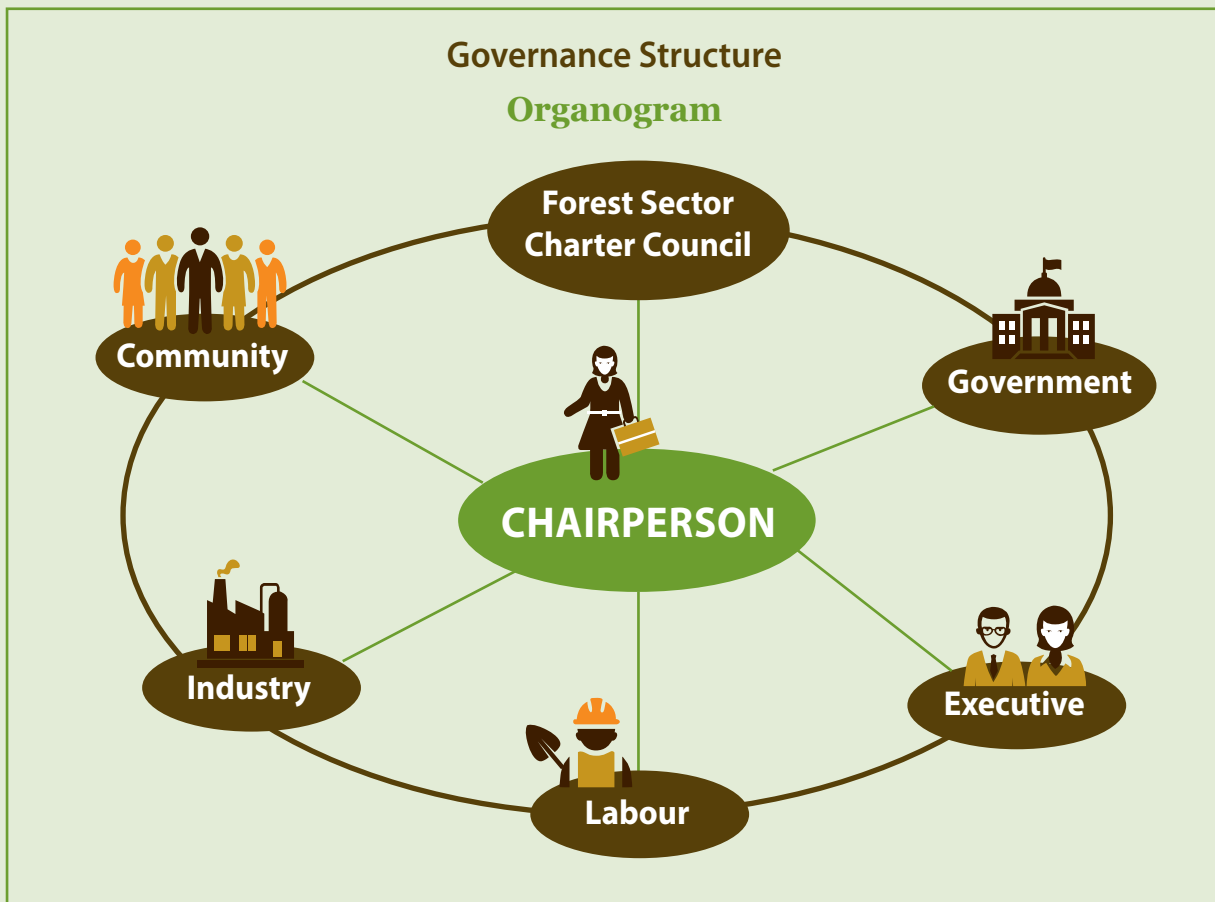
In October 2022, the Minister of Forestry, Fisheries, and the Environment appointed the Forest Sector Charter Council, "FSCC" members. The new Council is constituted of 16 representatives from Industry (Sub sectors from Growers, Contracting, Fibre, Pole, Sawmilling), Government Departments (Forestry, Fisheries & the Environment (DFFE), Trade Industry & Competition (dtic), Agriculture, Land Reform & Rural Development (DALRRD), Labour (sactwu), and Communities. All members have sufficient experience complemented by extensive knowledge of the forest sector and its prospects thereto.

The Forest Sector Charter Council is mandated to oversee, facilitate and monitor the implementation of the Amended

Forest Sector Code (FSC), provide interpretation and guidance and report on the status of empowerment in the sector. The Council must also ensure that the Amended FSC is widely publicised and the scorecard, initiatives and undertakings made by industry, labour and government are comprehensively implemented.

Further to that the Council other duties as set out in the Memorandum of Incorporation (Mol) includes;

- Strategy development,
- Risk Identification and implementable risk management plans
- Consensus Adoption of realistic resolutions for implementation
- Approval of policies etc.





Nelly Ndlovu
Chairperson



Makhosazana Mavimbela
Executive Director



Thandi Mokwena
Community- Small Scale
Business Owner in Forestry
and Processing



Michael Peter
Industry- Forestry South
Africa (FSA)



Penwell Lunga
Industry- Forestry
South Africa (FSA)



Dwayne Marx
Industry- South African
Forestry Contractors
Association (SAFCA)



Tanucia Coopasamy
Industry- Paper
Manufacturers Association
of South Africa (PAMSA)



Tyrone Hawkes
Industry- Paper
Manufacturers Association
of South Africa (PAMSA)



Roy Southey
Industry- Sawmilling
South Africa, (SSA)



Lulamile Xate
Industry- Sawmilling
South Africa (SSA)



Pierre Tullis
Industry- South
African Utility Pole
Association (SAUPA)



Bruce Breedt
Industry- South African
Wood Preservers
Association (SAWPA)



Tshepo Makhene
Labour- Southern African
Clothing & Textile Workers'
Union (SACTWU)



Kwena Komape
Government -Department
of Agriculture, Land Reform
and Rural Development
(DALRRD)



Pumeza Nodada
Government- Department
of Forestry, Fisheries and the
Environment (DFFE)



Lindiwe Mavundla
Government - Department
of Trade and Industry (dtic)

Council Operations

Inaugural meeting

The Forest Sector Charter Council held its Inaugural meeting on the 26th of January 2023. The meeting provided a platform for networking, fostering an operational culture of support while marking the beginning of a promising collaboration between all members. A key point was the first message delivered by the Chairpersons Ms Nelly Ndlovu appealing for true transformation ambassadors, robust, focused, enthusiastic and engaging Council so as to continue to achieve meaningful B-BBEE in the Forest Sector. The handover report from the previous Council was also presented and gave insights of achievements and set a benchmark for the newly appointed Council. A run-down of the 2022/23 Business plan performance and the approval of 2023/24 calendar year could not be left out.

Council meeting

Council also held its first formal meeting on the 27th of February 2023. In this meeting, the Council was oriented more about the regulatory and prescripts of B-BBEE Act as Amended and the Amended Forest Sector Code, as well as the operations of Council referring to the policies, the Constitution, Meetings and applicable booking framework and stipends. An online Reporting System intended to reliably collate scorecard information from all the Reporting Entities in the sector was secured, marking the first milestone achieved by the new Council.

Committees were also established to assist the Council in the execution of other various and delegated functions. The Council fully understands that the delegation of these responsibilities does not constitute a discharge of its accountability. All Council Committees are constituted by appropriately skilled members and are allowed to co-opt experts of special matters. Each committee has a clear mandate and acts according to the approved terms of reference which sets out the compositions, roles and functions. All recommendations from each Committee will be presented to the Council for endorsement. Each Committee Chairperson will be representing the Committee in the Executive Committee, chaired by the Council's chairperson. Similarly, to the previous Councils, ad hoc committees will be established from time to time to assist in dealing with specific matters.

Council Committees and Members

Finance Committee (Fincom)

Mr. Tyrone Hawkes
Mr. Lulamile Xate
Ms. Kwena Komape
Ms. Thandi Mokoena
Ms Makhosazana "Khosi" Mavimbela

Human Resources Committee (HRC)

Mr. Penwell Lunga
Mr. Tshepo Makhene
Ms. Lindiwe Mavundla
Ms. Tanucia Coopasamy

Audit & Risk Committee (ARC)

Ms. Erika Donker
Mr. Dwayne
Mr. Bruce Breedt
Mr. Joel Matshate

Orientation by the Independent of Directors South Africa (IoDSA)

The Council's general powers are conferred in the Memorandum of Incorporation (Mol), which provides clear and concise overview of the roles and responsibilities of the Council. The Council prides itself on high standards of corporate governance and ethics and fully comprehends that adhering to these is of fundamental importance. Considering that all members are coming from all backgrounds with a diverse set of skills and expertise, it was prudent that professional development aimed at enhancing the Member's understanding of their fiduciary duties in as far as corporate governance and ethics is concerned be undertaken. The Council was inducted on the corporate governance and ethics framework by the Institute of Directors South Africa (IoDSA). This exercise was well accepted by Members and viewed as a positive for the Council's exceptional functionality and performance towards its operations.

Strategic Plan review

The year under review saw the end of the implementation of the 2017/22 Strategic Plan suggesting for the review of the plan. This was no doubt the perfect timing for the newly

appointed Council and the consensus was to align ideas tailored to usher the new Council into operational excellence, institutional legacy towards and long-term impact. Council took this exercise with much pride and excitement as it provided an opportunity to craft a central plan embracing new and fresh ideas for a revised road path and diversified strategic imperatives.

The suggested strategic objectives prioritised measurable potential commitments and initiatives for each constituency with a common goal of achieving meaningful transformation in the forest sector. These ranged from achieving an improved B-BBEE level, improved interactions with the beneficiaries with a solid understanding of the direct and obvious impact of B-BBEE as well as support required to ensure sustainability of newly established forest businesses. Certainly, this foundational plan should enhance the Council's reaction and positively influence the decisions to be taken for matters of transformation.



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Happenings in the Forest Industry

Dividends of DFFE's 2nd year implementation of the Forestry Masterplan

2022/23 saw the second year of implementation of the endorsed Forestry Masterplan. The super goal is to achieve all the targets for the milestones within the five-year framework with highlights of new investments secured, new jobs created, transformation and radical inclusion of small and locally owned black businesses. This would no doubt translate to growth, both in terms of the forest economy and overall contribution to the national Gross Domestic Product (GDP). Of significance to achieving all this, is the extensive, robust, focused dialogue, unencumbered interest and collaborative efforts from all sector role players, an accolade so profoundly observed in all the interactions whether at task team or Committee level. Acknowledgement also, is on the strides of the agreements derived from competent views and processes to bring about focused objectives and milestones and some urgency, evidently suggesting that the Forest Sector can have a fully implemented Masterplan.

In the Forestry Masterplan, analysis on progress has resulted in the:

- Disbursement of land in the Eastern Cape

- Signing of the MoU between DFFE and Industry to secure funds for research etc
- Commitment for forestry businesses in the DALRRD Blended Finance
- Clear and focused catch up plan for the transfer of Category B & Cs plantations
- Increased investment in mainly downstream processing industries and job creation in certain sub-sectors.

Special thanks to the DFFE, DM and Forestry branch who have managed to bring all stakeholders on board for a common goal. The team has elevated this project with hard work and great determination and ours as the FSCC is to pledge our earnest support.

FSA Celebrates 20 years of serving the Forestry Sector

Forestry South Africa, FSA, is an umbrella association representing all timber growers in South Africa. FSA is mandated to facilitate and provide extensive and advisory support on matters of significance to all timbers growers, whilst forging efficient and reliable collaborations and partnerships with sector partners. These range from transformation, land, water and rail matters, climate change,

pest and disease, research, competitiveness, access to market, and legal compliance and certification to name a few. All these services are generally aimed at developing the growers' sub-sector to be more resilient and inclusive in its approach.

In 2022, FSA celebrated 20 years since its establishment, which has been marked by numerous milestones and achievements. These include several initiatives that will have an integral role in transformation, these include: the Forest 21 project, the funding secured from the European Union, that is transforming forestry education at the five forestry Higher Educational Institutions. FSA's Executive Committee's commitment to curbing the high unemployment rate amongst forestry graduates, which has already seen a third of unemployed graduates find forestry positions. FSA's lead role in establishing and facilitating the "She is Forestry SA" initiative which is placing gender equality at the forefront of everything the sector does. FSA should also be commended for their conscious decision to embrace technology to ensure the sector remains competitive and aligned to global trends, the virtual chainsaw training is a prime example of how FSA is facilitating job creation through the access of the latest technologies while considering the social impacts of this activity.

The FSA team, those who serve on their working groups and all their members must be congratulated for all the accomplishment they have made over the past two decades. FSCC sees FSA as a key partner when it comes to industry transformation and the constant positive expansion of the sector. Our sentiments echo those in the FSA 20-year magazine shared by forestry business and growers of all sizes and other forestry associations – well done FSA, here's to the next 20 years!

Dtic host the first Black Industrialist conference

The South African government led by the Department of Trade, Industry and Competition (dtic) hosted the first Black Industrialist Conference in on 20 July 2022, at the Sandton International Convention Centre. The Conference was opened by His Excellency President Cyril Ramaphosa. The conference showcased the competency of the Black Industrialist programme, exhibiting some of the black industrialist that have been supported across various economic sectors. This was in line with the statistics released in 2021 in terms of the number of businesses created and total estimated investment thereto. The conference also featured panel discussions with emphasis on the opportunities of

this programme, how it has evolved and the importance of some of the policies including the B-BBEE Act as Amended, Employment Equity Act (EEA) in leveraging the impact of this programme.

Given the current economic instability exacerbated by the COVID-19 pandemic and the economic exclusion of mostly black controlled business, the sustainability of these black controlled businesses is of significance to transformation and B-BBEE, national GDP contribution, inclusive and diverse supply chain, market accessibility, localisation and innovation as well technology advancement through skills development initiatives and job creation.

The Black Industrialists Policy (BIP) is part of Government's broad industrialisation initiatives to expand and transform the industrial base and inject new entrepreneurial dynamism into the economy. It calls for bolder policy interventions on the part of the State to coordinate key policy instruments through dedicated support to black industrialists (BIs) as highlighted in the latest iteration of the IPAP.

The dtic through this programme illustrated their firm commitment to driving effective transformation and in ensuring that established businesses controlled by majority black people, not only strive but contribute to the creation of other jobs. Special thanks to the dtic team for supporting this initiative to the core and ensuring its execution.





Council partners with entire Sector to celebrate women in forestry

In 2022, She Is Forestry SA, on behalf of the Forestry Sector hosted their annual webinar entitled, "Being the Best You Can". Like previous She Is Forestry SA Women's Month webinars, 2022's was designed to shine a spotlight on the contribution of women across the Forestry Sector and its value chains. The subject of the webinar was fuelled by acknowledgement that women often have more external pressures (family commitments and household obligations) than men following the same career path, and as such, cannot dedicate the same amount of time as their male colleagues on their own personal growth. The webinar was therefore designed to raise awareness of this and provide personal growth opportunities. Inspirational panellists from across the forestry value chain gave career and life/work balance advice, adding personal stories that illustrated their point, and broke down perceived notions that successful women at the pinnacle of the career ladder do not have the same challenges as those working their way up. These inspirational messages could not have come at a more perfect time, considering the current challenges with graduate employment and the promotion and empowerment of women.

The She Is Forestry SA webinar also teamed up with Move Africa in the fight against period poverty. For the first time, alongside the customary webinar, corporate sponsorship, She

Is Forestry SA launched a backabuddy campaign during the webinar where individuals could contribute to this important cause. In total, R25,000 was raised on the day and over R100 000 was raised via corporate sponsorship, ensuring all Grade 8 to Matric girl learners at the five She Is Forestry SA supported schools, were provided with menstrual cups and would never again have to miss a day of school as a result of period poverty.

Acknowledging the integral role of women in society and empowering them to take up the position of being role models for future generations to aspire to, is a necessary step in achieving gender equality in South Africa. The 2022 webinar took even greater steps to deliver on this by introducing the She Is Forestry SA Awards, recognising the contribution of women from across the Sector and the dedication of female forestry students. The quantity and quality of nominees is testament to the Sector's willingness to give women the opportunity to succeed and shine. It is also testament to the calibre of women found across the Sector, women who have earned their place at the top table and are not simply there to make up the numbers.

The sponsorship received was inspiring, proving once more the sector's intentional commitment in driving this initiative. The planning of the webinar was once again exceptionally and collectively coordinated- all in the best interest of the Sector's women and the future role players. The improved

numbers of recorded participants across the South African and global forestry community is a testament of the ovation this initiative has received.

Special thanks to the Planning team, the Directors, Sponsors, Participants, Forest Companies, Government Departments and the entire Forest Sector Industry who made this event a huge success.

Sawmilling South Africa carves out a new brand and focuses on the future of wood

In 2022, Sawmilling South Africa (SSA) turned over a new leaf to lead the way for the timber sector with a new logo and slogan, and a renewed focus.

“Getting people to recognise the value of timber in the built environment will be set in motion by our modernised visual identity and corporate logo and will be directed by our new positioning statement: ‘We saw the future,’” explains Roy Southey, SSA executive director.

“‘We saw the future’, a play on words, demonstrates that our sector processes renewable and responsibly sourced timber into sawn products, while also recognising the role that wood plays in a sustainable, low-carbon future,” says Southey.

Cape Town-based agency Creative Caterpillar was given the task to visually reflect SSA’s renewed focus and vision, resulting in the association’s brand transformation. “The team adopted a contemporary, future-minded approach when re-imagining the SSA logo, which made it possible to step away from our previous, more literal logo and embrace a more inclusive and relatable design for all stakeholders in the industry,” says Southey.

The aim was to visually represent the new positioning while still honouring wood’s unique qualities. Therefore, the logo simultaneously represents a portal to the future and a stylised cross-section of a timber log. Coupled with this are themes of biophilic design and the positive ripple effect of sustainability within the timber sector. In this manner, when the timber sector brings their sustainability commitments to life, it will boost relevance and increase its business value connection with the target audience.

The evolution of the visual identity, corporate logo and a refreshed colour palette has given the sector new focus and a refreshed approach to enhancing its long-term sustainability and profitability.

DFFE celebrates International Day of Forests

The International Day of Forests (IDF) was established by a resolution of the United Nations General Assembly that took place on 28 November 2012 with a set commemorative date of 21st of March of each year. Various events are hosted to celebrate and raise awareness about the importance of all types of forests and trees outside forests, for the benefit of the current and future generations. The Theme for the 2023 IDF was “Forests and Health” aimed at exposing amongst others the issues of forest health and vitality. Key discussions of the day evolved around the immense contribution of Forests towards human health and food production through the practice of Agroforestry and the role of forests in curbing Climate Change and adaptation, a matter that has received much global attention. Other highlights of the day were on key areas of forestry and tree planting in terms of their role in creating and sustaining healthy and resilient communities, through health benefits that are derived in forests, including nutritious foods, medicine, fresh air, clean water and places for recreation.

In 2023, the DFFE together with their key stakeholders celebrated this event in the Western Cape, Overstrand Local Municipality and included tree planting at the local clinic and a seminar at the Harold Porter Botanic Garden. The Deputy Minister of Forestry, Fisheries and the Environment, who officiated this event can never be thanked enough for her continued commitment for hosting this valuable event in the forestry prospect. The participation all forest stakeholders in this event has not doubt mobilised the sector’s role -players to continue to contribute significantly to the Ten Million Trees Programme, with at least Two Million Trees planted per annum. Special thanks too, to DFFE for continuously driving this course.

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

The Amended FSC has set targets of commitments for both industry and governments to enable measured entities to comply and the sector at large to achieve sustainable B-BBEE. The Forestry Masterplan has provided a conducive environment for the implementation of these undertakings, hence the progress detailed below.

Instruments to Support Enterprise Development Targets

Funding facility for B-BBEE transactions

Access to funds & financial services for emerging Black entrepreneurs

Industry in partnership with the Department of Forestry, Fisheries, and the Environment (DFFE) and other few development finance agencies are in the process of producing a framework for a blended finance under the Forestry Masterplan. The industry through Forestry South Africa (FSA) is also working on the Industrial Development Corporation's (IDC) proposal for a "wholesale funding instrument" for very

small-scale timber growers so that they could benefit from the Agri-industrial fund which currently supports with a minimum of R1 million.

Furthermore, in partnership with the Eastern Cape Development Corporation (ECDC) and a few communities in the Eastern Cape Province, Industry through developing land models that will enable communities to access funding from the Development Finance Institutions (DFI). Moreso, Industry in partnership with the Eastern Cape Development Corporation (ECDC), Industry is structuring a proposal to the jobs fund to assist new entrants in the Eastern Cape Province.

Capacity building and business support for emerging black entrepreneurs

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. FOREST21 was granted € 500 000 to pilot the regional innovation system for academia, government, industry, and society to collaborate before any EU funding is awarded. Industry in partnership with the University of Pretoria is developing a DNA fingerprinting for small-scale timber growers in KwaZulu-Natal (KZN) and Mpumalanga. The project is co-funded by the Technology Innovation Agency (TIA).

Instruments to Support Industry-Specific Initiatives

Integrated Forest Sector Development in Provincial and municipal planning

FSA submitted a Provincial customized Public-Private Growth Initiative PPGI for the KZN Province to the KZN Growth Coalition for the eventual attention of the Office of the Premier. The initiative is being replicated in Limpopo, Mpumalanga, Eastern Cape & the Western Cape. Industry through FSA and Sawmilling South Africa (SSA) has also partnered with DFFE and Labour in the Forestry Masterplan process to draft the future management plan of State-owned Category B & C plantations.

Moreover, and in partnership with the PPGI, and In Transformation Initiative (ITI), Industry is assisting Ehlanzeni Municipality, in Mpumalanga with a District Development Model that is based on forestry/ agriculture, Tourism, Mining, and Infrastructure development.

Transport infrastructure development in support of forestry

Industry through FSA successfully lobbied the South African Revenue Service (SARS) for a special dispensation of small producers on issues of refunds and diesel rebates. Primarily, diesel refund users will not have to be registered for Value Added Tax (VAT) and in the interim, small producers below the compulsory threshold may register voluntarily for VAT to access the refund scheme. Secondly, diesel used in forest protection (e.g., in fighting fires) and return trips of specialized haulages are now qualifying diesel refund activities. SARS only requires a written submission for small-scale growers with less than R10 million yearly turnover (in line with all Exempted Micro Enterprises definition

as in the Amended Forest Sector Code) to collectively apply for a refund through mills as their agents. Through FSA's intervention, SARS has made an undertaking that the diesel rebate that on labour transport, backlogs, firefighting, and collective applications for refund will be implemented in 2024.

Strengthening representative Industry structures

FSA has more than an equitable representation of Small-Scale Growers Group (SSGs) in all its decision-making structures. FSA held 10 Regional Meetings in which all growers were represented, and an additional 3 SSG-specific consultation meetings were held to ensure that SSG-specific issues were properly captured and addressed. To improve efficiencies, a combination of physical and virtual grower consultations were undertaken in 2022/23. All Growers and small-scale operators were also consulted on Deliverable 8 of the Masterplan (i.e., certification).

Contractors are also equitably represented within the South African Forestry Contractors Association.

Strengthening collaboration between representative Industry structures

There is a continuous extensive collaboration between organized industry associations on a wide range of activities including research, legislation and policy input, media and government interactions, sector promotion, etc.



Status Report - FY2022/2023

Abridged version of the Annual Status of Transformation

The chief mandate of the Forest Sector Charter Council is to profile the annual status of Transformation based on the reporting entities from Medium and Large Enterprises, (MLEs), Qualifying Small Enterprises (QSEs) scorecard scores as well as Exempted Micro Enterprises (EMEs).

In FY2022/23, a total of 193 entities reported, showing a significant increase when compared to 2021/22 (113) as displayed in Figure 1 below. Increases were recorded in all three categories of reporting entities. The largest increases were observed amongst the QSEs and EMEs. A larger fraction of the reporting entities was representing EMEs.

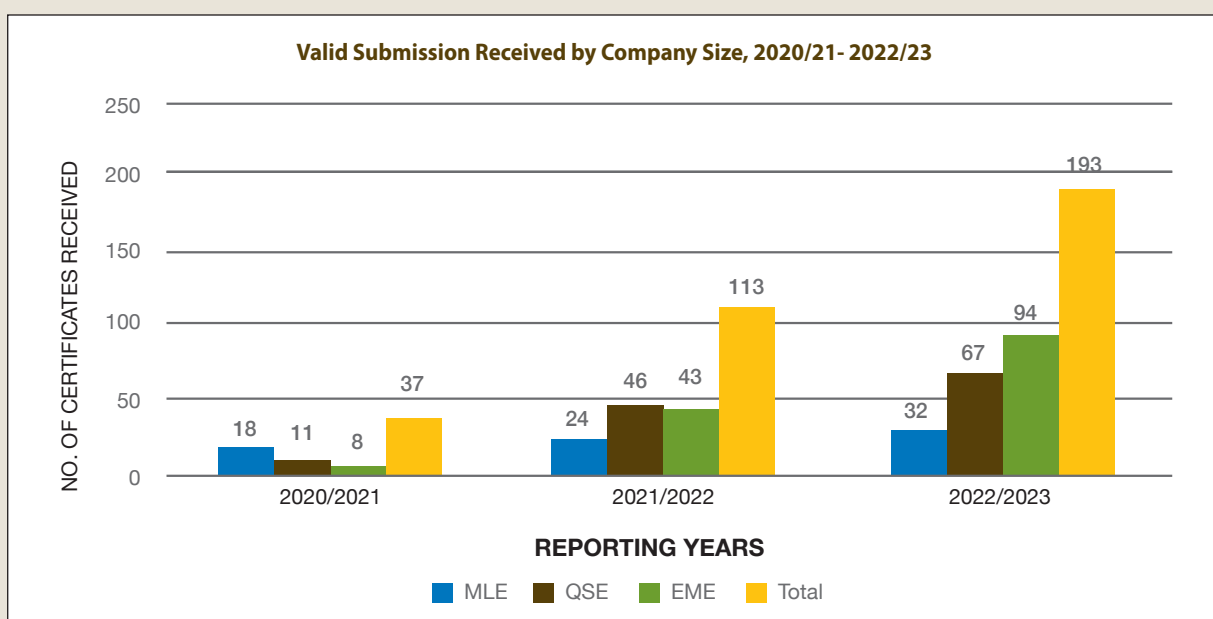


Figure 1: Valid Submissions received from Reporting Entities

The reporting entities were further categorised into the 6 reporting sub-sectors as per the scope of application sectioned in the Amended Forest Sector Code (FSC). Figure 2 below displays the number of reporting entities per sub-sector. A majority of the submissions were received from Contractors. Further observations show that less than half of the received certificates and or affidavits were from the other five sub-sectors, suggesting a need to encourage reporting from these sub-sectors.

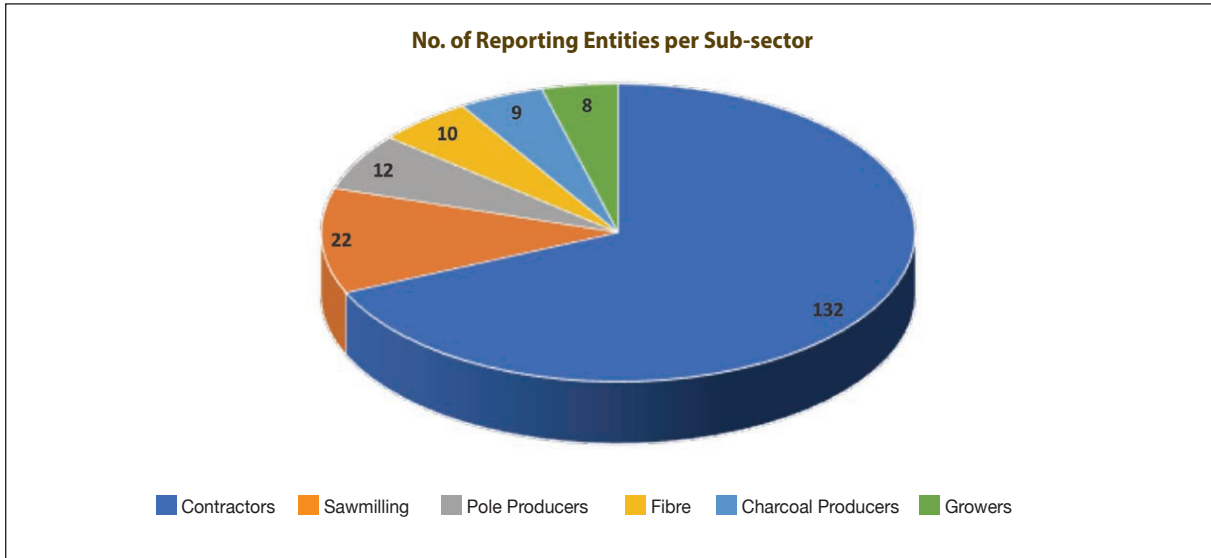


Figure 2: No of Reporting Entities per Sub-sector

Medium and Large Enterprises (MLEs)

Based on the overall scorecard performance each submitting entity will receive a B-BBEE level, with levels 1-4 being the best. Often than not, an entity having achieved this level is preferred mostly for procurement opportunities. Figure 3 below shows the distribution of B-BBEE levels achieved by MLEs.

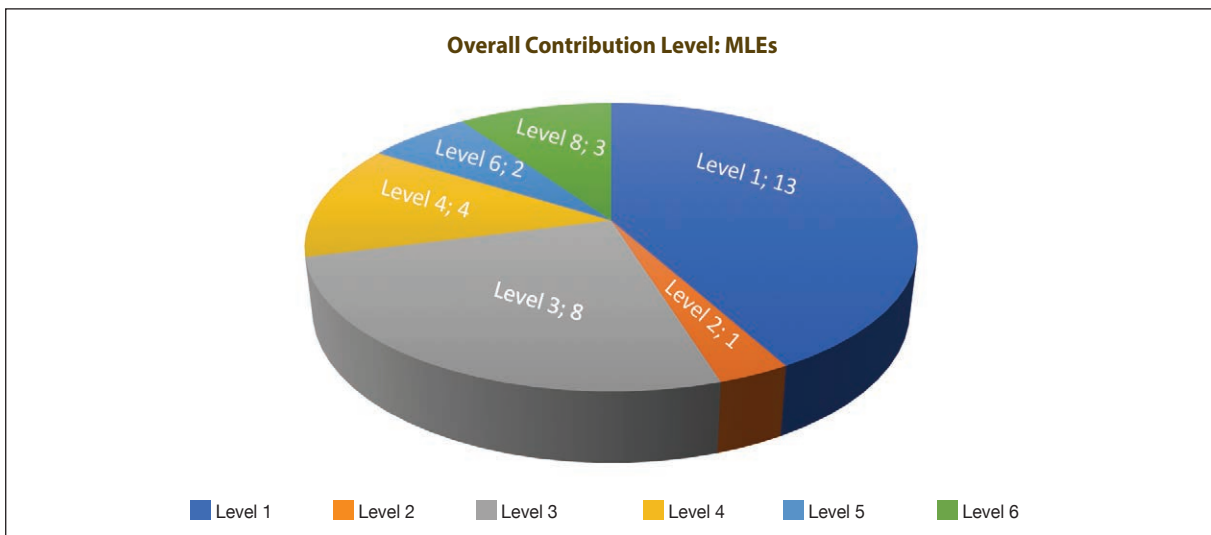


Figure 3: Achieved B-BBEE levels by MLEs

The mode for MLEs is a B-BBEE level 1 as shown in Figure 3 above. A majority of the MLEs achieving a level 1 are labeled as the most reliable entities. Level 3 and 4 B-BBEE rating was achieved by more MLEs when compared to the higher levels. About 7 MLEs improved in terms of the B-BBEE level achieved when compared to the previous reporting period.

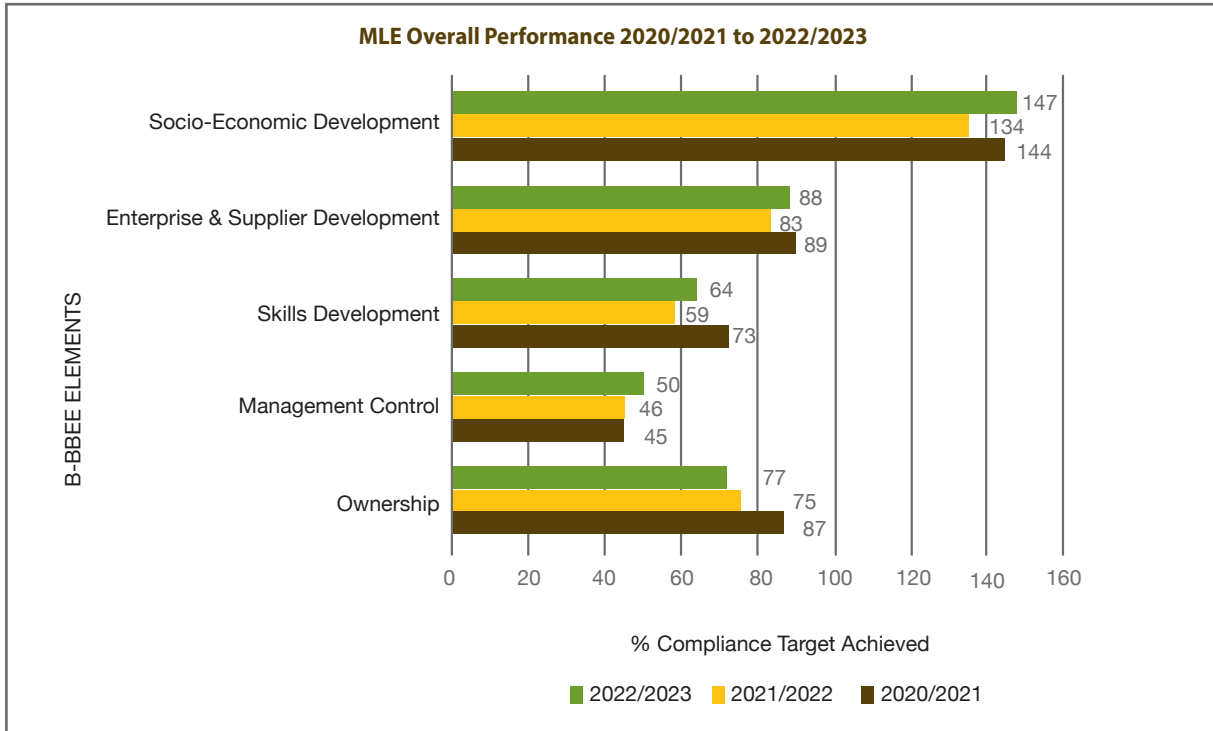


Figure 4: 3-year MLE scorecard performance

Figure 4 above compared the performance of MLEs on the five scorecard elements over a three-year reporting period. Good scores were recorded in Socio-Economic Development (SED), Enterprise and Supplier Development (ESD), Ownership and Skills Development (SD). In Management Control (MC), an average score above 50% was attained, and it is the first time that the sector achieved above 50% with 16 MLEs achieving above 50% and some even achieving more than 70% towards the target. Skills Development showed the greatest improvement when compared to the five scorecard elements. Only 6 MLEs were downgraded as a result of failure to achieve the 40% minimum on the priority elements being Ownership, Skills Development and Enterprise and Supplier Development.

Qualifying Small Enterprises (QSEs)

A comparison of the levels achieved by all reporting QSEs is shown in Figure 5 below. A majority of the QSEs are enhanced, automatically achieving a level 1 or 2 B-BBEE rating. Seemingly the levels achieved amongst QSEs are skewed and not evenly distributed when compared to the MLEs. Only two Unenhanced QSEs were discounted.

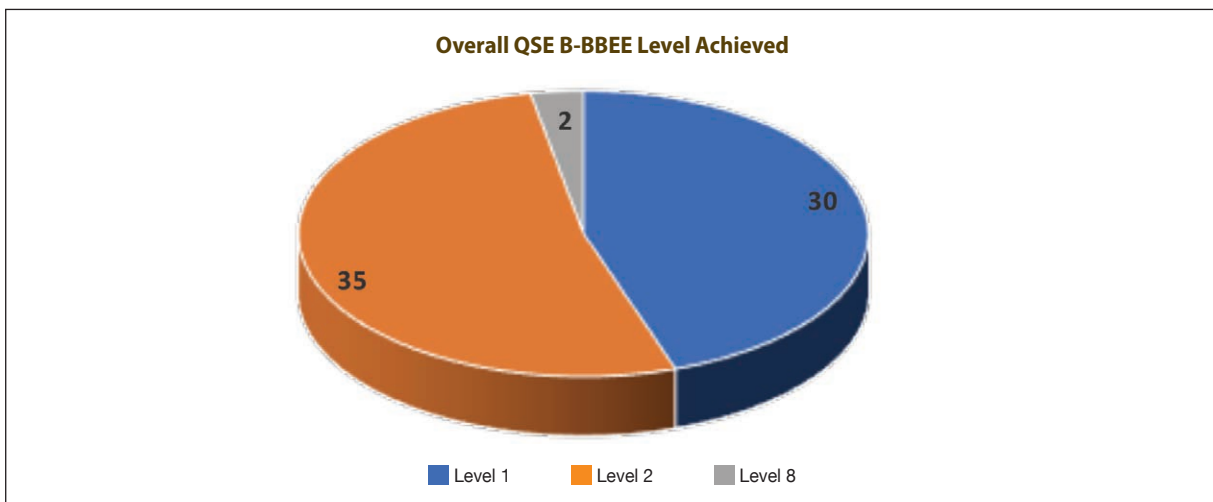


Figure 5: Achieved B-BBEE levels by QSEs

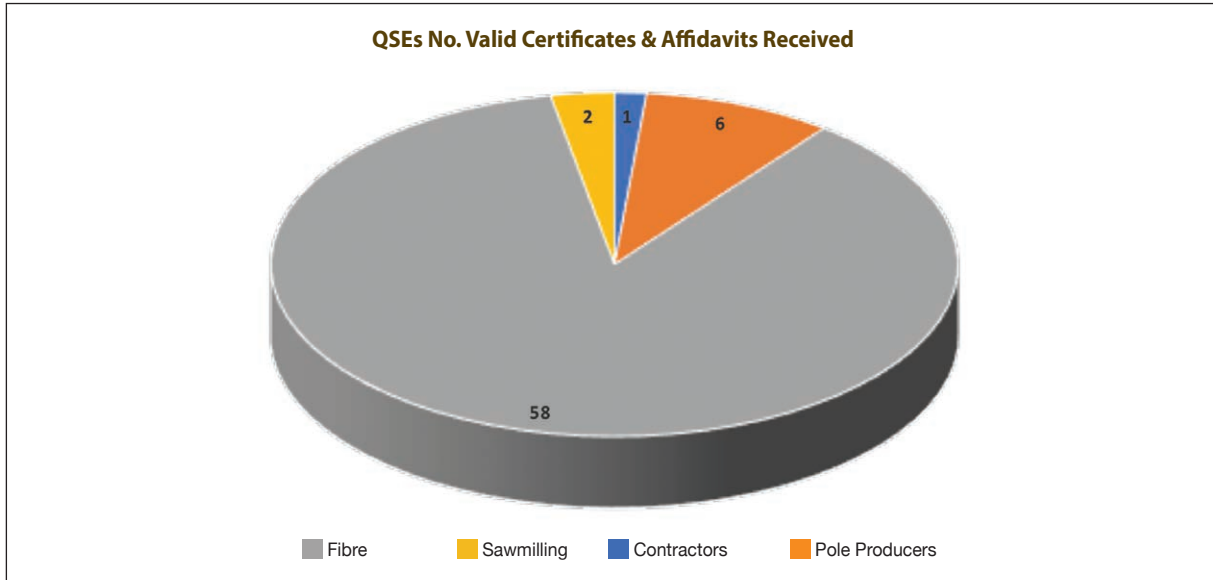


Figure 6: Valid submissions received from QSEs/ sub-sector

The submissions from the QSEs were received from 4 of the 6 sub-sectors as illustrated in Figure 5 above. Similarly, to the previous year, the Contractors sub-sector is well represented in terms of reporting. A majority of the submissions received were from the Enhanced QSEs, hence the analysis of the scorecard elements was based on a few Unenhanced QSEs.

Unenhanced QSEs are also required to comply with the scorecard elements. However, their targets are lower when compared to the MLEs. Due to the low numbers of submissions from this category, a yearly analysis is also preferred. Figure 7 below shows the performance of the Unenhanced QSEs for the year under review.

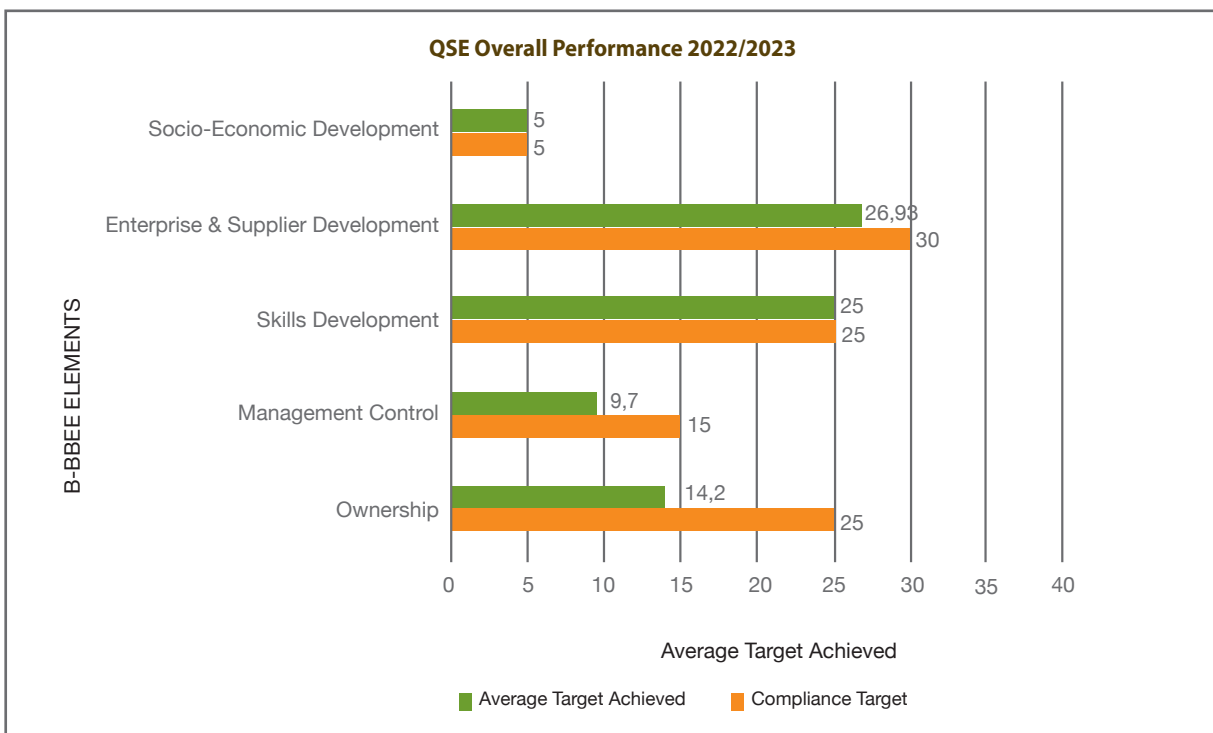


Figure 7: QSE scorecard performance

QSEs achieved good scores in all 5 elements (Skills Development, Socio-Economic Development, Enterprise and Supplier Development, and Management Control) with the average score attained on Ownership. The trend on the Ownership performance suggests that Unenhanced QSEs are finding the Ownership element challenging to implement.

Exempted Micro Enterprise (EMEs)

EMEs are exempted from compliance with the scorecard. They can only achieve an automatic level 4 if unenhanced. Figure 8 below displays the level achieved amongst EMEs. Based on Figure 8, most EMEs are enhanced attaining either a level 1 or 2 respectively. The mode is level 1 and this trend differs from the Enhanced QSEs, suggesting that the level of Black Ownership amongst EMEs is higher than in QSEs.

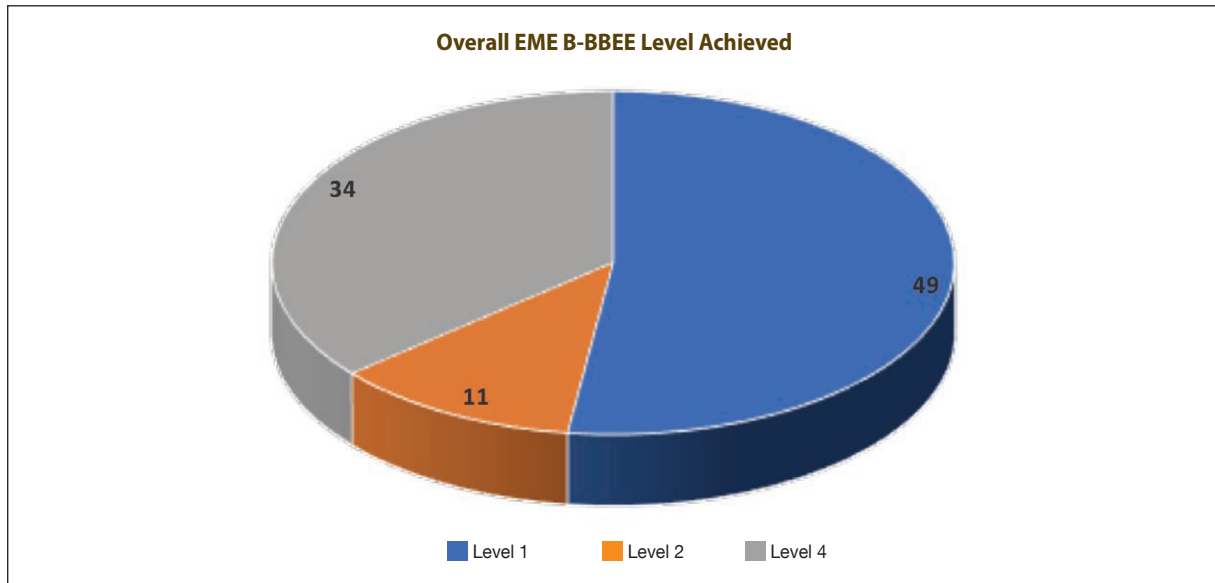


Figure 8: Achieved level by EMEs

In conclusion, the sector achieved a level 3 B-BBEE showing an improvement from the previous year where a level 4 was achieved. QSEs and EMEs both maintained a level 2. The mode for MLE's is a B-BBEE level 1, QSEs a level 2 and EMEs a level 1. Very few reporting entities from both the MLEs and the QSEs achieved a level lower than level 4 with some entities even improving in the overall B-BBEE level attained. Reliability in terms of submissions also improved across all the reporting categories. Most entities in the MLE category also achieved the bonus points allocated. SAFCOL's performance was remarkable showing an improvement from a level 4 to a level 2 rating. These observations are encouraging and are suggesting that the reporting entities in the forest sector are in full comprehension and alignment to transforming the sector meaningfully.



B-BBEE Reporting Entities

MLEs		
Cintasign	Vuka Timbers PTY LTD	Bedrock
Corruseal	Working on Fire	Guateng Pallets
Daliso Holdings	Imishini Contracting Services	Lowers Creek Treated Timbers
Golden Era Group	SAFCOL	Noepak
Industrial Timber Supplies	Amathole	White River Sawmills
Iningi Investment 143	Lion Match	Braecroft Timbers
Mondi Limited	Merensky	NHR Investments
Mpact Operations	MTO Forestry	Normandien Farms
Natal Forest Products (Harding Treated Timbers)	PG Bison	R&B timbers t/a Harding Treated Timbers
Sappi Southern Africa	Tzaneen Treated Timbers	Safire Charka
Timrite	York Timbers Holdings CC	

QSEs		
Amahlathi Ethu Trading (PTY) Ltd	Ngala Forestry CC	Can Do Timbers PTY (Ltd)
Mooiplaas Silviculture Services (Pty) Ltd	Farmusa Agric and Forestry Construction	Philasiphile Contractors (Pty) Ltd
Double D 207 (Pty) Ltd (Malvern Farm)	Mzilazembe Forestry Services	Ferishta Investments t/a Holmbush Pallets
Philasiphile Forestry (Pty) Ltd	Siyakhula Forestry Contractors (Pty) Ltd	Paulpietersburg Timbers
FMT Forestry Contractor	Pine, Timber & Board Express CC	Enviromech Logging (Pty) Ltd
Sakhisizwe Bush Control CC	Hlatini Forestry Specialists	Sabie Forestry (Pty) Ltd
Forest to Mill Harvesting (Pty) Ltd	Sibambane Forestry	Iswepe Silvicultural Services
Shoshalosa Contractors	Gauteng Pallets East CC	Silvicultrix (Pty) Ltd
Ithaba Holdings	Sibsa Group (Pty) Ltd	GDH Timber Harvesting
Edumbe Sawmill	kanyi Ilanga Trading (Pty) Ltd	Sibsa Weed Services CC
Henque Forestry (Pty) Ltd	Siyakhula Forestry Management CC	Lens Forestry Contactor (Illusive Dream Trading)
Takhe Transport	Hlanganani Forestry (Pty) Ltd	Somusa Forestry (Pty) Ltd
Madebe Harvesting	Timber Logging Solutions CC	Imphisi Harvesting
SOS Eucs (Pty) Ltd	Makarapa Holdings (Pty) Ltd	TR Mabuza Contractors Cc
Indwe Security	SOS Silviculture (Pty) Ltd	Mhlambanyathi Fire Fighting
Winnie Logging Services (Pty) Ltd	Ingulule Road Maintenance	Themba Forestry (Pty) Ltd
Mhlambanyathi Group Pty Ltd	Ringomode (PTY) LTD	Masibambisane Harvesting (Pty) (Ltd)
Thuthugani Contractors (Pty) Ltd	Mhlekezi Forestry (Pty) Ltd	Tingasmart (Pty) Ltd
Micloo Forestry Services (Pty) Ltd	Thuthuka Forestry (Pty) Ltd	Natal Box Factory CC
Alpha Defence Solution (Pty) Ltd	Mkhoba Forestry (Pty) Ltd	ZDS Logistics (Pty) Ltd
New Forestry Solutions	Black Forest Harvesting	Mooiplaas Forestry Contracting (Pty) Ltd
Umvuni Solutions (Pty) Ltd	Biomass for Africa	Matume Sawmills CC

EMEs		
Dalindyebo Construction CC	Mandlezile Trading CC	Tsidi and Daughter Trading
Devonix (Pty) Ltd	Masihambe Transport CC	Vusisizwe Tree Nursery Primary Co-op
Dinoko Sulie Trading (Pty)	Masonga Contractors CC	WBH Timbers (Pty) Ltd
Dumi Forestry Trading Enterprises	Mrhulashe Trading Enterprise	Yangle Enterprise (PTY) LTD
Eco Char (PTY) Ltd	NBR Harvesting CC	Zwetha Contractors CC
ES Forestry (Pty) Ltd	Ndukude Trading Enterprise	Buffalo Packaging & Pallets (Pty) Ltd
Flepu Hardworkers (Pty) Ltd	Ngwenya Forestry Services (Pty) Ltd	Coldstream Timber Company
Goobs Forestry (PTY) Ltd	PJV Forestry Services	Ingulule Road Maintenance CC
HM Forestry Contractors	PMD Forestry	Kalah Forestry (Pty) Ltd
Imameleng Sole Trader	Rally Business Consulting (Pty) Ltd	Illovo Contractors
Ingwenya Forest Services	SC Forestry Contractors	Tshifhire Timbers (Pty) Ltd
Inkunzi Kayihlehli (Pty) Ltd	Servimate 93 CC	Mfezi Security Guarding Services CC
Inzama Contractors (Pty) Ltd	Shosholozza Forestry CC	Sebenza Forestry Service (PTY) Ltd
Jos Forest Contractors and Silviculture cc	Sika Forestry Solution	Sebenza Shorthaul Service (PTY) Ltd
Kabos Sole Trader	Sikhunyana Security Services CC	Siyavuka Forestry (Pty) Ltd
Khula Forestry	Siyaya Contracting	THT Forestry (Pty) Ltd
Leading Creations (Pty) Ltd	Sodumase Clasic (Pty) Ltd	AC Higgs Timber Harvesting
Lemaemo Trading	South Coast Forestry	Alien Tree Solutions (Pty) Ltd
Lens Forestry Contactors (Illusive Dream Trading)	SS Three (PTY) Ltd	Basic Stock (PTY) Ltd
Liyemithemba Multi Traders	Thandwayibo Trading Enterprise	CMO Logistics
LK Maart Forestry (PTY) Ltd	The Extraordinary Trading and Construction (Pty) Ltd	Dargle Poles (Pty) Ltd
Malihambe Forestry Contractors	The Hill Trading Industry Morumotsho Charcoal	Dubell Harvesting
Sizanani Village Maintenance CC	ST Albans Sawmills	Steel and Ropes CC
Topsaw Forest and Garden	Zululand Fire Protection Association	



Annual Financial Statements for the Year Ended 31 March 2023

**Forest Sector Charter Council NPC
(Registration number 2009/006567/08)
Annual Financial Statements
for the year ended 31 March 2023**

Index

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

	Page
General Information	22
Councillors' Responsibilities and Approval	23
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Independent Auditor's Report	25
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Statement of Comprehensive Income	28
Statement of Changes in Reserves	29
Statement of Cash Flows	30
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The following supplementary information does not form part of the financial statements and is unaudited:

Detailed Income Statement	38
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Level of assurance

These annual 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.
Councillors	Nelly Ndlovu Makhosazana Mavimbela Tyrone Hawkes Penwell Lunga Bruce Breedt Dwayne Marx Kwena Komape Lindiwe Mavundla Lulamile Xate Michael Peter Pierre Tullis Pumeza Nodada Roy Southey Tanucia Coopasamy Thandi Mokoena Tshepo Makhene
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 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.

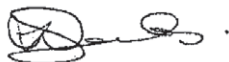
The councillors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial 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 2024 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 25 - 26.

The annual financial statements set out on pages 27 to 37, which have been prepared on the going concern basis, were approved by the Council on 22 May 2023 and were signed on its behalf by:

Approval of Annual Financial Statements



Tyrone Hawkes



Lulamile Xate

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 2023.

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 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 annual financial statements.

2. Councillors

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

Councillors

Nelly Ndlovu (Chairperson)
 Makhosazana Mavimbela (Executive)
 Tyrone Hawkes (Chairperson - Finance Committee)
 Penwell Lunga (Chairperson-Human Resources Committee)
 Bruce Breedt
 Dwayne Marx
 Kwena Komape
 Lindiwe Mavundla
 Lulamile Xate
 Michael Peter
 Pierre Tullis
 Pumeza Nodada
 Roy Southey
 Tanucia Coopasamy
 Thandi Mokoena
 Tshepo Makhene

Changes

Appointed Saturday, 01 October 2022
 Appointed Saturday, 01 October 2022
 Appointed Saturday, 01 October 2022
 Appointed Saturday, 01 October 2022
 Appointed Saturday, 01 October 2022
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 Appointed Saturday, 01 October 2022
 Appointed Saturday, 01 October 2022
 Appointed Saturday, 01 October 2022
 Appointed Saturday, 01 October 2022

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 that might materially influence the appreciation of the financial statements.

4. Outstanding DFFE contribution written off

Council took a decision to write off as a bad debt the Department of Forestry, Fisheries and the Environment's contribution of R2 610 986, outstanding since the 2022 financial year.



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e-mail: office@dziwainc.com
website: www.dziwa-inc.com

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 (the company) set out on pages 27 to 37, which comprise the statement of financial position as at 31 March 2023, statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and the 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 2023, 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 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 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.

Other Information

The councillors are responsible for the other information which comprises the supplementary information as set out on pages 38 to 39. The other information does not include the annual financial statements and our auditor's report thereon. Our opinion on the annual 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.

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 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 annual financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report (continued)

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.
- 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 RA(SA)

22 May 2023
Bramley, Johannesburg

Statement of Financial Position as at 31 March 2023

Figures in Rand	Note(s)	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	2	92 685	75 911
Current assets			
Trade and other receivables	3	30 536	2 750 527
Cash and cash equivalents	3	12 904 538	10 466 452
		12 935 074	13 216 979
Total Assets		13 027 759	13 292 890
Reserves and Liabilities			
Reserves			
Retained income		12 815 100	13 276 140
Liabilities			
Current liabilities			
Trade and other payables	5	212 659	16 750
Total Reserves and Liabilities		13 027 759	13 292 890

Statement of Comprehensive Income

Figures in Rand	Note(s)	2023	2022
Revenue	6	5 668 623	4 378 245
Other income	7	29 219	54 580
Operating expenses	8	(6 690 562)	(3 452 214)
Operating (deficit)/surplus		(992 720)	980 611
Investment revenue	12	531 680	308 469
(Deficit)/surplus for the year		(461 040)	1 289 080
Other comprehensive income		-	-
Total comprehensive (deficit)/surplus for the year		(461 040)	1 289 080

Statement of Changes in Reserves

Figures in Rand	Retained Income	Total Equity
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 01 April 2022	13 276 140	13 276 140
Deficit for the year	(461 040)	(461 040)
Other comprehensive income	-	-
Total comprehensive deficit for the year	(461 040)	(461 040)
Balance at 31 March 2023	12 815 100	12 815 100

Statement of Cash Flows

Figures in Rand	Note(s)	2023	2022
Cash flows from operating activities			
Cash receipts from customers		8 414 033	4 378 245
Cash paid to suppliers and employees		(6 462 707)	(5 849 926)
Cash generated from (used in) operations	14	1 951 326	(1 471 681)
Interest income		531 680	308 469
Net cash from operating activities		2 483 006	(1 163 212)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(48 724)	(91 792)
Proceeds from sale of property, plant and equipment	2	3 804	23 351
Net cash from investing activities		(44 920)	(68 441)
Total cash movement for the year		2 438 086	(1 231 653)
Cash and cash equivalents at the beginning of the year		10 466 452	11 698 105
Total cash at end of the year	4	12 904 538	10 466 452

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 of South Africa. 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
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, which comprises forestry sector member contributions and a government subsidy, is measured at the fair value of the consideration received or receivable.

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

Notes to the Annual Financial Statements

Figures in Rands 2023 2022

2. Property, plant and equipment

	2023			2022		
	Cost or revaluation	Accumulated Depreciation	Carrying Value	Cost or revaluation	Accumulated Depreciation	Carrying Value
Furniture and fixtures	46 889	(46 889)	-	93 038	(93 037)	1
Office equipment	22 548	(626)	21 922	23 662	(23 661)	1
IT equipment	117 968	(47 205)	70 763	112 882	(36 973)	75 909
Computer software	-	-	-	1 999	(1 999)	-
Total	187 405	(94 720)	92 685	231 581	(155 670)	75 911

Reconciliation of property, plant and equipment – 2023

	Opening Balance	Additions	Disposals	Depreciation	Closing Balance
Furniture and fixtures	1	-	-	(1)	-
Office equipment	1	22 548	(2)	(625)	21 922
IT equipment	75 909	26 176	(2)	(31 320)	70 763
	75 911	48 724	(4)	(31 946)	92 685

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)	
IT equipment	11	91 792	(15 894)	75 909
	1 756	91 792	(17 637)	75 911

3. Trade and other receivables

Trade receivables	19 186	2 739 177
Deposits	11 350	11 350
	30 536	2 750 527

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	3 625 715	1 719 309
Interest yielding bank balances	9 278 823	8 747 143
	12 904 538	10 466 452

5. Trade and other payables

Trade payables	163 856	6 649
Other payables	48 803	10 101
	212 659	16 750

Notes to the Annual Financial Statements (continued)

Figures in Rands	2023	2022
6. Revenue		
Industry contributions – Members of the Forestry Sector	1 855 623	1 767 260
Government contribution – Department of Forestry, Fisheries and the Environment	3 813 000	2 610 985
	5 668 623	4 378 245
7. Other income		
Profit on sale of assets and liabilities	3 800	23 351
Insurance claim recovery	23 319	31 229
Telkom contract recoveries	2 100	-
	29 219	54 580
8. Operating expenses		
Operating expenses include the following expenses:		
Operating lease charges		
Lease rentals on operating lease		
• Contractual amounts	117 300	160 370
Depreciation and amortisation	31 946	17 637
Employee costs	2 598 781	2 172 269
9. Auditor's remuneration		
Fees	72 450	80 270
10. Employee costs		
Employee costs		
Basic	1 899 549	1 509 637
PAYE, UIF and SDL	699 232	648 539
SDL	-	14 093
	2 598 781	2 172 269
11. Depreciation, amortisation and impairments		
The following items are included within depreciation, amortisation and impairments:		
Depreciation		
Property, plant and equipment	31 946	17 637
12. Investment revenue		
Interest revenue		
Bank	531 680	308 469

Notes to the Annual Financial Statements (continued)

Figures in Rands	2023	2022
13. Taxation		
Non provision of tax		
The Council's income and accruals are exempt from income tax under exemption number 930068132.		
14. Cash generated from (used in) operations		
Net (deficit)/surplus	(461 040)	1 289 080
Adjustments for:		
Depreciation, amortisation, impairments and reversals of impairments	31 946	17 637
Profit on sale of assets and liabilities	(3 800)	(23 351)
Investment income	(531 680)	(308 469)
Changes in working capital:		
(Increase) decrease in trade and other receivables	2 719 991	(2 394 524)
Increase (decrease) in trade and other payables	195 909	(52 054)
	1 951 326	(1 471 681)

Notes to the Annual Financial Statements (continued)

Figures in Rands	2023	2022
15. 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		
SAFCA	17 933	-
SAUPA	1 253	-
PAMSA	-	94 477
Sawmilling SA Non-affiliated	-	27 663
DFFE	-	2 610 985
Total	19 186	2 733 126
Amounts included in Trade payables		
FSA	9 000	-
PAMSA	14 798	-
SAFCA	396	-
Total	24 194	-
Transactions		
Revenue received from related-parties:		
PAMSA	1 190 410	1 133 724
FSA	507 518	483 351
Sawpa	26 311	25 058
Sawmilling South Africa	87 139	82 990
SaupA	26 312	25 058
Safca	17 933	17 079
DFFE	3 813 000	2 610 985
	5 668 623	4 378 245
Portion of bad debts attributable to related parties		
DFFE	2 610 986	-

Notes to the Annual Financial Statements (continued)

Figures in Rand	2023	2022
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16. Councillors' remuneration**Non-executive**

2023	Attendance fees	Expense allowances	Total
Councillors' remuneration			
Nelly Ndlovu	23 250	3 000	26 250
Thandi Mokoena	14 680	1 500	16 180
Tshepo Makhene	14 680	1 500	16 180
	52 610	6 000	58 610

2022	Attendance fees	Travel and subsistence allowances	Total
Councillors' remuneration			
Dr Diphoko Mahango	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
	281 348	22 800	235 287

17. Income statement by project and function

Total income	6 229 522	4 735 343
Community outreach programme (Phase 2 & 3)	(44 705)	(118 371)
Women in Forestry Initiative	(172 314)	-
Forestry Professional	(24 031)	-
Knowledge sharing and transfer programmes	(173 053)	(40 025)
Employee costs	(2 657 405)	(2 172 269)
Other operating expenses	(3 619 054)	(1 095 523)
	(461 040)	1 309 155

Detailed Income Statement

Figures in Rand	Note(s)	2023	2022
Revenue			
Government contribution – Department of Forestry, Fisheries and the Environment		3 813 000	2 610 985
Industry contributions – Members of the Forestry Sector		1 855 623	1 767 260
	6	5 668 623	4 378 245
Other income			
Insurance claim recovery		23 319	31 229
Telkom Recoveries		2 100	-
Gains on disposal of assets		3 800	23 351
		29 219	54 580
		(6 690 562)	(3 452 214)
Expenses (Refer to page 39)			
Operating (deficit)/surplus			
Investment income	12	531 680	308 469
(Deficit)/surplus for the year		(461 040)	1 289 080

Detailed Income Statement (continued)

Figures in Rand	Note(s)	2023	2022
Operating expenses			
Accounting fees		(236 707)	(195 296)
Advertising and branding		(40 543)	(1 467)
Annual report		(28 660)	(39 733)
Audit fees	9	(72 450)	(80 270)
Bad debts		(2 610 986)	(23 324)
Bank charges		(4 974)	(6 696)
Catering		(2 888)	(2 363)
Cleaning		(21 810)	(26 839)
Computer expenses		(96 591)	(87 800)
Depreciation, amortisation and impairments		(31 946)	(17 637)
Donations		(9 000)	-
Electricity & Water		(14 437)	-
Employee costs		(2 598 781)	(2 172 269)
Gifts		(640)	(3 669)
Green Project costs		(25 450)	-
Insurance		(19 677)	(20 084)
Meeting and workshop venues		(29 132)	(11 069)
Meeting attendance costs		(58 610)	(258 987)
Office consumables		(7 346)	(377)
Office removal		-	(4 160)
Operating lease - office equipment		(55 164)	(51 624)
Operating lease - premises		(117 300)	(160 370)
Postage		(4 696)	(2 934)
Printing and stationery		(25 868)	(14 270)
Repairs and maintenance		(684)	-
SARS penalties and interest		-	(4 942)
Staff training		(58 623)	(9 500)
Strategic planning facilitation		(30 000)	-
Subscriptions		(3 876)	(3 441)
Telephone and fax		(35 552)	(35 996)
Travel and accommodation		(320 186)	(137 522)
Travel and subsistence claims - council members		(4 854)	(22 046)
Travel and subsistence claims - staff		(33 577)	(9 565)
Website hosting		(5 654)	(3 899)
Women in forestry		(83 900)	(44 065)
		(6 690 562)	(3 452 214)

Message from Outgoing Interim Management

“A journey worth the stroll”

In our projections, we had conservatively assumed that our role as Interim Management would be short-lived as the process to appoint a new Council was already underway. We could not however afford to be complacent and so we took our appointment very seriously and agreed on a continued culture of transparency, fairness, accountability and success.

Our philosophy remained concrete as ever and so was our solid commitment and experiences on Council's operations. We knew that we would be required to provide both insight and oversight to either maintain or improve the business operation of the Council. We also understood that we would probably have to learn some other important lessons so as to achieve more successes, an accolade we were amenable determined to.

Our belief in the work of the Council could not be altered and hence our desire to continue to lead the Council into more victories. This is attributable to a combination of many things, our firm approach, expertise, dedication, ethical leadership and of course our strategic direction and decision capability to appropriately give relevant advice when required.

The special quarterly meetings with the Executive as well as the regular briefings on functional matters enabled us also to monitor amongst others, the operational and financial performance, key risk matters as well as progress on Council's initiatives as detailed in the Business Plan.

Some of the Council key successes worth mentioning include;

- Approving the Business plan and Budget timeously, for mobilizing the contributions from both the Department of Forestry, Fisheries and the Environment and the organised Industry Associations,
- Improved numbers of the reporting entities as detailed in the last two Status of Transformation reports,
- A maintained Clean Audit proving responsible spending patterns,
- Improved operational efficiency and continued



Mr Tyrone Hawkes



Mr Lulamile Xate

interactions ensuring that the Council retained its momentum, and

- The endorsement of the Annual report revealing the achievements and activities of the Council to name a few.

Our financial performance was undeniably significant. We are indebted to the Department of Forestry, Fisheries and the Environment (DFFE) and all the industry Associations for their sustained financial support and that the funding expectation was maintained. This is a genuine demonstration of their continued commitment to the Council.

Through our sound governance practices in developing our human capital and resources we were able to confirm all new staff appointments so as to bring more stability in the Council. We were able to endorse other capacity building initiatives for some of the staff members to ensure a suitably skilled, motivated and aligned work force. Recognition of exceptional performance within the reasonable and marketable framework could not be overlooked for deserving employees.

While the reduced effect of the pandemic COVID-19 eased the very harsh and uncondusive environment, there still remain some pressing issues for our sector in as far as transformation is concerned. Probably the new Council would reliably ask us, “where to and what should be next on the agenda?”. Our common response would be, “community involvement and satisfaction at a more reliable level and of course an improved level of transformation reflecting on the transformative objectives, growth and entrepreneurial successes.

While we acknowledge that most of the CSI reports from industry role players reflects on a number of these initiatives and achievements, these should continue to set the examples in all these critical areas for our fence line communities' transformation and socio- economic outcomes. Working in synergies with these communities is a must to benefit the industry at large.



“

While the reduced effect of the pandemic COVID-19 eased the very harsh and uncondusive environment, there still remain some pressing issues for our sector in as far as transformation is concerned.

”

As we hand over to the new Council and we assume our role as Council members, we wish to express our sincerest thanks to the entire staff members for all their hard work and that they continued to deliver on the Council's mandate. Their exceptional commitment to achieve excellent results could not go unnoticed and has become a source of pride to us.

We also wish to extend a warm welcome to the new Council under the leadership of the Chairperson Ms Nelly Ndlovu. We pledge our full support as we transition into another year of anticipated success and prosperity.

*Mr Tyrone Hawkes &
Mr Lulamile Xate*



Appreciation “Looking ahead”

2022/23 celebrated 14 years of Council’s existence and the delayed appointment of the new Council in October 2022 doesn’t alter the fiduciary duty of the Council, but the expectation is that things will continue to progress on a skyward trend and more successes will be recorded. The highest level of cohesion, unity and focus and the relationships to be built amongst Council members and the forest stakeholders means that issues of concerns and improvements will be easily pointed out. I am confident that the Council under the leadership of the Chairperson, Ms Nelly Ndlovu is well positioned to do just that.

The operating environments including for the Forest Sector have been affected by the aftermath of the global pandemic, Russian and Ukraine war, and the most devastating power cuts and load shedding. All these have led to severe market pressures, harsh cost of living and companies have had to find alternatives to navigate these challenges. I am conscious that despite all these challenges, transformation remains of key importance in our forest sector. We are glad to have enjoyed the support of both small and large players from both a financial, regulatory and other prospects and this extends to the support from government and industry as well. At the end, there is no too small a stakeholder because they all

aggregate to the overall transformation portrait of the sector and the success of the Forest Sector Charter Council.

My sincerest appreciation to Mr Tyrone Hawkes and Mr Lulamile Xate for the support, counsel and guidance that they have provided myself and the team as the Interim Management, throughout the year goes beyond imagination. Never at any point in time have they felt overwhelmed by our many demands, numerous phone calls and the long and many emails. The positive results detailed in different parts of this report are evidence of a successful and collaborative relationship we have had with them.

Thanking my team for their commitment, trust and hard work is also a ‘MUST’. Collectively we were not only capable but managed to act in the best interest of the Council.

As I conclude, I also want to thank all our stakeholders for making FSCC the great institution that it is today. Next year marks 15 years of the FSCC and we look forward to celebrating this milestone with you all.

Makhosazana Khosi Mavimbela
Executive Director

Acronyms

ARC	Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BI	Black Industrialist
BIP	Black Industrialist Policy
COP	Community Outreach Programme
CIPC	Companies and Intellectual Property Commission
DALRRD	Department of Agriculture, Land Reform and Rural Development
DFI	Development Finance Institutions
DFFE	Department of Forestry, Fisheries and Environment
DTIC	Department of Trade, Industry and Competition
ECDC	Eastern Cape Development Corporation
EEA	Employment Equity Act
EME	Exempted Micro-Enterprises
ESD	Enterprise and Supplier Development
EU	European Union
FINCOM	Finance Committee
FP&M	Fibre Processing and Manufacturing
FSA	Forestry South Africa
FSC	Forest Sector Code
FSCC	Forest Sector Charter Council
GDP	Gross Domestic Product
HRC	Human Resources Committee
IDC	Industrial Development Corporation
IoDSA	Institute of Directors South Africa

IDF	International Day of Forests
ITI	In Transformation Initiative
JCT	Joint Technical Committee
KZN	KwaZulu-Natal
MC	Management Control
MLE	Medium and Large Enterprises
MOI	Memorandum of Incorporation
PAMSA	Paper Manufacturers Association of South Africa
PPGI	Public-Private Growth Initiative
QSE	Qualifying Small Enterprises
SAFCA	South African Forestry Contractors Association
SAFCOL	South African Forestry Company Limited
SARS	South African Revenue Service
SAWPA	South African Wood Preservers Association
SAUPA	South African Utility Pole Association
SACTWU	Southern African Clothing & Textile Workers' Union
SD	Skills Development
SED	Socio Economic Development
SSG	Small- Scale Growers Group
SSA	Sawmilling South Africa
TIA	Technology Innovation Agency
WULA	Water Use License Application
VAT	Value Added Tax



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