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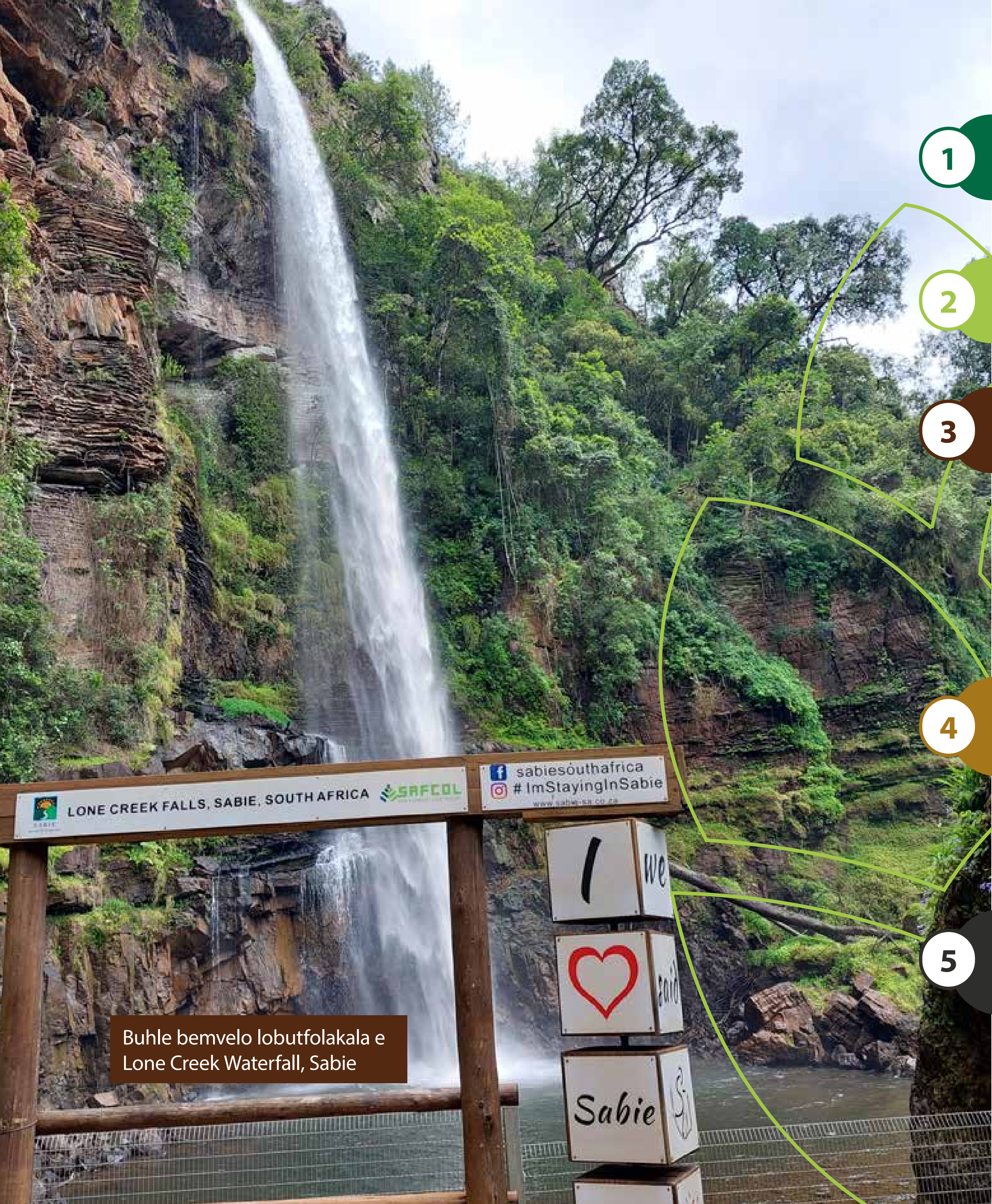
SAFCOL INTEGRATED REPORT 2022/23

SAFCOL
OUR FORESTS. OUR FUTURE.

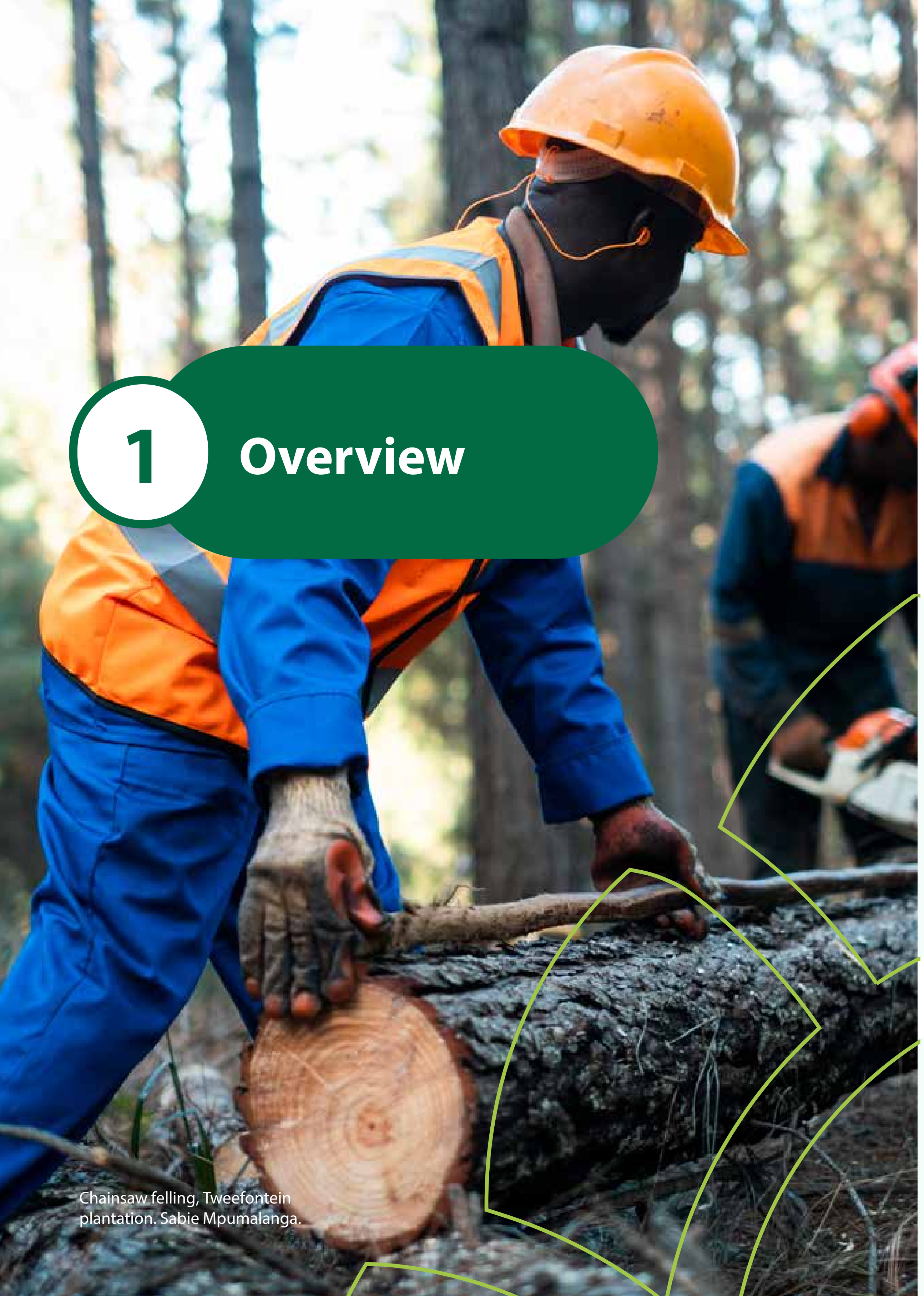
2022/23 INTEGRATED REPORT

Sustainability for better lives



Buhle bemvelo lobutfolakala e Lone Creek Waterfall, Sabie

Contents



1 Overview

Chainsaw felling, Tweefontein plantation. Sabie Mpumalanga.

About this report

SAFCOL's integrated report is prepared based on the principles contained in the International Integrated Reporting Framework published by the International Integrated Reporting Council, some elements of the National Treasury Annual Report Guide for Public Entities and the King IV Report on Corporate Governance for South Africa, 2016 (King IV™).[1]

Scope

This report presents the financial, technical, operational, social and environmental performance of the Group for the 2022/23 financial year (1 April 2022 to 31 March 2023).

SAFCOL's progress towards integrated thinking is reflected in the performance indicators that cover financial and non-financial matters, as well as its strategy, material matters and associated risks.

This report should be read in conjunction with SAFCOL's full set of annual financial statements as this offers a comprehensive overview of the Group's financial performance. The information contained herein refers to the performance of SAFCOL, which includes the Forest Stewardship Council® (FSC®) certified Komatiland Forest SOC Limited (FSC® – C013832 – Forest Management and FSC® – C007806 – Chain of Custody) and its subsidiary operations of Indústrias Florestais de Manica SARL based in Mozambique.

[1] *The copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.*

Forward-looking statements

This report may contain certain forward-looking statements that are neither reported financial results nor based on historical fact, but constitute current expectations based on reasonable assumptions, data or methods, and are not a guarantee of future results. These forward-looking statements, by their nature, are subject to significant known, emerging or unknown risks and uncertainties. They include, without limitation, statements relating to SAFCOL's business prospects, future developments, trends and conditions in the forestry and related industries and geographical markets in which we operate. SAFCOL neither intends to nor assumes an obligation to update or revise any forward-looking statements because of either new information, future events or otherwise.

Assurance providers

SAFCOL's assurance is provided to the Board of Directors by management, and internal and external assurance providers that include the:

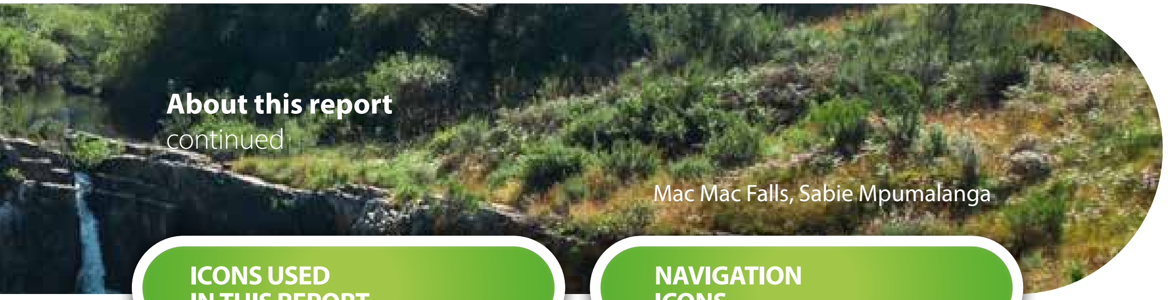
- Risk, compliance, ethics, security and safety, health, environmental and quality functions
- Company Secretariat and Legal Services
- Internal Audit function
- Independent Broad-Based Black Economic Empowerment (B-BBEE) verification agencies
- FSC® certification
- Auditor-General of South Africa
- Relevant regulators

Board responsibility and approval

The Board is accountable for the integrity and completeness of the integrated report and any supplementary information, and is supported by various Board committees. The Board approved the FY2022/23 integrated report and annual financial statements on 22 September 2023, after having considered the completeness of the material items dealt with, the reliability of information presented and the assurance process followed. The consolidated financial statements were prepared and audited in accordance with International Financial Reporting Standards as well as the requirements of the Public Finance Management Act, No 1 of 1999 (PFMA) and Companies Act, No 71 of 2008 (Companies Act).

ABOUT THE COVER
The cover image of Pinus patula x Pinus tecunumanii hybrid seedlings was chosen to reflect the theme of this year's report – sustainability for better lives – and represents our ongoing commitment to building a resilient, future-focused organisation that our children will be proud of.

About this report
continued



Mac Mac Falls, Sabie Mpumalanga

ICONS USED IN THIS REPORT

- NC Natural capital
- IC Intellectual capital
- MC Manufactured capital
- HC Human capital
- SC Social and relationship capital
- FC Financial capital

NAVIGATION ICONS

These icons refer to more detailed information:

- Elsewhere in this report
- Related to safety
- Related to risk management
- Related to governance
- On our website
- In the glossary

Organisational overview

Rine kha SAFCOL, rodikumedzela khakushumele na vhudifari hamathakheni nahone vhurekhagala, hodededzwaho vhunolangiwa nau tikiwa nga mbonelo ifhulufhedzeaho. Riditongisa nga nyisedzo yazwibveledzwa na tshumelo yokhetheyaho yoingwaho nga vhudifhinduleli kha vhaledzani vhashu.

SAFCOL was established in 1992 under the Management of State Forests Act, No 128 of 1992 (MSFA).

SAFCOL comprises the following entities:

- Komatiland Forests SOC Limited (KLF), a 100% owned subsidiary of SAFCOL
- Kamhlabane Timber SOC Limited, a 100% owned subsidiary of SAFCOL
- Abacus Forestries SOC Limited, a 100% owned subsidiary of SAFCOL – (non-operational)
- Indústrias Florestais de Manica SARL (IFLOMA) in Mozambique, an 80% owned subsidiary of KLF
- SiyaQhubeka Forests (Pty) Ltd (9% direct shareholding)

SAFCOL further holds minority interests in four entities on behalf of communities, namely:

- Amathole Forestry Company (Pty) Ltd (16%)
- SiyaQhubeka Forests (Pty) Ltd (16%)
- MTO Forestry (Pty) Ltd (11.3%)
- Singisi Forest Products (Pty) Ltd (10.49%)

In terms of section 3 of the MSFA, SAFCOL's objects is "the development in the long term of the forestry industry according to accepted commercial management practice".

SAFCOL is a 100% state-owned company (SOC), with the Government of the Republic of South Africa being the sole shareholder, with the Minister of Public Enterprises as the Shareholder representative.

SAFCOL has a dual mandate as a SOC of commercial viability and socio-economic development. Its mandate is to conduct a commercial forestry business, and realise an effective return to its Shareholder while contributing to economic development, mainly in rural areas.

KLF is certified by the FSC®, an international non-profit organisation. The primary role of the FSC® is to monitor KLF's responsible management of its plantations and ensure that this is done in a way that preserves the natural ecosystem and benefits the lives of local communities and employees while ensuring its economic viability.

SAFCOL'S VISION

To become a leader in sustainable forests and commercial forest products

SAFCOL'S MISSION

SAFCOL is committed to:

- Growing the business in the forestry value chain
- Maximising stakeholder value through strategic partnerships
- Facilitating sustainable economic transformation of the forestry industry and thereby uplifting communities
- Maintaining practices that are economically viable, environmentally acceptable and socially beneficial

Organisational overview
continued

SAFCOL's operations

Area of operation	Total area	Plantable area	Planted area	Temp unplanted	Still plantable	Conservation
South Africa	189 541	120 203	117 917	2 286	-	69 339
Mozambique	101 114	17 886	16 709	1 177	28 158[#]	55 069
Total SAFCOL	290 655	138 089	134 626	3 463	28 158	124 408

[#] *Estimated plantable area.*

SAFCOL conducts its business through the sustainable management of plantation forests and other assets. Revenue is generated from the sale of logs and lumber, as well as other non-timber-related products and services.

Komatiland Forests (KLF)

KLF is the main operating entity and generator of revenue within SAFCOL and manages 15 prime timber plantation assets in Mpumalanga, Limpopo and KwaZulu-Natal. Its commercial and non-commercial operations cover a land area of 189 541 ha.

KLF manages a research and development (R&D) facility, a tree nursery, Platorand Training Centre, the Timbadola Sawmill, and ecotourism facilities.

SAFCOL's state-of-the-art **R&D centre** outside Sabie conducts research on silviculture practices, wood-quality testing, pest and disease control, engineered wood products, yield and growth modelling and genetic improvements.

Within the **Ecotourism** function, SAFCOL manages hiking trails, picnic sites, waterfall sites, Lakenvlei Forest Lodge as well as the Forest Industry Museum in Sabie. These are in the Limpopo and Mpumalanga provinces.

The **Timbadola Sawmill** is a softwood processing facility located in Limpopo, near Thohoyandou town. Additional processing capacity is derived from outsourced processing initiatives.

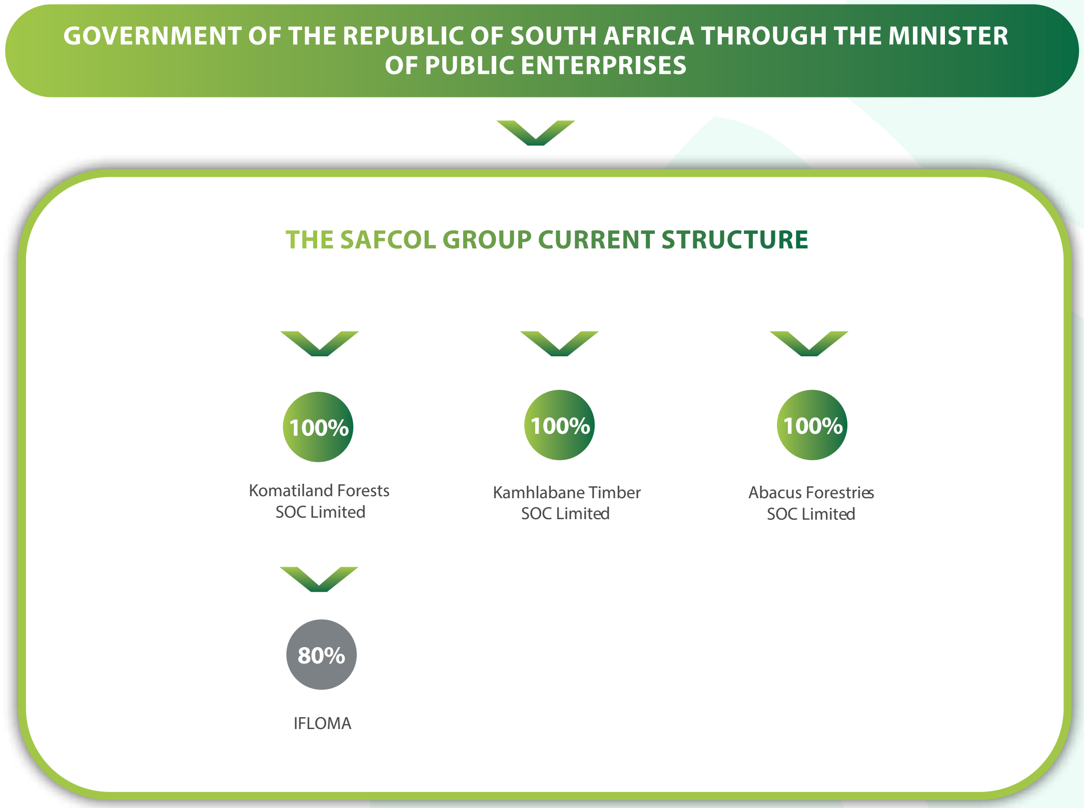
The **Tweefontein Plantation** houses a nursery that supplies the KLF plantations with seedlings and cuttings, thereby ensuring sustainable feedstock for plantations as well as seedling sales to the private sector.

IFLOMA

IFLOMA's commercial and non-commercial operations cover a land area of 101 114 ha. The **forestry operations** comprise four plantations: Rotanda, Bandula, Penhalonga and Mavonde.

IFLOMA is situated in the west of the Manica province with a warehouse in Maputo and a sawmill in Messica. Its fibre project is in Muanza District in the Sofala province. An estimated area of 28 158 ha at the fibre project is still available for commercial planting.

Organisational Group structure



Tweefontein plantation, Sabie Mpumalanga.


Nursery, Sabie Mpumalanga

SAFCOL'S OPERATIONS SHOWING AREA (HA) UNDER MANAGEMENT

IFLOMA MESSICA DISTRICT SNAPSHOT

Genus:
Pine and Eucalyptus

Plantations:
Rotanda, Bandula, Penhalonga and Mavonde plantations

Area:
Manica district and Sussundenga District in Manica province

Size:
31 754 ha of total area under management

IFLOMA MUANZA DISTRICT SNAPSHOT

Genus:
Eucalyptus

Plantations:
Galinha

Area:
Muanza District

Size:
69 360 ha of total area under management of which 2.4% is planted now

NORTHERN REGION SNAPSHOT

Genus:
Pine and Eucalyptus

Plantations:
Entabeni, Woodbush, Blyde, Wilgeboom, Tweefontein, Bergvliet and Witklip

Area:
Sabie to Limpopo (Tzaneen, Vhembe District)

Size:
95 382 ha of total area under management

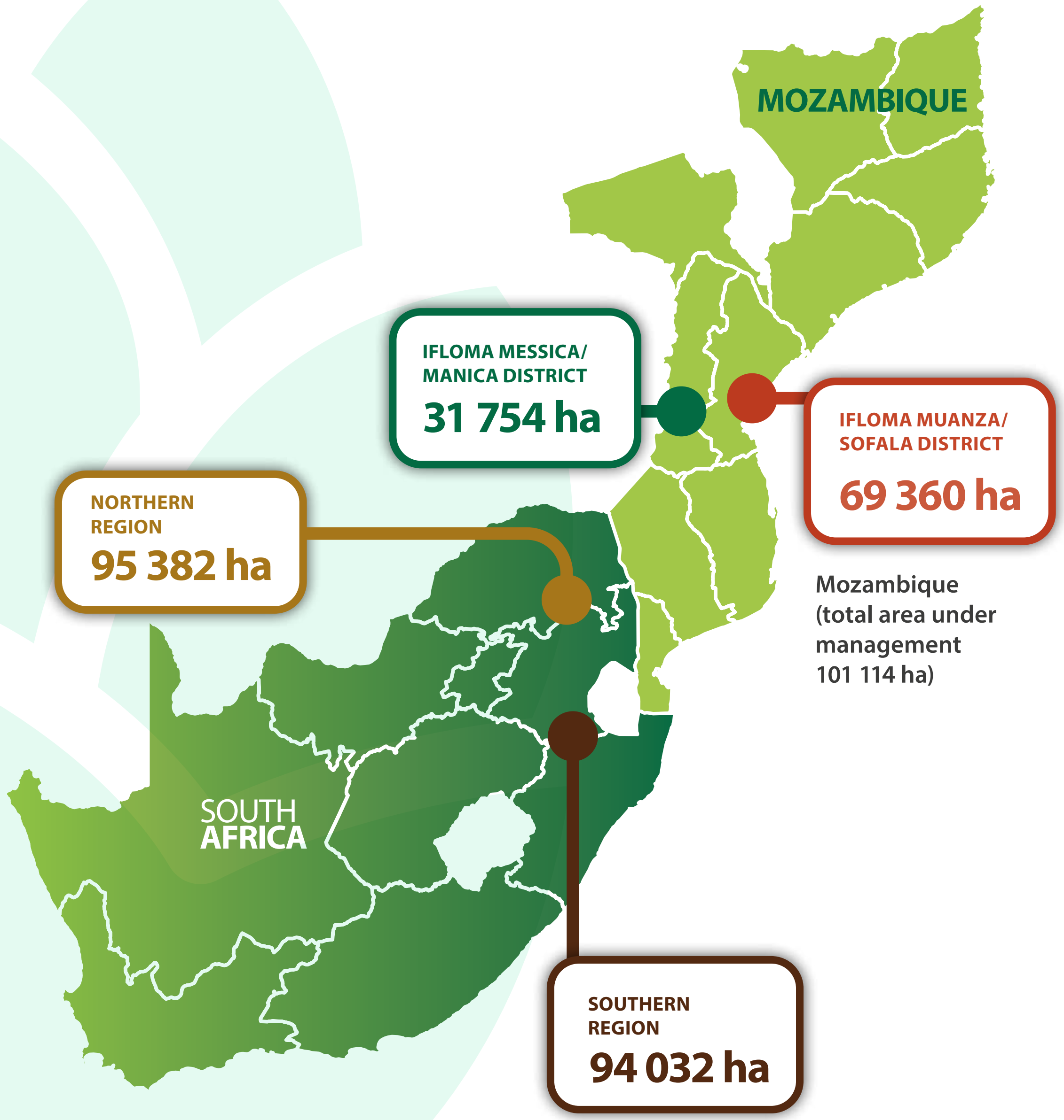
SOUTHERN REGION SNAPSHOT

Genus:
Pine, Eucalyptus and Wattle

Plantations:
Berlin, Belfast, Nelshoogte, Jessievale, Roburnia, Ngome, Brooklands and Uitsoek

Area:
Mpumalanga Highveld around Amsterdam, Warburton, Belfast, Kaapschehoop, Barberton, Lydenburg, Nelspruit as well as Nongoma in KwaZulu-Natal

Size:
94 032 ha of total area under management



Board Chairperson's report

Bridal Veil waterfall, Sabie Mpumalanga

Mr Mpho Makwana
SAFCOL Board Chairperson

We remain focused on positioning SAFCOL as a forestry company of the future.

External operating environment

This year brought with it an unexpected shock to the world economy, just as society was emerging from the unprecedented COVID-19 pandemic. The Russia–Ukraine conflict has had a debilitating impact on supply chains globally, including negative effects on energy, food, and geopolitical security. With the impacts of the COVID-19 pandemic still lingering, the war is dragging down growth and putting additional upward pressure on prices, culminating in what most economic commentators refer to as global stagflation.

South Africa is in the midst of a period of persistent subdued economic growth, exacerbated by electricity-generation constraints, and lack of logistic capacity via air, rail, road, and sea. The full economic and social impact of loadshedding is yet to be calculated, with industries across the board suffering production and output difficulties in an already subdued economy. The economics of sourcing alternative transportation may be costly and uneconomical, especially given the escalation of fuel costs.

The real effects on South Africa are rising consumer inflation and interest rates, which are adversely affecting the South African consumer and are already being felt through food price increases, record fuel prices, and an increase in the number of households seeking debt relief owing to rapidly increasing interest rates.

Growth is thus expected to be modest in 2022 through to 2025. Meanwhile, the National 2022 Indlulamithi Ba shows that South Africa is continuing to move deeper into the Gwara Gwara (+) scenario, marking a continued decline in social cohesion levels.

SAFCOL's position in relation to this environment

SAFCOL is affected by these dynamics, especially with regard to the downstream economic activity of its indirect customers whose business activities are compromised, and reduced investment, especially in infrastructure and labour, which eventually will affect the demand for timber products. The inflationary environment has resulted in an increased cost of production, coupled with increased consumer pressure from the surrounding communities, including land claimants. However, the challenges facing South Africa, are not insurmountable for SAFCOL, given its stable foundation and clear strategic growth path.

Economic conditions disproportionately impact our communities, as they are mainly rural populations, while affecting customers in terms of business activity, especially in the construction industry when the economy slows. For SAFCOL, income inequality adds extra pressure and urgency with regard to finalising land reform processes and securing partnerships with communities, small, medium, and micro enterprises (SMMEs), and facilitating industry transformation.

Strategy formulation and implementation

There is one year remaining of our 2019 – 2024 Strategic Plan, which will undergo a comprehensive review in the next financial year when a new strategy is developed for the 2024 – 2029 strategic planning period. SAFCOL's leadership is firmly of the view that our 50:50 Strategy is still relevant to our future direction.

Phase 1 (Stabilise) has been achieved and SAFCOL is making inroads into Phase 2 (Revenue growth off the existing base). Revenue from the sale of timber is, however, limited by SAFCOL's available growing stock and processing capacity.

SAFCOL's Strategic Plan highlights that in FY2023/24, Phase 2 growth must be driven by revenue generated from midstream processing and the sale of lumber. As diversification has not grown to the desired levels as yet, the Company is lagging in terms of Phase 3 (Revenue growth through expansion).

Phase 4 (Continuously striving to create shared value for communities and stakeholders) cuts across the strategic horizon. Continued progress has been made over the planning period, however, the delayed progress on finalisation of land reform by the Land Claims Commission prevails.

However, our proactive community engagement model and post-settlement business model have been well-entrenched to optimally involve communities across our value chain and in projects to derive value from its land. Increased focus on the Land Claimant Integration programme (which incorporates various areas of the business for mutual benefit) has rendered promising results, which will be expanded in the next five-year planning cycle.

Looking ahead to the final year of the 2019–2024 Strategic Plan, the focus will be on strategic project implementation as the final push of the 50:50 Strategy, targeting a 30:70 split between revenue from processing and diversification, and revenue from log sales.

The evolving role of leadership

Even before the COVID-19 pandemic it had become common cause that we operate in a volatile, uncertain, complex, ambiguous (VUCA) world – one in which we could expect to encounter the unexpected, and volatility was the order of the day.

The pandemic, and its ongoing repercussions, added a new acronym to our environment: BANI, standing for brittle, anxious, non-linear, and incomprehensible. In a BANI world, it is too easy to find the foundations of our understanding unmoored, and feel powerless and fearful as a result.

The role of leaders in a VUCA-BANI world is to guide, support, and build resilience and hope. We should expect, and be prepared for, the surprising and disorienting. We should expect to make decisions in the context of volatile, disparate decision factors.

It is also our task to analyse and then simplify. We must guard against just being caught up at the events level, but rather step back and look at the patterns and structures that gave rise to the events. We must make assumptions visible and guard against the symptomatic treatment of problems.

It is more important than ever that we can draw on a set of common values to guide and orient us. We must continue to drive our values, and the motivation for their adoption, to provide a foundation for a shared response to uncertainty.

There is no place for complacency. Instead we must be continuously inspired by our purpose, and engaged in problem solving and building resilience – in our systems, relationships, goals and priorities.

Our duty is to help in sense-making for our teams and in fostering collaboration internally and with our partners. People require more empathy and support from their leaders than ever before. Leaders must be compassionate, optimistic and focused on others. We must revolve around the needs of our communities, employees and other stakeholders.

Alignment with the Just Transition

Considering the heightened global and national focus on ESG, the Company's growth must contribute to and support the objectives of the Forestry Masterplan and the Presidential Climate Commission's Just Transition Framework (JTF), which guides South Africa's transition to a lower carbon economy. These are key considerations in the update of our strategic plan.

As a key custodian of forests, SAFCOL is aware that environmental stewardship is critical for the benefit of current and future generations, both from an economic and environmental benefit standpoint. The growing global corporate citizenship stance and South Africa's JTF present a number of opportunities for us to centre our strategy around ESG principles that are relevant to our operating context.

We must be aware of the impact of this process on our stakeholders, especially our people. We must ensure that no one is left behind on this Just Transition, and the reskilling programmes are required to empower SAFCOL from the ground up so that the business is future-proof.

Appreciation

It was a special privilege to serve as Chairperson of SAFCOL, especially looking where as a collective of Board and Management, we took SAFCOL from a loss-making entity to a dividend-yielding SOC. Once again, I would like to extend my appreciation to our Shareholder , several numerous stakeholders and governmental representatives including the Ministers and Deputy Ministers of Public Enterprises; Forestry, Fisheries and the Environment; and Agriculture, Land Reform and Rural Development.

We remain focused on positioning SAFCOL as a forestry company of the future, which promotes climate change adaptation and mitigation, supports the establishment of an ethical society, and contributes to inclusive economic growth and transformation.

Mr Mpho Makwana
SAFCOL Board Chairperson

Chief Executive Officer's overview

Tweefontein plantation, Sabie Mpumalanga

Mr Tsepo Monaheng
SAFCOL Chief Executive Officer

FY2022/23 was a difficult period, and it is important to acknowledge the adversity we faced as we reflect on our performance and resilience in navigating these turbulent times.

A forecasted looming global economic recession, underpinned by rising inflation, geopolitical tensions, growth-stabilising monetary policies, and a generally subdued recovery of the global economy resulted in increased economic pressure in the South African economy. This was exacerbated by unreliable power supplies, increased costs of doing business, rising inflation, and the weakening of the rand against major currencies.

The economic downturn had a profound impact on many of our customers, directly affecting our sawmilling industry. Despite this, we remained determined to uphold our commitment to achieving our strategic objectives. While our top line struggled due to the prevailing circumstances, we upheld our responsibility to allow the Company to realise its long-term goals.

We made a conscious decision not to allow these headwinds to impact our strategic objectives that align with our vision of investing in the future, enabling us to remain at the forefront of our industry. It is only through our present investments that we will be able to build a future-fit commercial enterprise.

A total of 79% of the Shareholder's Compact targets were achieved in FY2022/23 against a target of 80%. Revenue decreased by 3% relative to the prior year, against a target of positive 10%. Operating profit increased from R389 million in FY2021/22 to R583 million. Net Profit After Tax achieved was R231 million against a target of R82 million. The Group exceeded its planned Temporarily Unplanted Percentage (TUP) target of 3% by achieving 1,9%.

Achievements

This year, SAFCOL celebrates a quarter of a century of Forest Stewardship Council® (FSC®) certification for Komatiland Forests SOC Limited (KLF), making it the oldest certified forests in Africa and one of the oldest in the world. FSC® certification is an important public indicator that KLF manages its forests in a responsible and sustainable manner, and I would like to convey my pride to all those who have made this important milestone possible.

We managed to achieve B-BBEE Level 2 certification, which is a commendable achievement under the circumstances, and reiterates our commitment to transformation, inclusive procurement and employment equity.

We made good progress in terms of advancing the strategic projects, which remain key to the realisation of our long-term objectives. The Timbadola reinvestment, IFLOMA fibre, and Combined Heat and Power (CHP) strategic partnership projects progressed to project development phase. The business cases and commercial business models for these projects were developed and approved for implementation. We selected and appointed a strategic partner for the CHP plant at Timbadola, and the process to raise funding for the upgrade of the mill is underway.

Our unwavering ambition remains to foster a culture that elevates and celebrates exceptional performance, and it is impossible to accomplish this if we don't have a solid ethical foundation in place. This year, we made great progress in formalising our ethical structures and functions, and we will continue to prioritise this going forward.

Our relationships, with employees, government, communities, customers and others are the foundation of our sustainability and future success. The expansion of our horizon depends on our ability to forge synergistic partnerships for mutual benefit. Maintaining and strengthening these relationships takes focused attention and hard work, and I'm pleased to say that this has paid dividends. From matters of security to land claims, research, climate change awareness and employee engagement, I believe we are communicating forthrightly, openly and effectively.

Strategic projects

The Company enters the final year of our first five-year strategic horizon in FY2023/24, and is preparing to establish the framework for the subsequent five-year horizon. Though the aspirations of the 50:50 Strategy will extend beyond the 2019-2024 strategic planning period, the plan is to make progress in the implementation of the diversification strategy and growth of diversified revenue.

Driving the increase in revenue from lumber and diversification is dependent on the successful implementation of key strategic projects leading up to FY2024/25, including additional processing capacity, the pole-treatment strategic partnership, the implementation of the Timbadola Sawmill reinvestment project, and furniture manufacturing, implementation of the Cross Laminated Timber (CLT) strategic partnership and the possible acquisition or leasing of an existing sawmill in the longer term.

From the analysis of the status of implementation of the strategic projects, SAFCOL has set a target of 30:70 for FY2023/24, i.e. 30% revenue from the sale of lumber and diversified products and services and 70% from the sale of logs.

Challenges

Despite our achievements, we experienced challenges which prevented us from achieving the performance we would ideally have liked to see. We were unable to conclude the contract for our custom-cut partner, and have gone back to market for another round of procurement. Performance challenges at Timbadola were predominantly related to loadshedding and energy availability, but also due to equipment reliability and an inability to expand our finger-jointing capability. These two challenges impacted our ability to establish a firm baseline for our 50:50 Strategy, but they were offset by the progress we were able to make in terms of advancing our strategic projects.

Safety

FY2022/23 was a mixed year in terms of health and safety performance. No fatalities were recorded, resulting in a third consecutive fatality-free year for all SAFCOL operations, including contractors. Following an exceptionally good year in 2021/22, retaining our Disabling Injury Frequency Rate (DIFR) at that level was always going to be extremely difficult. However, the increase in disabling injuries was more significant than we had hoped, and a single-vehicle incident at Entabeni which resulted in 14 disabling injuries rendered the achievement of any target impossible. We have implemented targeted interventions aimed primarily at improving a culture of safety and individual responsibility.

Forward focus

SAFCOL has made solid progress in terms of the strategic horizon journey that was set when developing the 2019 – 2024 Strategic Plan. There is, however, a need to advance the Company from a state of inflection to a higher state of impact. This can only be achieved through growth, which is contingent on the organisation better executing its strategy by completing key strategic projects to improve existing processing efficiencies, to increase processing capacity, and to diversify SAFCOL's downstream product range through higher-value beneficiated products.

The Company's revenue continues to be driven by the upstream sale of logs, highlighting the critical challenges we faced in progressing the 50:50 Strategy, including optimising cost structures and profitability at Timbadola, implementing strategic initiatives and projects, modernising forestry operations through mechanisation and automation, addressing timber theft and other crime, and replacing the enterprise resource planning system.

Therefore, the focus for the upcoming period is on SAFCOL's strategic intent to grow revenue through improved internal processing and through expansion, by expediting the implementation of key innovations and strategic initiatives. This includes, among others, the Timbadola upgrade project and the interrelated CHP project, processing partnerships, mobile sawmills, the ecotourism partnership, pole treatment capacity partnership, CLT project, and other diversification projects to grow our downstream product range.

Key to our long-term success is access to more plantations and transformative business partnerships, ensuring a significant social return on investment for communities, building brand equity in the public domain and communicating our strategy and success stories internally.

Appreciation

I would like to extend my sincere appreciation to our Board members for their continued counsel and support, to my fellow Executives, for their leadership and guidance through a trying and volatile period, to our customers for continuing to depend on us for quality products that help build a nation, and to my colleagues, for their ongoing commitment to building an organisation that our children will be proud of.

Despite the challenges we faced, we remained steadfast in our pursuit of strategic objectives. We have set ourselves up for resilience, allowing us to adapt our business and operating models while remaining committed to our long-term vision.

Though we have managed to embed agility into our processes, we are steadfast in our belief that our strategic objectives are worth pursuing. We have established a good base from which to grow a thriving, diversified business. There will be unavoidable ups and downs, but this simply reinforces the need to commit to strategic objectives that we feel are in the best interests of SAFCOL as a value-creating and sustaining business, our stakeholders, and South Africa.

Mr Tsepo Monaheng
SAFCOL Chief Executive Officer

Performance against Shareholder's Compact

KEY ACHIEVEMENTS IN FY2022/23

- B-BBEE **Level 2 status**
- FSC® certification maintained for a record **25th year** (NC)
- **79%** of Shareholder's Compact targets met
- TUP SA achievement of **1,9%**

About the Shareholder's Compact

The Shareholder's Compact represents the agreement between the Minister of Public Enterprises (the Department of Public Enterprises (DPE) is the Shareholding Ministry) and the SAFCOL Board. It is a reflection of the expectations of each party, expressed in terms of outcomes and outputs that need to be achieved.

The agreement allows the Minister to measure, monitor and evaluate the Group's financial and operational performance. There is clear alignment between the achievement of strategic objectives, key performance indicators (KPIs) as specified in the Shareholder's Compact, and remuneration policies and philosophies to ensure payment of incentives to Executive Directors, Prescribed Officers and senior managers are aligned with the Shareholder's Compact target.

The Shareholder's Compact results form the need to have a clear understanding of the relationship between government and the public entities as an extension of delivering public service through business-based entities.

The Shareholder's Compact is developed annually in terms of section 29.1 of the Treasury Regulations and takes into account the previous year's performance. This takes place through engagements between DPE representatives and SAFCOL representatives who represent our Board's interests. Multiple alignment sessions are held until an agreement is reached.

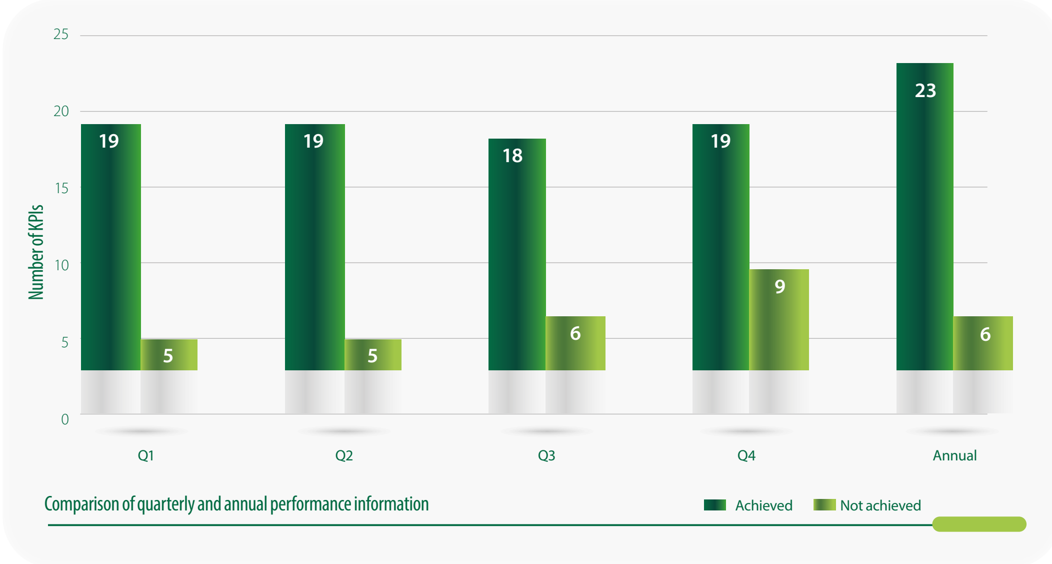
The set targets are agreed on to ensure that SAFCOL executes its mandate while remaining financially and operationally sustainable, as well as contributing to the country's economic growth and stability and the transformation objectives. Once mutually agreed on, any review of targets must be completed before 1 July of the financial year for which the Shareholder's Compact is applicable.

SAFCOL is required to report quarterly on the KPIs as per the signed Shareholder's Compact. This facilitates effective performance monitoring and corrective action required to be implemented by both the DPE and SAFCOL (the Accounting and Executive Authority).

Overall performance against the Shareholder's Compact

The SAFCOL Group performance was measured by 29 KPIs for the 2022/23 financial year. Against 29 measurable KPIs, twenty-three (23) KPIs have been achieved and six (6) were not achieved. This represents a 79% achievement of the Shareholder's Compact as at the end of the financial year.

Comparison of quarterly and annual performance information for the 2022/23 financial year



Actual performance against the year-end target is indicated in the tables below, as follows:

- ● Actual performance for the year met or exceeded the target
- ● Actual performance for the year did not meet the target

Financial sustainability

Key performance indicators, planned targets and actual achievements

Element of strategic intent	Key performance area (KPA)	Key performance indicator (KPI)	Unit of measure	Planned target FY2022/23	Actual achievement FY2022/23	Status	Deviation from planned target to actual achievement for FY2022/23	Comments on performance
(FC) **Financial sustainability**	Liquidity	1) Current ratio	Ratio	2:1	**1,6:1**	●	(0,4)	• The target was not achieved due to a decrease in cash resources as a result of missed lumber sales targets and using cash for capex, instead of financing.
		2) Trade receivables days	Days	≤60	**48**	●	12	• Trade receivable days was achieved for the year.
	Revenue generation	3) EBITDA margin	%	≥5%	**(3%)**	●	(8%)	• The target was not achieved due to a decrease in earnings as a result of missed lumber sales targets.
	Efficiency	4) Revenue/ employee	Rand	≥R0,5m	**R508 628**	●	R8 628	• Revenue per employee target was achieved.
	Solvency	5) Debt ratio	%	≤30	**27%**	●	3%	• Debt ratio target was achieved for the year.

Performance against Shareholder's Compact continued

Operational excellence

Key performance indicators, planned targets and actual achievements

Element of strategic intent	Key performance area (KPA)	Key performance indicator (KPI)	Unit of measure	Planned target FY2022/23	Actual achievement FY2022/23	Status	Deviation from planned target to actual achievement for FY2022/23	Comments on performance
FC **Operational excellence**	Innovation and research	6) Total expenditure on research and development (R&D) as a percentage of revenue	%	1,8	**1,9**		0,1	• R&D target achieved and spend is 0.1% better than the target. • This was due to the implementation of strategic R&D projects such as the Cellulose Nanocrystals (CNC), Forest Molecular Genetics Programme (FMG), Light Detection and Ranging (Lidar) pilot studies and the FSA research projects.
		7) Agro/social forestry research: Silvopastoral Research	Quarterly milestones	Approved Business Case	**Business Case was approved**		N/A	• Target has been achieved. • The business case was completed and approved.
		8) Wood Product and Business Research: Mapping a way forward for SAFCOL	Quarterly milestones	Approved Market entry strategies	**Market entry strategies were approved**		N/A	• The target has been achieved. • The market entry strategies were completed and approved. • The development of the implementation plan and subsequent execution will take place from FY23/24 onwards.
		Temporarily Unplanted Proportion (TUP) %						
	Productivity and efficiency	9) TUP South Africa	%	≤3%	**1,9%**		1,1%	• The target was achieved due to the implementation of a catch-up plan to reduce planting back log.
		10) TUP Mozambique – Manica operations	%	≤5,5%	**4,8%**		0,7%	• The target was achieved. • Efforts were made for replanting of the harvested compartments at Penhalonga, Rotanda and Bandula.

Capital Expenditure

Socio-economic impact

Key performance indicators, planned targets and actual achievements

Element of strategic intent	Key performance area (KPA)	Key performance indicator (KPI)	Unit of measure	Planned target FY2022/23	Actual achievement FY2022/23	Status	Deviation from planned target to actual achievement for FY2022/23	Comments on performance
Capital Expenditure	Strategic projects and execution	11) Timbadola Reinvestment project	Quarterly milestones	Approved execution plan	**Execution Plan was approved**		N/A	• The target was achieved. • The project execution plan was completed and approved.
		12) IFLOMA fibre project	Quarterly milestones	Implementation of the business concept	**Implementation of the business concept was incomplete**		N/A	• Target not achieved due to lack of funds and excessive rains, which contributed to less planting at Galinha.

Key performance indicators, planned targets and actual achievements

Element of strategic intent	Key performance area (KPA)	Key performance indicator (KPI)	Unit of measure	Planned target FY2022/23	Actual achievement FY2022/23	Status	Deviation from planned target to actual achievement for FY2022/23	Comments on performance
HC **Socio-economic impact**	Environmental compliance	13) KLF South African operations fully certified to FSC® standard and submission of annual FSC® report	%	100%	**100%**		N/A	• Target achieved for 25 consecutive years.
	Safety	14) Fatalities index	Number	0	**0**		0	• SAFCOL achieved a fatality-free year.
		15) Disabling Injury Frequency Rate (DIFR)	Ratio	≤1,65	**2,73**		1,08	• Target not achieved; however measures were implemented after the increased DIFR, these included: • Increased supervision and accountability. • Retraining of Operators.
	Skills development	16) Training spend	%	3%	**4,97%**		1,97%	• Annual target has been achieved.
		17) Apprenticeship trainees	Number	≥10	**10**		0	• Annual target achieved.
		18) Sector-specific learnerships (e.g. wood technologist, processors, foresters)	Number	≥100	**109**		9	• Annual target achieved.
	Corporate social investment	19) Total spend on Corporate Social Investment (CSI) initiatives	Rand	R6m	**R6 101 631**		R101 631	• Annual target achieved.
	B-BBEE/ preferential procurement	20) Spend on BEE compliant companies as a % of TMPS	%	80%	**82%**		2%	• Annual target achieved.
		21) B-BBEE status level	Certification level	4	**2**		N/A	• SAFCOL achieved a Level 2 BBBEE status, exceeding the target. • The company participated in the YES program.
		22) Procurement spend on 51% black-owned entities as a % of TMPS	%	50%	**66%**		16%	• Annual target achieved.
		23) Procurement spend on 30% black women-owned entities as a % of TMPS	%	17%	**27%**		10%	• Annual target achieved.

Performance against Shareholder's Compact continued

Socio-economic impact continued

Key performance indicators, planned targets and actual achievements continued

Element of strategic intent	Key performance area (KPA)	Key performance indicator (KPI)	Unit of measure	Planned target FY2022/23	Actual achievement FY2022/23	Status	Deviation from planned target to actual achievement for FY2022/23	Comments on performance
HC **Socio-economic impact** continued	B-BBEE/ preferential procurement continued	24) Procurement spend on Black youth owned entities as a % of TMPS	%	10%	**9%**		(1%)	• While management introduced measures to ensure that this target would be achieved, changes in the Preferential Procurement Policy negatively impacted this spend in the fourth quarter, resulting in the company missing the target by 1%.
		25) Procurement spend on People with Disabilities (PWD) owned entities as a % of TMPS	%	3%	**1%**		(2%)	• Target not achieved due to changes in the SCM Policy, which impacted the SCM strategy on the allocation of spend on the designated group.
	Industrialisation and localisation	26) Total local content as a percentage (%) of the total value of contracts awarded	%	75%	**100%**		25%	• Annual target was achieved.
	Enterprise and Supplier Development	27) Annual value of all Enterprise Development and Supplier Development contributions made by SAFCOL	Rand	R30m	**R125 866 135**		R95 866 135	• Target achieved. • This was due to the invoices processed for ESD incubates exceeded planned target.

Governance excellence

Key performance indicators, planned targets and actual achievements

Element of strategic intent	Key performance area (KPA)	Key performance indicator (KPI)	Unit of measure	Planned target FY2022/23	Actual achievement FY2022/23	Status	Deviation from planned target to actual achievement for FY2022/23	Comments on performance
Governance excellence	Anti-corruption	28) Percentage Forensic Report Recommendations Implemented within 3 months of being issued	%	80%	**86%**		6%	• Annual target achieved.
	Governance assurance	29) AG audit outcome	Annual milestone	Unqualified audit opinion	**Unqualified audit opinion**			• The target was achieved due to concerted efforts in improving governance, risk management and internal control systems.

Merchandised harvesting, Sabie Mpumalanga

Strategy

SAFCOL's 50:50 Strategy

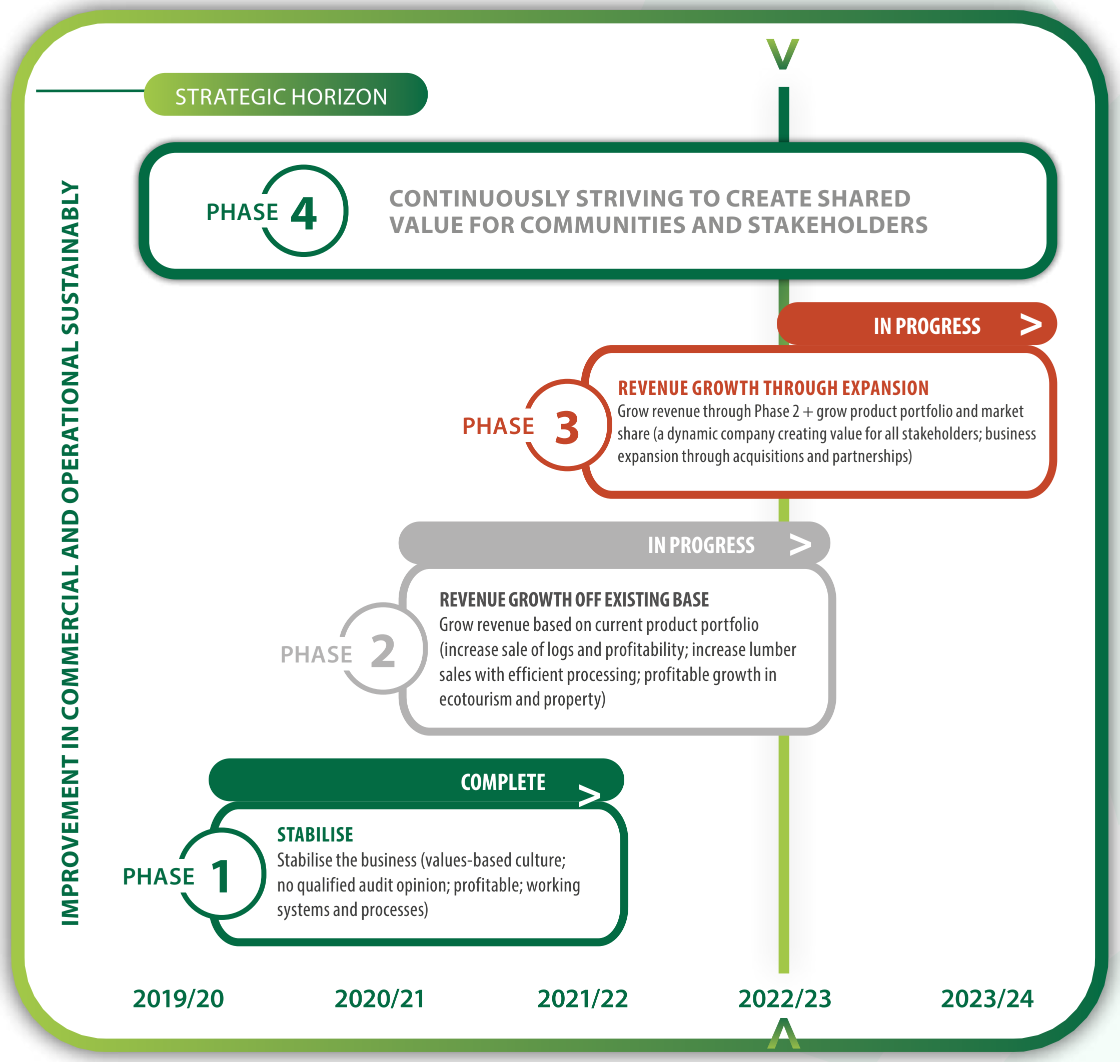
In an environment of persistent high costs and low revenue growth, downstream value addition and creation is key for the growth and diversification of the organisation's markets and revenue streams, ensuring that assets are optimised for revenue generation.

SAFCOL's 50:50 Strategy therefore aims at a 50% contribution from logs and lumber and other diversified revenue, respectively.

SAFCOL currently processes less than 20% of its saw logs, with lumber and other diversified sales contributing about 25% of its revenue.

Additional processing required to achieve the objectives of the 50:50 Strategy will require capital expenditure and is likely to be achieved through strategic partnerships and innovative funding models.

SAFCOL's 50:50 Strategy has been translated into a strategic horizon for the period 2019/20 to 2023/24.



SAFCOL Balanced Scorecard and goals aligned with strategic outcomes (results)

Balanced Scorecard Perspective	Shareholder's Compact Goals	Six Capitals	SAFCOL Strategic Goals	SAFCOL 50:50 Strategy Outcomes (Results)
External Focus – Results for Stakeholders				
Financial Stakeholder and Customer	Financial sustainability Socio-economic impact	Financial capital Human capital (external) Social and relationship capital	1. Financial sustainability 2. Growth and business development 3. Stakeholder and economic transformation	SP1.1. Increased revenue, profitability, and cash generation SP2.1. Increased customer satisfaction SP2.2. Increased market share – horizontal and vertical expansion SP3.1. Industry transformation and inclusive economic growth advanced
Internal Focus – Enabling Business Results				
Internal Business Processes	Operational excellence Capital expenditure Governance excellence	Intellectual capital Manufactured capital Natural capital	4. Operational excellence 5. Governance excellence	SP4.1. Increased productivity of SAFCOL's assets SP4.2. Increased biological asset value SP4.3. Organisational efficiency and effectiveness optimised SP4.4. A workplace that is as safe as is reasonably practical
Innovation Learning and Growth	Operational excellence	Human capital (internal) Intellectual capital	6. Organisational enablement	SP6.1. An engaged workforce and effective organisation SP6.2. Innovation and value creation enhanced through R&D

Strategy continued

Strategic context

SAFCOL adheres to and complies with a range of legislation, regulations and policies relevant to its operations and its role in the broader transformation and development of the economy, summarised in the table below.

Category	Legislation and other mandates
Statutory mandates	• Constitution of the Republic of South Africa Act, No 108 of 1996 • Management of State Forests Act, No 128 of 1992 • National Forests Act, No 84 of 1998
Governance frameworks	• Public Finance Management Act, No 1 of 1999 (PFMA) • Companies Act, No 71 of 2008 • Memorandum of Incorporation • Statement of Intent • Significance and Materiality Framework • Shareholder's Compact • King IV Code of Corporate Governance for South Africa, 2016 • Protocol on Corporate Governance for the Public Sector, 2002 • SOC Remuneration Guidelines • Delegation of Authority Framework
Global and national policy frameworks and guidelines	• United Nations Sustainable Development Goals (SDGs) (2015) • National Development Plan (NDP), Vision 2030 • Medium Term Strategic Framework (MTSF), 2019 – 2024 • Masterplan for the Commercial Forestry Sector in South Africa, 2020 – 2025 • Economic Reconstruction and Recovery Plan (ERRP), 2020 • Forestry Sector Code and Scorecard, 2018 • Africa Continental Free Trade Agreement (AfCFTA) • 27th United Nations Climate Change Conference of the Parties (COP27)

Global and national policy environment

SAFCOL is wholly owned by the South African Government and its overall governance is broadly determined by government policies, strategies, and plans that are relevant to the mandate of the Group. SAFCOL's contribution to the key policy priorities is summarised in the table below:

Policy priorities	SAFCOL contribution
SDGs	As a global corporate citizen with a mandate of socio-economic development, SAFCOL has a role to play in the achievement of the SDGs, specifically SDG 15, which aims "To protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss," relating directly to the Group's statutory mandate and operations.
NDP, vision 2030	SAFCOL contributes to several NDP chapters, including: • An economy that will create more jobs – chapters 3, 4, 5 and 6 • Infrastructure improvement – chapters 4 and 8 • Transition to a low-carbon economy – chapter 5 • An inclusive and integrated rural economy – chapter 6
MTSF 2019 – 2024	SAFCOL contributes to the following MTSF priorities: **Priority 1:** A capable, ethical and developmental state, prioritising the attainment of an unqualified audit outcome with no findings. **Priority 2:** Economic transformation and job creation, with a specific focus on industrialisation, localisation, and exports. **Priority 5:** Spatial integration, human settlements, and local government, with an emphasis on rural development and environmental management programmes. **Priority 7:** A better Africa and world, with opportunities for regional integration, leveraging the AfCFTA for expansion through exports. SAFCOL further contributes to the cross-cutting issues related to youth, women, and people with disabilities.
FSC®	The FSC® is a global not-for-profit organisation that sets the standards for what is a responsibly managed forest – environmentally, financially, and socially. SAFCOL has maintained a 100% FSC® certification for the past 25 years and will continue to ensure that the certification is maintained.

Policy priority focus: SDGs and the NDP

In 2012 the National Planning Commission (NPC) published the National Development Plan (NDP) Vision 2030, which sets forth a long-term view of the government's plan to eliminate poverty and reduce inequality by 2030. South Africa seeks to realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

SAFCOL, as a state-owned entity (SOE) and a responsible corporate citizen, has a key role to play in supporting and driving the achievement of the goals of the NDP. Below, we explore the means by which SAFCOL can actively contribute to the NDP, concentrating on 11 priority areas:

An economy that will create more jobs

SC

SAFCOL employs approximately 1 700 people directly and approximately 3 500 through contracting services. Furthermore, through its Transformation function, SAFCOL actively engages in the development of community-based enterprises, with a special focus on the empowerment of people of colour, women, youth, and people living with disabilities (PWD), which leads to employment in the rural economies within which SAFCOL operates.

Improving the quality of education, training and innovation

HC

SAFCOL supports the upskilling of its staff, their dependants, and local communities through a number of targeted interventions, including study assistance for employees, bursaries, learnerships, apprenticeships, internships, work-integrated learning placements, and short skills programmes. These programmes are offered free of charge to SAFCOL's Social Compact communities.

Reversing the spatial effects of apartheid

SC NC

SAFCOL supports the redress of the injustices of the past, including the redistribution and restitution of land, as contemplated in the Restitution of Land Rights Act, No 22 of 1994. To this end, SAFCOL has dedicated employees working closely with the Department of Agriculture, Rural Development and Land Reform, the Land Claims Commissioner, land claimants, and the broader community so as to settle claims on SAFCOL managed land.

Transition to a low-carbon economy

NC

SAFCOL, as a Group built on a biological asset, is well aware of the risks posed by the climate emergency, to which end SAFCOL is actively quantifying its carbon footprint with the aim of setting science-based targets for emissions reduction. SAFCOL is actively adapting its operations to mitigate the impact of climate change, as well as supporting adjacent communities who are most vulnerable to its adverse effects.

Quality healthcare for all

SC HC

SAFCOL acknowledges the importance of health, both for its own employees and adjacent communities, to which end SAFCOL has built three dedicated occupational health facilities for staff, as well as building and upgrading numerous community health clinics within its footprint area.

Reforming the public service

SAFCOL recognises the importance of a public service which is dedicated to social justice, social cohesion, and nation building. Furthermore, SAFCOL acknowledges the Basic Values and Principles governing public administration as set forth in Chapter 10 of the Constitution of South Africa, to which end SAFCOL has its own dedicated policy on ethics in the workplace.

Fighting corruption

SAFCOL supports the fights against corruption to which end it has instituted a number of measures, including Internal Audit, Forensics, Delegation of Authority, Separation of Duties, and established a dedicated whistleblowing hotline.

Transforming society and uniting the country

SC

SAFCOL recognises the need for social cohesion and nation building (NPC 2012), and thus through the Transformation function supports community and social development with multiple socio-economic development and CSI initiatives, including health clinics, community halls, victim care centres, Early Childhood Development Centres, community-based businesses, education and training, etc.

An inclusive and integrated rural economy

SC

SAFCOL supports the government's drive for radical economic transformation and the integration of the rural economy. To this end, SAFCOL actively develops community-based businesses within its value chain through a dedicated ESD programme which seeks to establish and support black-owned businesses from the rural communities within its operational footprint.

Social protection

SC

SAFCOL supports the government's call for social protection, for access to healthcare, nutrition, education, etc. To this end, SAFCOL has undertaken a number of initiatives to support the dignity, health, education, livelihoods and wellbeing of employees and adjacent communities.

Building safer communities

SC

SAFCOL supports the need for safer communities, to which end SAFCOL has established a number of Victim Care Centres at local police stations where victims of crime can receive counselling and support.

Risk and sustainability management

All risks were managed within the approved risk appetite framework limits.

Risk management **maturity improved significantly**

Risk management framework

We apply our risk management process to inform the strategic and operational choices we make and realise the expected outcomes.

Our **common goal** is to be a company that delivers **long-term value** and is legitimate in the eyes of all our stakeholders.

In this way, we **maximise certainty** between our strategic objectives and our ultimate business outcomes.

SAFCOL's risk management portfolio includes coverage of all relevant risk areas, including risk management, resilience (business continuity management), insurance and risk financing, ethics, compliance, health and safety, environmental management (including climate change), sustainability, just economic transition, ESG, quality management, land reform, and physical security.

The Risk and Sustainability Management division is an enterprise support function that enables SAFCOL's risk management capability for improved strategy execution and business performance in an ethical manner.

This process is underpinned by a quarterly risk context setting per executive area, and quarterly risk reviews in terms of SAFCOL's approved Risk Appetite Framework, which is aligned annually to SAFCOL's strategy and Delegation of Authority Framework. All risks in breach of the risk appetite, tolerance, and risk-bearing capacity limits are escalated to enable management, the Board, and Shareholder to make risk-intelligent decisions on an ongoing basis. No risks breached SAFCOL's risk tolerance and risk-bearing capacity limits during FY2022/23.

Responsibility

SAFCOL's Board is mandated to oversee that management operates a commercially sustainable business on state forestland while enabling socio-economic transformation in the forestry sector.

The Board's fiduciary duties include that it must ensure that SAFCOL's sustainability reality (external context) is accurately translated into its strategy and that the strategy informs SAFCOL's risk appetite.

It is management's responsibility to ensure that the strategy is executed in accordance with operational plans and that risks are managed as such plans are executed.

The Chief Audit Executive and other assurance providers provide the Board with assurance that the activities executed by management take place in accordance with the operational plans, approved strategy, and good governance principles. The Board reports to the Shareholder on the achievement of SAFCOL's mandate and strategy.

The Board's governance duty includes oversight over the risk management process, which enables SAFCOL to manage its risks while translating between sustainability, scenario planning, strategy, risk appetite, operations and functions, combined assurance, governance and oversight, and external reporting.

All risks are reviewed quarterly to ensure that risks are mitigated and all risks that were outside the risk appetite were either mitigated to within the risk appetite or dealt with by the Board in line with the risk appetite framework.

SAFCOL's most material risks and opportunities

Risk	Description	Mitigation strategy
Fire	Unfavourable weather conditions and human activities may render our plantations vulnerable to fires.	We continued to work with Forestry South Africa, Working on Fire, Fire Protection Associations and others to maintain integrated firefighting strategies (including scientific fuel-reduction strategies during the rainy season).
Occupational diseases, injuries and fatalities	SAFCOL has a legal obligation to evade mitigate occupational diseases, injuries, and fatalities.	• Enforcement of health and safety rules • Implement safety improvement recommendations • Implement the asbestos plan and monitor progress and compliance
Loss of biological assets due to criminal activities	SAFCOL's plantations are vulnerable to criminal activities such as timber theft, illegal mining , malicious damages to property and other threats to employees and assets.	Working with communities and law enforcement to combat criminal activities.
Pests and diseases	Pests can severely damage the bark of trees, and diseases affect our plantations and may result in lower volumes.	We continued to work with the industry stakeholders on solutions for damages caused by pests. Our R&D focus areas include developing disease-resistant species to mitigate the risk more sustainably.
Climate change and natural disasters	Changing weather patterns affect our forests.	We worked with industry to implement our climate change response strategy.
Ageing infrastructure	Our ageing infrastructure may present a safety risk, result in inefficient operations and/or lead to increased costs.	We have implemented an equipment replacement plan within our financial constraints.
Loss of access to forestable land	Approximately 57% of SAFCOL-operated land is ffected by land claims.	SAFCOL ensures access to forestable land by working closely with successful land claimants.

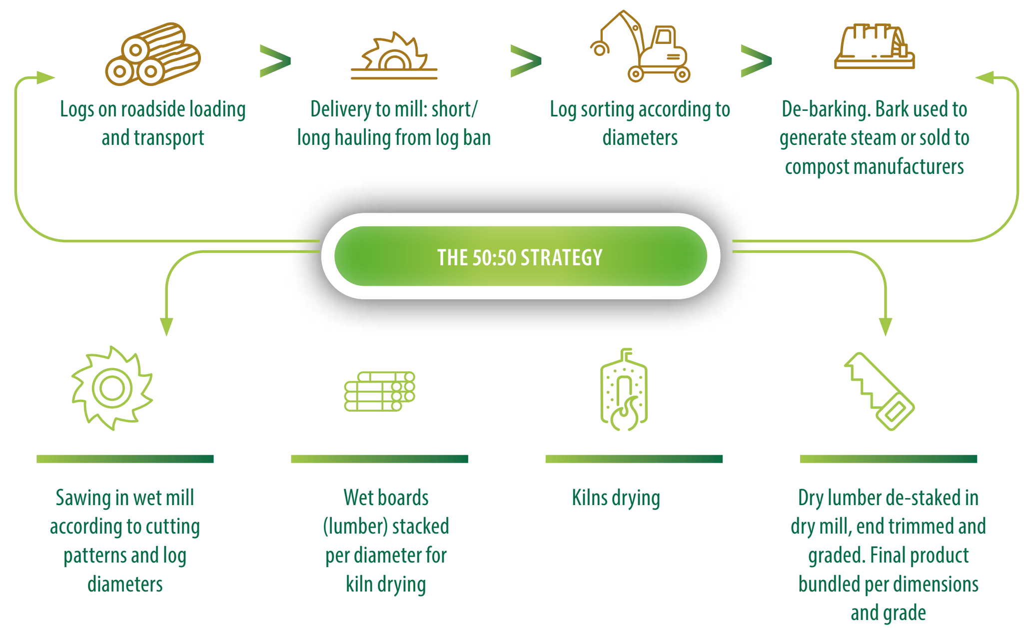
Team building activities, Woodbush plantation. Tzaneen, Limpopo

What we do

SAFCOL yi tiyisisa leswaku yi byala misinya ya kahle swinenene. Leswi swi endleka hi ku sungula hi ku lavisisi na ku lulamisa timbewu ta kahle na swimilana eswirhapeni. Endzhaku swimilana swi byariwa hi nkarhi lowu faneleke emasin'wini, swi hlayisiwa ku kondza swikula, swiri karhi swi sirheleriwa eka switsotswana na switsongwatsongwana na le ka mindzilo. Ku humelerisa nkoka wa misinya, misinya yi hungutiwa marhavi nohunguta nhlayo ya misinya ku endlela leswaku yi ta kula kahle yi tlhela yi bumbula hi fanelo. Loko yi vupfile ya tshoveriwa, yi humesa timhandzi leti eku heteleleni ti endlaku switirhisiwa swo fana na maphepha na mapulanga.

Mechanisation and Automation

THE SAFCOL VALUE CHAIN



Round logs stacking, Timbadola Sawmill, Entabeni Limpopo

Business model


Round log stacking, Witklip plantation. Sabie Mpumalanga

CAPITALS	NATURAL CAPITAL	INTELLECTUAL CAPITAL	MANUFACTURED CAPITAL	HUMAN CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL	FINANCIAL CAPITAL
	See page 34	See page 38	See page 42	See page 44	See page 58	See page 74
INPUTS	**SOUTH AFRICA:** Total area under plantation management: **189 541 ha** Planted area: **117 917 ha** **MOZAMBIQUE**: Total area under plantation management: **101 114 ha** Total planted area: **16 709 ha**	R&D spend of **1,9%** of turnover A culture of innovation and improvement Agro/social forestry research Wood-product and business research	Investment in plant maintenance and upkeep Investment in new productive resources and technology	Total permanent SAFCOL employees **– 1 375** Total permanent IFLOMA employees **– 364** Investment in employees and communities through a number of learning and development interventions Training spend: **R22 million**	ESD spend of **R126 million** ESD training spend of **R1 million** CSI spend of **R6 million** Ongoing stakeholder **relationship building**	Debt of R2,5 billion Equity and liabilities of R5,9 billion
RISK ALIGNMENT	We actively manage our reliance on natural resources and our impact on communities, human health and the environment. Risks that severely threaten these aspects exceed our risk appetite.	We pursue improved technology and products to meet evolving customer needs through our R&D efforts. Risks that may negatively affect our intellectual property are outside of our risk appetite.	We prioritise innovative, superior and sustainable products and services to meet our strategy, enabled by cost-effective, integrated business models, processes, systems and supply chains. We have no appetite for risks that may prevent us from achieving our operational targets.	As a key strategic enabler, we proactively manage our access to skills and capabilities, as well as the satisfaction, wellness and conduct of our employees. Risks that may severely reduce our employee value proposition and access to competence and capacity needed to execute our strategy exceed our risk appetite.	We strive to commit social investment in line with communities' needs and in support of our brand and reputation. We strive to build strong relationships with customers, governments and communities, supported by compliance with legal and regulatory requirements, and management of possible impacts from our business on stakeholders. We do not consider risks that may detract from these efforts to be within our risk appetite.	We pursue profitable growth to compete in the market, supported by management of risks related to our income, expenditure, working capital, financial position, investments, customer mix and debt levels. Financial risks that may result in us not achieving our strategic financial targets are outside of our risk appetite.
OUTPUTS	Maintained FSC® certification in South Africa for a record 25th consecutive year	Procured a database to host all tree breeding data from the last 30 years and into the future IT infrastructure contracts concluded Appointment of implementation partner for a new Enterprise Resource Planning (ERP) system	The mechanisation expansion project gained traction Made strides in procurement of digital radios Aggressive progress made in terms of replacement plan Continued investment in rehabilitating damaged stream crossings	**Fatality-free** year for all SAFCOL operations **2 027** employees, community members and contractors benefited from Workplace Skills Training **21** graduates enrolled as part of Youth Employment Service (YES) programme Bursaries – **20** internal, **20** external Apprenticeships – **25** Learnerships – **109**	B-BBEE Level 2 Continued strong partnerships with key stakeholders Supply contracts awarded to two land-claimant enterprises	Revenue: R1 181 million EBITDA: -R35 million
OUTCOMES	Sustainable management of forests. This includes a holistic approach to the management of forests, including financial, environmental and social dimensions. No significant environmental incidents recorded SAFCOL also manages non-plantation areas in terms of its environmental responsibilities	R&D investment in product development The maintenance of a culture of innovation and improvement	Continued contribution to high value-added manufacturing capacity in the country.	Employees and communities are better skilled and better placed for sustainable, value-adding employment.	Proactive community engagement model to ensure communities benefit from forestry activities. B-BBEE initiatives: – Ecotourism – Transport – Value chain B-BBEE and community development initiatives: – ESD programme Socio-economic development SAFCOL is able to deliver on its mandate and strategic vision due to collaboration with key stakeholders.	Revenue growth, profitability and cash generation Contribution to GDP

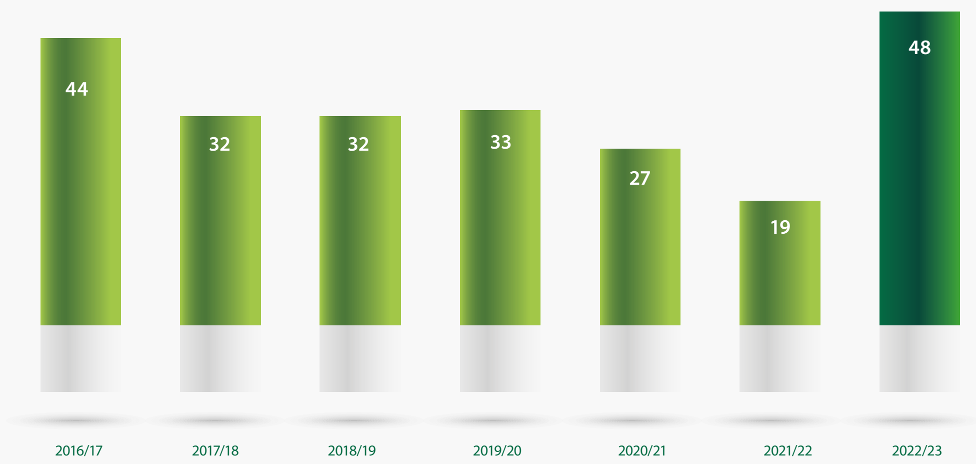
Occupational health and safety

Fatality-free year for all SAFCOL operations for the third consecutive financial year.

88.27% NOSA health and safety audit score.

The Safety, Health, Environment and Quality (SHEQ) function facilitates SAFCOL's commitment to create and maintain a safe and healthy workplace, and to prevent injuries and occupational illness, supported by a culture of safety stewardship through targeted awareness and educational campaigns, high visibility site presence, consistent and credible leadership, specialist advice, guidance, monitoring, and reporting.

Health and safety management systems are aligned to the requirements of the National Occupational Safety Association (NOSA) Integrated Five Star System.



Disabling injuries: SAFCOL employees by financial year

No fatalities were recorded, resulting in a third consecutive fatality-free year for all SAFCOL operations, including contractors.

Safety performance deteriorated in the third quarter, mainly due to a single vehicle incident. Specific, targeted interventions have been put in place to address the identified causes and ensure greater awareness and compliance.

The creation and maintenance of a safety culture throughout SAFCOL and improvement of the DIFR remains a key objective for FY2023/24. This has been promoted with the "Safe by Choice, Not by Chance" campaign and the SEE something, SAY something, DO something message. The "I Choose Safety" theme for the safety roadshow originated in these philosophies.

3 Operational performance

Merchandised harvesting, Sabie Mpumalanga

Operational performance

Successful R&D initiatives leading to new products

Increase in lumber customers supplied and serviced in the year

Achieved **1,9%** TUP in SA

CHALLENGES

Significant impact of **loadshedding**

Heavy rainfall impacted operational activities

Ageing equipment

Challenging market conditions for the last quarter of the year MC

Within the forestry value chain, core operational functions include silviculture practices, land and forest management, harvesting, transportation, and a degree of log processing. In addition to the core mandate, extra revenue is generated from adjacent (or supporting) activities, such as ecotourism and property management. We continuously manage our customer relationships to ensure sustainability and our ability to meet demand.

Forest operations

KLF forest operations experienced persistent heavy rainfall, which had a negative impact on harvesting activities and log deliveries to customers. The persistent rainfall also led to delays in executing some operational activities such as thinning and pruning. However, the rainfall was conducive to planting activities, resulting in the achievement of the planting target by 16%, resulting in a TUP of 1,9% against a target of 3%. This favourable TUP contributed to an improved value of the biological asset.

At KLF, demand for pine saw logs began robustly, but diminished later in the year due to higher interest rates and accelerated loadshedding. Operations also experienced challenges in producing volumes due to persistent rainy weather. Despite these challenges, plans were put in place to increase production over weekends to increase sales. An average selling price (ASP) of 7% ahead of the budget for the full year was achieved, but the budgeted sales volume was behind by 12%.

The new growing stock regime was implemented, leading to an increase in the sustainable volume of logs from an average of 1,3 million per annum to 1,5 million per annum.

The implementation of new growing stock strategies will increase our available volumes to sell each year.

Processing

The logs intake at the Timbadola Sawmill saw a variance of -32% against budget due to a loss of 68 production days from power outages, equivalent to 3,4 months of production. In mitigating these power outages, a procurement process to increase the number of diesel power generators was initiated. In addition, a feasibility study was also undertaken to assess the integration of solar energy with diesel generators, and engagement with the municipality helped somewhat in improving supply through the repair of damaged electricity infrastructure.

There was a much-improved ASP for Timbadola Sawmill, with continued value-recovery through better production planning and strategic price increases throughout the year.

Overall lumber sales revenue was 36% below budget, mainly due to the lack of custom-cut operations and Timbadola Sawmill not producing at the targeted level. The fourth quarter was characterised by major disruptions to the Timbadola Sawmill as a result of increased loadshedding. This not only affected mill production, but also the businesses of lumber customers, resulting in the much-reduced sales.

Outdated technology and equipment at the sawmill continue to hamper productivity, and we are continuously optimising and undertaking some minor upgrades while we are finalising the full Timbadola upgrade project.

We initiated a process to procure a mobile sawmill to assist with additional processing capacity. We are also continuing our efforts to procure additional capacity through custom-cut projects and exploring some partnership opportunities.

Ecotourism

Ecotourism did not achieve the budgeted revenue in FY2022/23 despite intensive efforts to advertise the facilities through social media platforms and engaging holiday booking agencies. This is attributed to the facilities requiring upgrades and followed by aggressive marketing and in this regard a management agent is being procured for the Lakenvlei Forest lodge.

Heavy rainfall meant that some facilities had to be closed to guests in February 2023 for their safety. Some sections of our open-air facilities suffered several setbacks due to increased theft and vandalism. This has resulted in additional operational costs related to increased repairs and security.

SAFCOL has been approached by a group of miners who intends to mine coal within the vicinity of the Lakenvlei Forest Lodge and the proposal is being assessed by management.

IFLOMA

The target of 5,5% for the TUP at the Manica operations was achieved. This was due to the replanting of the harvested compartments at Rotanda, Penhalonga and Bandula, and because less harvesting took place.

Operational challenges were experienced consisting of excessive rainfall during Cyclone Freddy, which damaged and flooded the roads to Galinha. Equipment breakdown also negatively affected the collection of logs and sawn timber from the forest to sawmill. Lumber sales thus registered a negative variance of 13%.

At IFLOMA, eucalyptus log sales registered a positive variance of 68% due to increased marketing efforts. The marketing team has intensified its marketing efforts to potential buyers of poles in Mozambique and neighbouring countries. As a result, a substantial tender was awarded to IFLOMA by state-owned energy company EDM, and other electrification companies are also starting to place orders with IFLOMA.

Strategic projects

Driving the increase in revenue from lumber and diversification is dependent on the successful implementation of key strategic projects leading up to FY2024/25:

Strategic project	Project progress
Timbadola reinvestment	The implementation approach was revised due to previous non-responsive bids. The terms of reference (TOR) for the independent sawmill advisor is expected to be approved and published in April 2023. The TOR for the Engineering, Procurement and Contract Management (EPCM) contractor is going through the SCM processes.
IFLOMA fibre project	Investment proposals did not materialise as anticipated, however an unsolicited proposal was received for which a detailed proposal was received. The proposal will be reviewed, and a recommendation made to the IFLOMA Board.
Strategic partnership projects	**Combined Heat and Power (CHP):** The recommendation by the Bid Evaluation Committee (BEC) for a strategic partnership was ratified by the newly appointed Technical Advisor and approved by the Bid Adjudication Committee (BAC) for further engagement towards the conclusion of a strategic partnership. **Pole treatment:** The BAC approved the recommendation by the BEC for a partnership/commercial agreement to establish SAFCOL's pole treatment capacity. An award letter has been issued, with engagements with the successful bidder to follow in April 2023.

Natural capital

Komatiland Forests SOC Limited celebrated **25 consecutive years** of FSC® certification

No significant environmental incidents recorded

All environmental KPIs achieved

ASSOCIATED SDGS

6 Clean water and sanitation; 12 Responsible consumption and production; 13 Climate action; 14 Life below water; 15 Life on land; 17 Partnerships for the goals

ASSOCIATED CAPITALS

CHALLENGES

The **cost of legal and FSC® compliance** has escalated significantly

Heavy rainfall was experienced for a second consecutive year, resulting in damage to infrastructure

Continued **slow pace of land reform** and finalisation of land claims

Continued **timber theft**

** Note that 2022 experienced significant loadshedding, and the completeness and accuracy of available data must still be refined.*

Greenhouse nursery, Sabie Mpumalanga.

Natural capital refers to natural resources or environmental assets that provide a flow of useful goods/services, now and in the future.

The natural capital of SAFCOL consists of the trees and environments that must generate future revenue. Decision-making around our natural capital is directly linked to our long-term sustainability. SAFCOL actively manages its reliance on its natural resources and its impact on communities, human health, and the environment.

Key stakeholders in our environmental impact and management programme include employees, contractors, service providers, regulators, communities, neighbours, and industry bodies. SAFCOL has full-time representation on both the Environmental Management Committee and Timber Industries Pesticide Working Group under the Forestry South Africa umbrella.

Ensuring continuous access to forestable land

More than half of the land on which SAFCOL operates is subject to land claims. To ensure our continued access to our stock of natural capital, and thus our business sustainability and continuity, it is vital to integrate the State's land rights restitution programme beneficiaries into viable, mutually beneficial business relationships with SAFCOL.

Managing relationships with all land claims stakeholders, e.g. the DPE, Department of Forestry, Fisheries and the Environment (DFFE), Department of Agriculture, Land Reform and Rural Development (DALRRD), Land Claims Commission (LCC), Department of Public Works (DPW), Department of Mineral and Resources (DMRE) and claimants continued.

SAFCOL's land reform process has been expanded into an overall land claimant integration programme, which evaluates all land claimant communities against the various elements of SAFCOL's proactive community engagement model, post settlement business model and transformation initiatives.

SAFCOL's sustainable access to forestable land is assured through a formalised land lease agreement with DFFE and successful land claimants, and by integrating land claimants into SAFCOL's and/or the forestry value chain (in alignment with the progress on each specific land claim).

For more on the integration of land claimants within our social and relationship capital activities, see page 59. EC

Nursery, Sabie Mpumalanga

Natural capital
continued

Environmental management

Almost one third of the land on which KLF operates is managed as conservation areas. Legislative and FSC® requirements include the control of alien and invasive species, minimising the use of chemical pesticides, prevention of soil erosion and protection of grasslands and indigenous forests.

Environmental impacts are monitored according to legislative and regulatory requirements and include stream condition/ water quality, various rare, threatened, and endangered (RTE) species (both flora and fauna), grassland assessments and grazing capacities, wetlands, and rehabilitation of degraded sites.

Where specific expertise is not available in-house, or where there is a need to demonstrate independent assessment, external specialists are used.

Where undesirable impacts are identified, steps are taken to prevent further damage through management interventions, and/ or rehabilitation of any degraded areas.

SAFCOL provides specialist advice, guidance, support, monitoring and reports to line management, maintaining a culture of environmental stewardship, credible and consistent leadership, communication, education and mentoring, monitoring and reporting on compliance to FSC® and legislated requirements.

25 years of FSC® certification

KLF was the first forestry company to achieve FSC® certification – in 1997 – and is still regarded in the industry as a leader in this regard. We celebrated 25 years of FSC® certification following a full reassessment audit in June 2022, and became the first forestry company in Africa to achieve this milestone.

The FSC® certification enables SAFCOL to attract and retain customers who require FSC® certified raw material (logs) in order to achieve certification of their own beneficiated end products.

As custodians of the State's forestry asset, FSC® certification demonstrates clearly and independently that SAFCOL, through its operating company KLF, manages the forests in a responsible and sustainable manner in accordance with the principles of environmental acceptability, being socially beneficial, and economic viability.

Climate change mitigation

SAFCOL reviews its carbon balance annually to identify positive and/or negative trends, and explores and promotes methodologies for the sequestration and storage of carbon through its biological asset and downstream value chain.

A baseline for SAFCOL's GHG emissions is in place against which future performance can be compared and the impact of GHG emission awareness and reduction initiatives can be assessed, while science-based targets for reduction have been set.

Climate change response initiatives continue, with specific objectives for reduced electricity consumption and expanded community engagement as key deliverables. This is supported by building awareness among employees and communities of the causes and potential impacts of climate change; identifying areas in which SAFCOL contributes to climate change, and devising measures to mitigate and reduce such contributions; setting and monitoring measurable targets for climate-friendly initiatives (e.g. reduction in electricity consumption); initiating and supporting community projects to reduce climate change impacts and enhance food security, as well as supporting the identification of potential impacts on the biological asset and appropriate mitigation measures.

Effective implementation of our three-year Climate Change Response Plan requirements will, however, remain constrained until our Climate Change Specialist vacancy is filled.

South Africa's Just Transition Framework

The Presidential Climate Commission (PCC) published a Just Transition Framework (JTF) for South Africa in July 2022. The JTF aims to bring coordination and coherence to Just Energy Transition (JET) planning in the country. The JTF sets out a shared vision for the JET, principles to guide the transition, and policies and governance arrangements to give effect to the transition. It is applicable to all social partners in South Africa, across all sectors. There is, however, no "one-size-fits-all" approach to the JET and all social partners will need to design their own policies and programmes in line with their specific conditions, responsibilities, and realms of influence, based on the vision, principles, and interventions articulated in the framework.

SAFCOL is in the process of defining its role in South Africa's transition to a lower-carbon economy by aligning its internally developed Just Transition Plan (JTP) with the JTF of the PCC. JET indicators and targets are being determined for piloting and implementation as from FY2023/24.

SAFCOL's adaptation measures include responsible and sustainable forest management, Climate-Smart forestry practices, promoting natural forest and grassland cover, Climate-Smart community projects, the development of green skills, and the substitution of non-renewable materials.

Security

A multifunctional Security Task Team has been established to facilitate alignment of crime mitigation measures across the Group, and to address escalated criminal activities, including timber theft, and the resultant risk exposure.

The current security approach is being refined by significantly improving security spend through the procurement of appropriate goods and services to respond to crime and to build robust relationships with law enforcement agencies (e.g. SAPS, NPA), customers, service providers, municipalities, forestry sector players and others to combat the impact of crime on SAFCOL.

SAFCOL'S CONTRIBUTION TO THE JTF

- Promoting climate-change adaptation and mitigation
- Supporting the establishment of an ethical society
- Contributing to inclusive economic growth and transformation

Forestry Museum, Sabie Mpumalanga

Intellectual capital

- Review and approval of the **Information and Communications Technology (ICT) Strategic Plan**
- Appointment of implementation partner for a new **ERP system**
- Completion of the migration to **Microsoft 365**
- Upgrade of **digital-enablement equipment** including workstations and servers
- Launched cyber security awareness programme for all employees aimed at managing and improving the level of human risk

ASSOCIATED SDGS

ASSOCIATED CAPITALS

CHALLENGES

The constant pressure of **power outages** being experienced significantly continues to threaten critical ICT infrastructure

Tweefontein nursery, Sabie Mpumalanga

Intellectual capital refers to R&D, technology and innovation determining SAFCOL's competitive advantage.

SAFCOL pursues improved technology and products to meet evolving customer needs through its R&D efforts. Two broad areas of focus apply to SAFCOL's stock of intellectual capital: ICT expertise and systems, and the R&D activities the Group conducts both in-house and in partnership with academic and commercial institutions.

Risks that may negatively impact our intellectual property severely are outside of our risk appetite.

Information and Communications Technology

ICT is a strategic lever for supporting business innovation with new capabilities and improved business agility across SAFCOL operations. The function empowers business with the necessary tools for digital enablement, facilitating more effective use of technology, greater collaboration and knowledge sharing across the organisation. The ability to access data from anywhere, quickly extract value from data for reporting purposes and providing analysis for faster decision-making will help the Group realise its strategic outcomes.

An ICT Improvement Roadmap has been developed to address the key pain points in the organisation. The roadmap aims at digitally transforming the business and progressively improving the level of ICT maturity in the organisation; from the current state of instability and firefighting to being a trusted operator with a stable network, fit-for-purpose applications, reliable data quality, and improved user awareness and utilisation of available applications and technologies. This is to be achieved within the current strategic planning period to 2024.

ERP system

Improving the ICT operating environment is viewed within the strategic context of optimising organisational efficiency and effectiveness. In support of this imperative, in the coming financial year ICT will be implementing an ERP system to create a single platform for the integration of processes and systems, aligned with the overall strategic vision to improve customer service. The function looks forward to reporting on the system's impact in subsequent reporting periods.

Tweefontein nursery, Sabie Mpumalanga

Nursery centre, Sabie Mpumalanga

Achieved all **R&D Shareholder's Compact targets** and KPIs

Procured a **database** to host all tree breeding data from the last 30 years and into the future

Target spend of **1,9%** of company turnover achieved

Research and Development

Research priorities are closely aligned with the Company's operational and strategic plans. SAFCOL, as an integrated forest products business that aims to increase efficiencies, reduce costs, diversify its forestry products, and strengthen horizontal and vertical integration, is well served by an active and expert R&D function. A research project into the viability of silvopasture, whereby livestock farming would be conducted within plantations, is ongoing. Socio-economic and biophysical data collection progressed well, and the business case was approved by the SAFCOL Executive. A detailed business viability plan will be developed before any projects can be implemented.

An additional focus was given to operational research, tree breeding and the expansion of our genetics programme, agroforestry feasibility studies and research on finding alternative products to assist in achieving the strategic objective of 50:50 revenue from downstream beneficiation activities.

R&D activities are on track with respect to R&D spend, agroforestry projects (silvopastoral) and a new long-term processing strategy of new market entries of SAFCOL products. Dovetailing with the new market strategy, CLT research took place with York to inform a strategy for new product market entries, and a business case for commercialisation has been developed.

Furthermore, a project with the Council for Scientific and Industrial Research (CSIR) bio-refinery division to produce high purity nano-cellulose from sawmill residues for use in the development of Cellulose Nanocrystals (CNC) was initiated.

SAFCOL's Forest Planning and R&D functions are busy with a pilot study to determine the accuracy of high-resolution inventory systems by making use of Light Detection and Ranging (LiDAR) and multispectral aerial imagery. The technology could potentially map and obtain detailed measurements of 100% of trees on a plantation in a single day. Other products derived from the LiDAR data are a very accurate surface layer based on the slope that will assist with the planning of mechanised harvesting equipment among others. The high-resolution aerial imagery could also be used for the remapping of the plantation. The results of the pilot study will be available in FY2023/24.

The Forest Molecular Genetics (FMG) project to increase genome sequencing of SAFCOL tree species is underway. The sequencing of genetics will enable SAFCOL to make better decisions during the tree-breeding process.

SAFCOL continues to show commitment to industry research initiatives in joint projects, such as baboon damage.

As a first for SAFCOL, we have procured the TreePlasm database management system that has specific uses for tree breeding as a safe haven for historical and new trail data. The contract has been approved with Creation Breeding for this database that provides a tree breeding data base where we can store our historical data and new data generated from our trials in a safe manner. It will unlock the potential of large, complex, pedigree data, automate time-consuming complex data manipulation, manage knowledge and information responsibly, share information in the team, manage valuable seed / clone sources, terms and ownership, and consolidate data.

An Agricultural Research Council (ARC) project took place to fully understand the use of forestry land for the interplanting of agricultural crops culminating in a new groundnut species being implemented into the community project at JDM Keets.

Relationships with existing stakeholders such as Tree Protection Coorperative (TPCP), Forestry and Agricultural Biotechnology Institute (FABI), Forestry South Africa (FSA) and Camcore were strengthened, and we have expanded our relationships with the ARC, FMG, CSIR and the University of Pretoria.

Research center, Sabie Mpumalanga

Manufactured capital

The **mechanisation expansion project** has gained traction during the last financial year. The procurement process for clear-fell equipment for Phase 1 and Phase 2 of the project was successfully completed.

- Equipment procured
- Two clear-fell forwarders
- Three self-levelling harvesters

Made strides in **procurement of digital radios** to convert communication network from analogue to digital.

Aggressive progress made in terms of **replacement plan**.

- Equipment procured
- Two cable skidders (R10 million)
- Seven thinning tractors (R9 million)
- 15 labour carriers (R15 million)
- Fire trucks (pending) (R15 million)

Continued investment in rehabilitating damaged **stream crossings.**

ASSOCIATED SDGS

ASSOCIATED CAPITALS

Merchandised harvesting, Sabie Mpumalanga

Manufactured capital refers to human-created, production-oriented equipment and tools, including inventory, plant, equipment, ICT platforms, productivity and marketing and sales capabilities.

SAFCOL prioritises innovative, superior, sustainable products and services to meet its strategy, enabled by cost-effective, integrated business models, processes, systems, and supply chain.

We have no appetite for risks that may prevent us from achieving our operational targets.

Mechanisation expansion project

Significant progress has been achieved in the implementation of the mechanisation expansion project, which is intended to improve productivity and improve employee safety. This includes the successful procurement, awarding and ordering of clear-fell harvesters and forwarders for phases 1 and 2 of the expansion project, and the replacement of the current mechanised harvesting team's clear-fell harvester.

A comprehensive people's plan for the expansion project has been compiled and approved. It includes the approval of the job profile for Learning and Development's Senior Mechanised Harvesting Driver Operator for internal training and certification.

The UNIDO-sponsored Ponsse Full Simulator has been delivered and commissioned, with phase 1 training completed for seven mechanised harvesting driver operator trainees and three training instructors. Follow-up training for trainees and the SAFCOL Internship programme is scheduled for FY2023/24.

The approved budget for the project is R116 million.

Lumber stacking, Timbadola Sawmill. Entabeni, Limpopo.

Human capital

Completed **Employee Engagement Survey**

Conducted **Full-Time Equivalent** (FTE) Study

Achieved **100%** of Human Capital Shareholder's Compact targets

Placement of **109 sector-specific learnerships** and **25 apprenticeships** targeting youth in rural communities

Increased intake **of people with disabilities**

Continued investment in **talent management**, with specific focus on **leadership successors**

19 bursars completed their qualifications and were placed on the Youth Employment Service (YES) initiative

Enhanced reporting through the adoption of **DuPont Analysis for HR**

R22 886 683 for Training spend FY2022/23

4,97% Training spend achievement against target of 3%

ASSOCIATED SDGS

ASSOCIATED CAPITALS

CHALLENGES

Lack of **learner-management system** and **budget constraints**

Platorand training center, Sabie Mpumalanga

Human capital (HC) refers to employee and management capabilities, knowledge, skills, and experience.

Update on focus areas

As a key strategic enabler, SAFCOL proactively manages its access to skills and capabilities, as well as the satisfaction, wellness, and conduct of its employees. While the team performed well during the year in review, two of the biggest challenges faced by the HC team are budget constraints as well as the lack of a Learner Management System. Below are highlights of some the achievements of the HC team.

Risks that may severely reduce our employee value proposition and access to competence and capacity needed to execute our strategy, exceed our risk appetite.

Through its people-related strategic initiatives, human capital acts as a catalyst to enable employees to contribute at optimum levels toward the success of the business. Below is SAFCOL's progress against key focus areas, i.e. internal, and social impact:

Internal impact spotlight:

- SAFCOL's head count has been reduced by 4,3% since March 2021 for the past three years with the aim of reducing and maintaining a healthy financial position and cash flow. Management only considers filling vacancies that are critical to the business – with priority given to females as well as people living with disabilities.
- For FY2022/23, SAFCOL recorded a return on investment of 127%, which is above the previous year's achievement of 20%. This is due to the adjustments made for biological asset which has pushed the operating profit to R582 million.
- A high efficiency rate means that the organisation is utilising its human capital efficiently and this is translating to increased revenue and profits. SAFCOL achieved an employee efficiency rate of R508 628. This is 2% higher than the target set and thus indicates solid and positive achievement by the Company. This was a result of SAFCOL retaining performing staff throughout the year.
- SAFCOL is currently showing an 10,6% increase in employment costs when compared with the FY2021/22 while the increase from FY2020/21 to FY2021/22 was 6%. This is because SAFCOL paid an incentive bonus during the FY2022/23 which was not paid in the other financial year to acknowledge the employees' contribution. The employment cost ratio (FY2022/23), when compared with FY2021/22, has declined by 5%. SAFCOL has taken a strategic decision to mechanise some of the job tasks to improve efficiency and once this has been done, the Company is anticipating a decline in the employment cost ratio and ultimately improved profitability. In total, 80% consequence management resulting from a forensic audit report were implemented and all relating Internal Audit findings have been resolved and closed.

Nursery centre, Sabie Mpumalanga

Human capital
continued

The role of human capital in the business is to ensure the strategic utilisation of the Company's employees and the deployment of employee development-related programmes and measure their impact on the business. Through its people-related strategic initiatives, human capital acts as a catalyst to enable employees to contribute at optimum levels toward the success of the business.

Data-driven human capital management

Analytics help the HC business unit understand people and their behaviours, in turn assisting SAFCOL to act on the presented data to improve the employee experience and better meet organisational objectives. In SAFCOL's quest to be an effective, data-driven organisation, a DuPont reporting approach was adopted in FY2022/23 to assist the business to report meaningfully on people-related issues.

Key elements of the HC strategic function

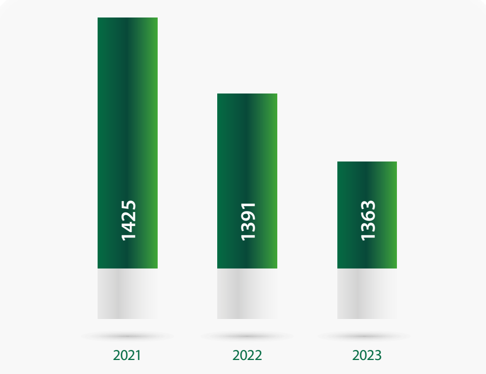
Human Capital Strategic Enablers

Employee Benefit Enhancement
- Implementation of medical aid subsidy
- Enhancement of employee value proposition and employee wellness offerings

Organisational Enablement
- Structural refinement and realignment
- Inculcate high performance culture
- Implement integrated talent management interventions
- Conduct skills audit and full-time equivalent study
- Facilitate competence and capacity development
- Support change management initiatives
- Maintain workplace democracy

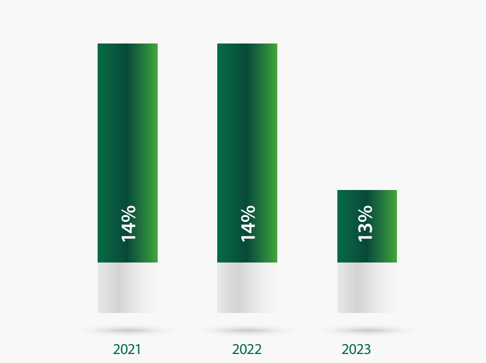
Employee Development
- Deployment of employee development interventions across all levels
- Collaboration with institutes of higher learning and industry

- Consolidated turnover rate – **4,24% for SAFCOL; 0,59% for IFLOMA.**
- Total permanent SAFCOL employees – **1 375**
- Total permanent IFLOMA employees – **364**
- Male:female ratio – **76:24**
- People living with disabilities – **2,62%**
- Youth staff complement (<35) – **15%**

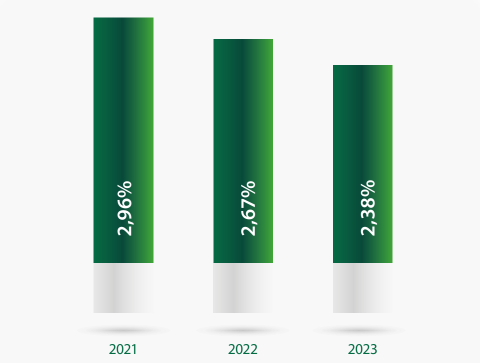


Staff complement

Staff complement: Gender representation

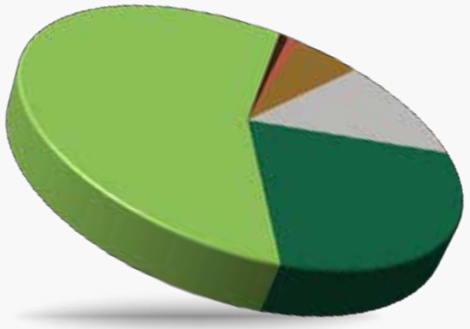


Youth staff complement



People living with disabilities

Human capital
continued



1 345
Employees

0,7%	Top
1,0%	Senior
5,1%	Middle
11,8%	Technical
26,6%	Unskilled
54,7%	Semi-skilled

SAFCOL occupational levels distribution %
March 2023

Employee value proposition

Implementation of **employee engagement survey**

Implementation of both **internal and external training** to enhance skills and expertise.

Introduction of **flexible working policy**

A vital and critical element to SAFCOL's success is embedded in its employee value proposition (EVP) and, as a leader in the forestry sector, not only through employment opportunities, training and development, and rewarding careers, but its reward and remuneration structure and processes. The outcomes of both internal and external assessments are used to enhance SAFCOL EVP programmes in order to strengthen the attraction and retention of talent.

SAFCOL research centre, Sabie Mpumalanga.

Culture

Business objectives strengthened and aligned through the cascading of corporate and business unit strategies.

Continued strengthening of HC **governance, reporting and compliance** measures.

Facilitation of the implementation of **performance optimisation** for employees who scored below the expected rating score.

Engagement survey implemented to improve the working environment and SAFCOL EVP philosophy.

FTE to realign and enhance people processes in line with the Company's quest to create an enabling environment for employees to perform optimally and efficiently.

SAFCOL's culture is critical in driving the achievement of the 50:50 Strategy and is maintained through organisational design and structure types, talent acquisition, onboarding, development and retention efforts, leadership, and competitive reward and remuneration benefits.

Tweefontein nursery centre, Sabie Mpumalanga

Talent management and succession planning

Emotional intelligence training implemented

Change management initiatives implemented

Psychometric assessment for newly identified successors

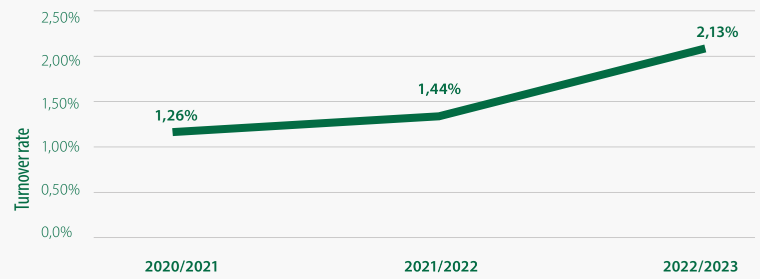
Robust **discussion** with management regarding their **successors**

Readiness status for identified successors reviewed

SAFCOL, through its talent and succession planning processes, aims to develop an agile organisation with the right people in the right positions that have an adaptive and innovative mindset, with the capabilities to respond rapidly to the demands and opportunities of the market.

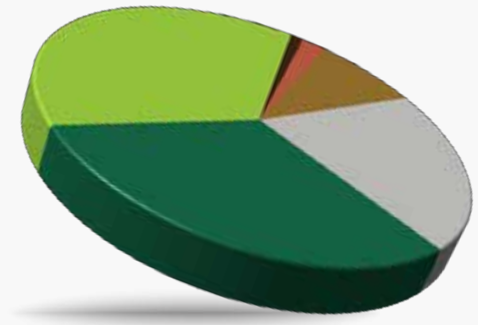
SAFCOL competes against other organisations for skilled employees, especially in the areas of leadership positions and other core and critical business skills. Therefore, it is critical for the Company to continuously engage and review its succession plans. SAFCOL reviewed the leadership successor list, and a decision was made to increase the number of candidates the Company puts through succession planning in order to ensure a sufficient and ongoing supply of leaders for the organisation in the near future.

Employee in a harvesting operation in full personal protective equipment (PPE)



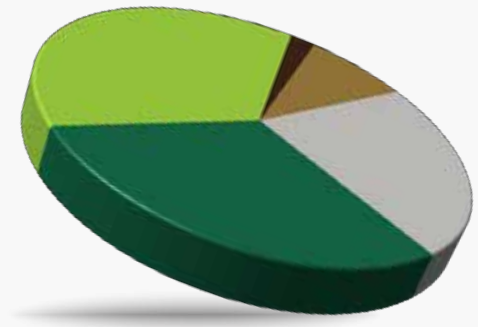
Resignation Turnover rate FY2020/21 - FY2022/23

The current resignation turnover rate remains lower than the 5% benchmark, however, it requires some attention to try and retain our talented staff.



1%	Ill-health
2%	End of contract
8%	Death
22%	Dismissals
30%	Resignations
36%	Retirements

Reason for termination



2%	23 - 29
8%	60 and older
24%	30 - 39
29%	50 - 59
36%	40 - 49

SAFCOL employee's age distribution - March 2023

Human capital
continued

Skills development and training

Learning and development continually supports the entire business in the implementation of its corporate plan by promoting skills and capacity development for employees and communities in line with the Company's quest to contribute to the SDG 4 (Quality Education) and SDG 8 (Decent Work and Economic Growth) with emphasis on education, skills, decent work, and economic growth, and to ensure sustainable forest management and socio-economic viability.

By effectively investing in skills development initiatives, we promote a culture of lifelong learning and a self-motivated workforce with increased job satisfaction, in turn, leading to improved competencies and enabling the delivery of business objectives.

2 027 employees, community members and contractors benefited from Workplace Skills Training in FY2022/23, against a target of 1 800

Skill focuses: Silviculture, harvesting, SHE, vehicle and machine competencies, firefighting and chainsaw use

R22 million or 3% of total employee cost, spent on training in FY2022/23

SKILLS DEVELOPMENT AND TRAINING FIGURES

Employee skills programme
1 263

Graduates enrolled as part of Youth Employment Service (YES) programme
21

Three absorptions resulted from the YES programme

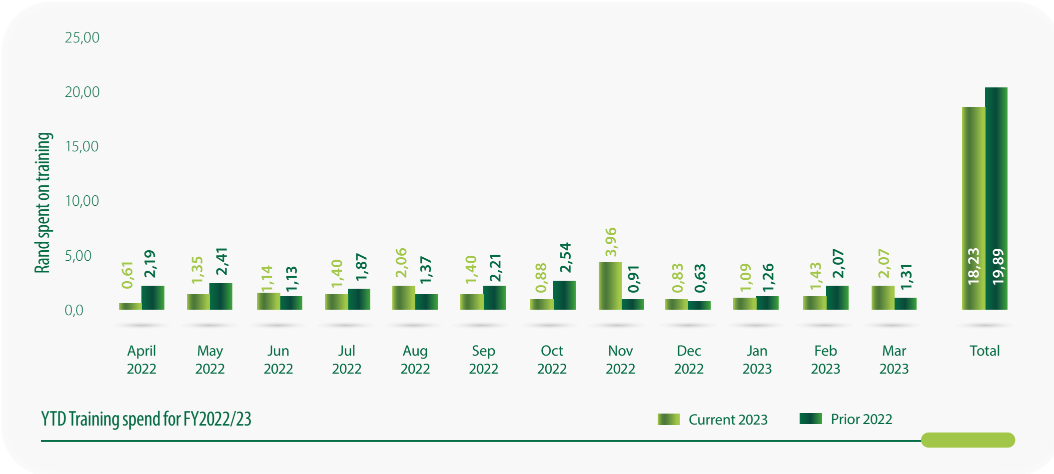
Bursaries
20 internal, **20** external

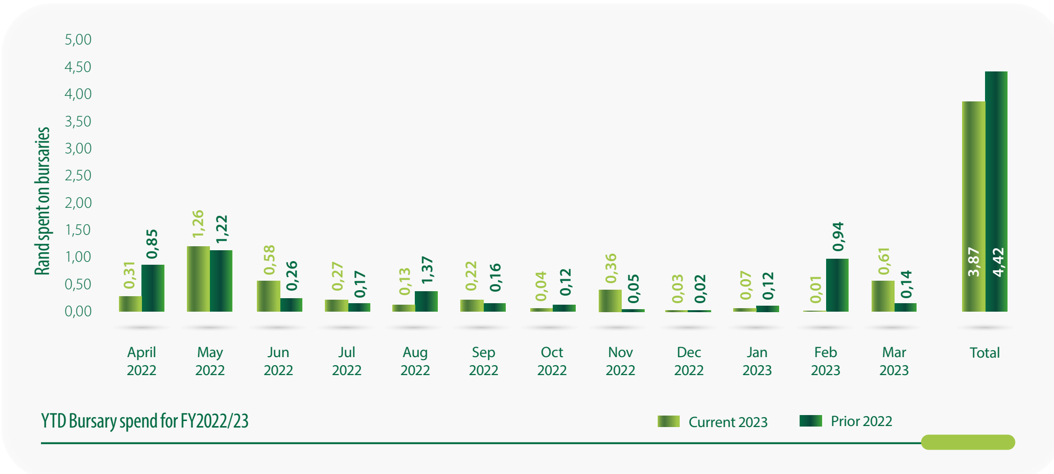
Apprenticeships
25

Learnerships
109


Trainees at Platorand training centre, Sabie Mpumalanga

SAFCOL's spend on training and bursaries for FY2022/23





Human capital
continued

Wellness

SAFCOL has continued to provide an **integrated health programme** to all its employees, which includes occupational health, primary healthcare and an employee assistance programme (EAP). Through an annual medical surveillance programme, ailments are discovered and timeously treated. 1 444 employees benefited from our wellness programme and occupational health services.

SAFCOL hosted three successful Wellness Days in FY2022/23 in partnership with the Department of Health, Old Mutual, IMAS and Makhado municipalities. Employees, including executives, were delighted to have an opportunity to check their blood pressure, blood sugar and receive voluntary HIV counselling and testing. A total of 41 employees received screenings across the events. There were no major ailments reported from the annual wellness day screenings. Attendees also received financial and estate-management education, helping them to better manage their finances and contributing to financial wellness.

Impact of the wellness programme

Occupational Health
Reduction in absenteeism, sick leave and absent without leave through the effective management of chronic and infectious diseases.

Medical Surveillance
Reduced employee exposure to occupational hazards and early detection of reversable illnesses.

Hygiene Surveys
Has led to improved living standards of our employees.

EAP
Has led to improved employee morale and reduced misconduct related to failure to observe safety rules from social, psychological and economical issues.

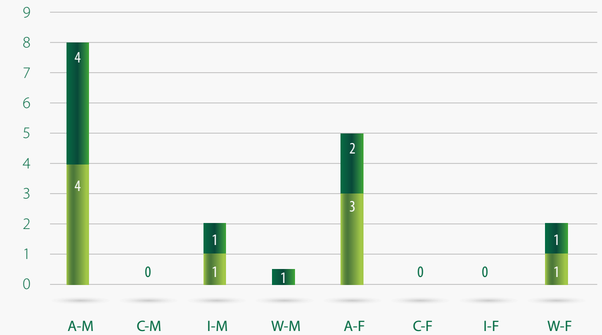
Employment equity

A concerted effort from the Employment Equity (EE) Committee has continued to improve the value of the employment equity programme.

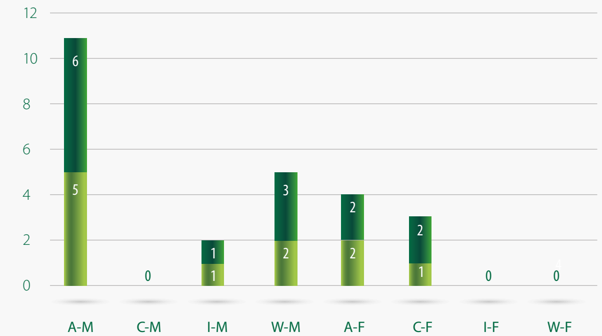
The current EE profile analysis reflects that African females are underrepresented at the Top Management level. SAFCOL will continue to prioritise the recruitment of females when senior vacancies arise. The Middle Management graph reflects significant achievement in almost all categories except for white males, who are underrepresented by 5% and coloured females, who are underrepresented by 2%.

The current EE plan is in its final year. Human capital will consult relevant stakeholders during 2023 to develop the new EE plan.

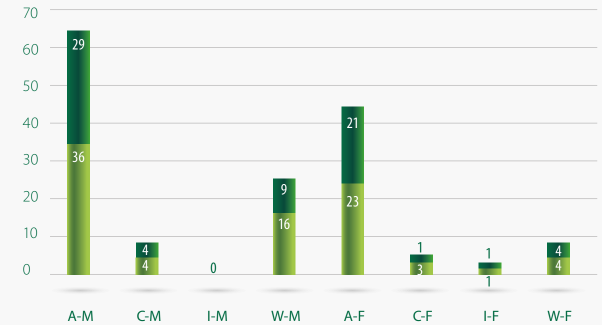
Nursery centre, Sabie Mpumalanga



Top management EE status FY2022/23 — Top plan, Top actual



Senior management EE status FY2022/23 — Senior plan, Senior actual



Middle management EE status FY2022/23 — Middle plan, Middle actual

Human capital
continued

Employee and labour relations

A **second trade union** (Food and Allied Workers Union) was recognised by SAFCOL

SAFCOL endorses workplace democracy, labour peace, and stability as crucial for business success. Consequently, several employee engagement platforms have been established to enable and enhance employee retention. It is through these forums that management and employees can engage on strategic, operational, fundamental, and critical issues relating to the SAFCOL business. The employees are organised under the South African Forestry, Farming, Catering and Allied Workers Union (SAFFCAWU), and a second union (Food and Allied Workers Union) was recognised by SAFCOL.

Constant stakeholder engagements between management and the union and between SAFCOL management and union management have continued to nurture the sound employee relations between SAFCOL and the unions as well as employees outside the bargaining unit. Through robust and healthy engagement with organised labour, SAFCOL has managed 10 years of wage negotiations concluded without a strike.


Chainsaw operator in a harvesting operation

Reward and remuneration

Performance incentive bonus payout

Long-service-award payments to qualifying employees

A 4% increase across the board for non-bargaining employees

Inflationary increase of 4% for Prescribed Officers and 5% for Non-Executive Directors

SAFCOL like many other companies in South Africa and particularly in the forestry sector, competes for the skills required for sustainability, value creation and the achievement of desired business results. Attracting and retaining the most competent and talented employees is a top priority for SAFCOL, and competitive reward and remuneration policies are critical in this regard.


Nursery centre, Sabie Mpumalanga

Social and relationship capital

Achieved Level 2 **B-BBEE status** – two levels higher than compacted, and our highest rating in five years

Supply contracts awarded to **two land-claimant enterprises**

Consolidated Land Claimant Integration **programme accelerated**

ASSOCIATED SDGS

1 No poverty, 2 Zero hunger, 3 Good health and well-being, 4 Quality education, 5 Gender equality, 6 Clean water and sanitation, 8 Decent work and economic growth, 9 Industry, innovation and infrastructure, 10 Reduced inequalities, 11 Sustainable cities and communities, 16 Peace and justice strong institutions, 17 Partnerships for the goals

ASSOCIATED CAPITALS

Tweefontein nursery

Social and relationship capital refers to relationships within SAFCOL, as well as those between SAFCOL and its external stakeholders.

SAFCOL strives for legitimacy in the eyes of its material stakeholders for mutually beneficial outcomes and builds strong relationships with customers, government, and communities, supported by compliance with legal and regulatory requirements, management of possible impacts from our business on stakeholders, social investment in line with communities' needs and in support of SAFCOL's brand and reputation.

We do not consider risks that may detract from these social and relationship efforts to be within our risk appetite.

SAFCOL understands that it must execute its business in a commercially sustainable manner, while simultaneously committing to economic transformation of the forestry industry and the upliftment of the communities where its operations are based.

SAFCOL has implemented several programmes and initiatives to ensure communities benefit from forestry activities and that black-owned businesses are provided with opportunities to improve their commercial viability and sustainability, including, but not limited to, SAFCOL's CSI and ESD programmes, implementation of the proactive community engagement model, support for transformed customers in auction and multi-year contracts, and support with negotiating land lease agreements.

Working with land claimants

Land claim status

Approximately 57% of SAFCOL's land use rights is under land claim. The resolution of claims is the responsibility of the DALRRD through its agent, which is the Land Claims Commission (LCC). The company is working closely with LCC to expedite the settlement of claims affecting SAFCOL's operated land.

It is the Company's objective to retain its land use rights and ensure business sustainability and continuity through the integration of South Africa's land restitution and reform programme beneficiaries into viable mutually beneficial business relationships with SAFCOL.

SCM process for land claimants

Land reform beneficiaries have been given opportunities within the SAFCOL forestry value chain to benefit through a set-aside proportion of procurement spend on direct operational activities on the forestry land that SAFCOL will lease from beneficiaries.

Land Claimant Integration programme

SAFCOL'S Land Claimant Integration programme promotes economic opportunities for land claimant communities within SAFCOL's forestry value chain through application of the proactive community engagement and post-settlement business models.

The Company therefore actively collaborates on projects that will enable claimants to derive value from their land as leased by SAFCOL, including:

- Establishing independent businesses to provide services to SAFCOL
- Entering into silviculture contracts in SAFCOL's supply chain
- Participating in non-forestry projects on unplanted land, subject to legal and FSC® requirements
- Establishing commercial partnerships in the forestry value chain

Enterprise and Supplier Development

To contribute to rural economic development, two cooperatives were established as part of the exit strategy from the furniture manufacturing learnership programme provided by SAFCOL. The cooperatives are located in Greater Tzaneen (Limpopo) and Amsterdam (Mpumalanga).

Roburnia furniture-making graduates took part in SAFCOL's ESD incubation programme

Four virtual workshops conducted for companies owned by PWD entities

100 beehive boxes and **20 beehive steel stands** provided to the Mambitheni Beekeeping Cooperative

SAFCOL's ESD programme aims to develop and support SMMEs aligned with SAFCOL's core business by establishing a panel of competent suppliers. This panel of suppliers will provide SAFCOL with quality products and services, enabling it to remain competitive. The programme is also designed to help SMMEs to grow and develop, creating more jobs and contributing to the economic growth of the country.

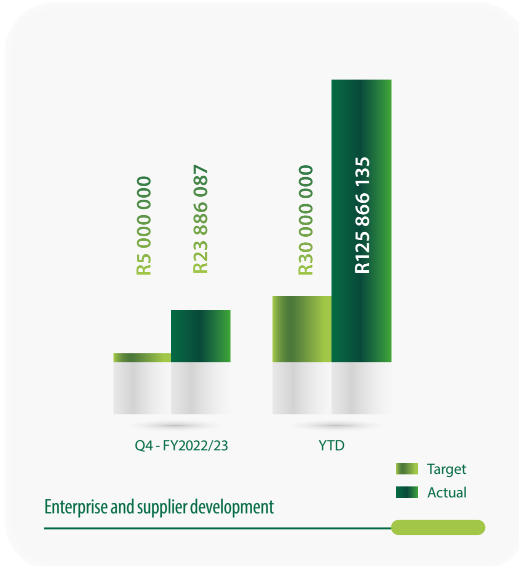
By ring-fencing specific procurement opportunities for land claimants and adjacent communities, black-owned business participation in SAFCOL's value chain may be advanced. In addition, SAFCOL will be considered a partner of choice for land claimants and adjacent communities. Enterprise development aims to build capacity for qualifying black-owned companies that graduate to become suppliers. The success and sustainability of the ESD programme will reduce the failure rate of SMMEs and ensure the availability of successfully managed black-owned SMMEs within the value chain.

The ESD programme incorporates non-financial support for small and medium businesses. The non-financial support provided by SAFCOL to SMMEs is a powerful catalyst for inclusive economic growth and sustainable development. By providing capacity building, access to funding and markets, and technical assistance, the Company plays a pivotal role in empowering SMMEs to overcome challenges and seize opportunities.

Through this ESD programme, SMMEs can build robust businesses, create employment opportunities, and contribute to the socio-economic activities in communities. SAFCOL recognises the value of non-financial support offered to its beneficiaries as it witnesses a transformative impact that extends far beyond monetary assistance.

The ESD programme has aligned its incubation programme to the sustainable development goals by promoting sustainable economic growth and employment for rural communities.

ESD targeted and actual spend for FY2022/23



Dudulani Cooperative is almost ready to harvest its fresh produce

Social and relationship capital
continued

SAFCOL's commitment to driving meaningful transformation is evident in our comprehensive ESD programme that is tailored to uplift and empower black-owned QSEs (Qualifying Small Enterprises) and EMEs (Exempt Micro Enterprises). Through these initiatives, we offer a range of trainings and workshops aimed at enhancing skills and fostering sustainable growth within these enterprises.

Our trainings encompass compliance trainings for contractors such as supervisor training, first-aid level 1 and 2, SHE REP (Safety, Health, and Environmental Representative) training, costing workshops for efficient forestry operations firefighting and knapsack applicator training.

Virtual workshops were conducted for youth-owned entities and entities owned by people with disabilities with the focus areas being financial management, budgeting, record keeping, HR compliance, SARS tax compliance, supply-chain management processes, and pricing and costing silviculture operations.

Furthermore, the specialised training programme for entities owned by people with a disability were conducted on food safety awareness, pest-control operator (PCO), costing for forestry operations and CIPC workshop.

Business development trainings for enterprises conducted to improve sustainability and access to opportunities such as Hazard Analysis Critical Control Point, business briefing sessions cooperative registration and business skills.

This holistic approach underscores our dedication to nurturing a robust ecosystem of empowered businesses, ensuring sustainable success for all stakeholders involved.


Vendor stalls at Blyde provide an opportunity to support local businesses

CASE STUDY

Business development support for land claimant entities

SAFCOL's strategic objective is to become a partner of choice for land claimants. Through SAFCOL's incubation programme, two land claimant entities - Simunye Sibambisene (Pty) Ltd and Mamahlola CPA (Pty) Ltd - were prepared for silviculture operations.

The entities took part in forestry induction courses and in accordance with forestry standards, tools and personal protective clothing were also provided. The two entities were given the opportunity to provide silviculture operations, resulting in them transitioning to becoming SAFCOL suppliers.

Further engagement for business support was facilitated with Small Enterprise Development Agency (SEDA) to provide training on financial management, budgeting, and human resource compliance. The training programme capacitated the business directors with proper business management skills to assist SAFCOL achieve its transformation strategy by creating sustainable businesses for the rural community. As a result of their participation in the ESD programme, the entities were also able to access investment funding.


Employees of Simuye Sibambisene providing slashing operations at Berlin Plantation


Employees of Simuye Sibambisene providing slashing operations at Berlin Plantation

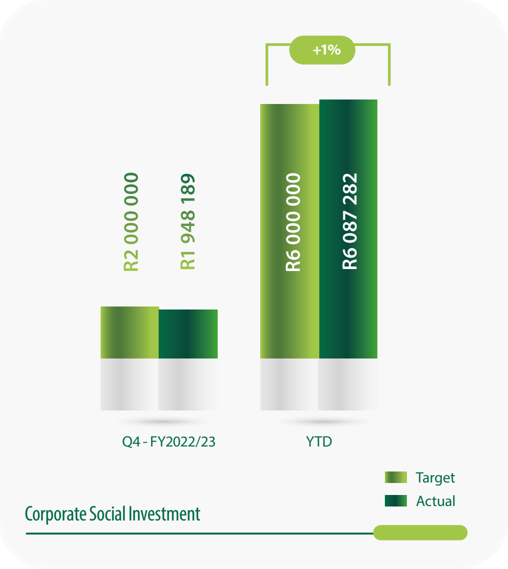

Mamahlola CPA Pty LTD receiving PPE during an induction at JDM Keet Plantation

Social and relationship capital
continued

Corporate social investment

CSI projects are conducted in line with SAFCOL's 50:50 Strategy, which includes creating wealth through partnerships with communities. As the forestry industry is vulnerable to fires and delays in land reform, this is of extreme strategic importance. CSI projects should be sustainable and aim to reduce poverty and improve the standard of living of communities adjacent to operations. In addition, the business seeks to benefit from long-term market development, and by demonstrating the viability of timber-framed buildings.

SAFCOL's Transformation division facilitated and executed CSI programmes and projects planned, budgeted for, and prioritised with stakeholders in the 14 clusters in which SAFCOL has signed a social accord.



CSI targeted and actual spend for FY2022/23

PROJECT

SUKUMANI YOUTH ADVISORY CENTRE: A BEACON OF HOPE

BENEFICIARIES	PROVINCE
1 500	Mpumalanga

Diepdale, a rural village situated in Mpumalanga under Chief Albert Luthuli Municipality, has grappled with significant socio-economic challenges, particularly hindering the educational and vocational advancement of its young people. Inadequate facilities, limited access to resources, and the cycle of poverty have created obstacles for the village's youth to become competitive in the job market. Recognising the need for intervention, SAFCOL, as a committed corporate partner, has taken proactive steps to address this pressing issue.

As part of SAFCOL's dedication to supporting and engaging young people, the organisation has established a Youth Advisory Centre, designed to bridge the gaps in the education system and empower disadvantaged youth in Diepdale. The centre is a vital resource, offering educational opportunities, full-time employment prospects, and community enrichment activities. By redirecting young people away from negative behaviours and instilling hope, the centre aims to contribute to a brighter future for the community.

In response to the expressed needs of the youth, SAFCOL has collaborated with the Blairmore Joint Community Forum to successfully construct the Youth Advisory Centre. This facility is a safe haven, providing access to essential resources and support for young people in the rural community. The centre is purposefully designed to empower these individuals through programmes that foster personal growth, leadership skills, and community involvement. These initiatives tackle prevalent issues such as substance abuse, teenage pregnancy, and high school dropout rates, contributing to the overall development of the community.

The centre is well equipped with essential facilities, including a complete kitchen, two offices, restroom facilities, a dining hall, and a main hall. Importantly, the main hall will also be open to the broader community, promoting inclusivity and the shared use of resources, fostering a sense of community cohesion and collaboration.

PROJECT

BUILDING THE FUTURE: EDWALENI PRIMARY SCHOOL

BENEFICIARIES	PROVINCE
100	Mpumalanga

Edwaleni Primary School is in Kabokweni (Edwaleni Trust) in Mbombela Municipality. The school desperately needed more classrooms since some learners were housed in a parking lot that had been turned into a makeshift classroom. The school, through the Berlin Joint Community Forum, requested SAFCOL to intervene by building two classrooms to relieve congestion.

The construction of the classroom has had a profound and multifaceted impact on the local community. The dire situation faced by the school, with some students being taught in a parking lot turned into an improvised classroom, highlighted the urgency for additional educational infrastructure. This SAFCOL intervention has brought about several positive outcomes. The construction of classrooms goes beyond physical infrastructure, it has positively transformed the lives of learners, teachers, and the community at large. This intervention aims to improve education and the community wellbeing.

The addition of two timber-framed classrooms has significantly improved the learning environment. Students now have a more comfortable and safe learning environment. A less congested environment allows for better organisation and a better learning environment.

Increasing attendance and academic performance have been associated with quality facilities. When students have a proper place to learn, they are more motivated to attend classes regularly. The improved environment has also led to better concentration, engagement, and overall academic achievement.

New classrooms benefit students and teachers. A conducive teaching environment enables educators to deliver lessons more effectively. Teachers can now focus on their teaching methods and help students grasp the curriculum more comprehensively. This leads to improved academic outcomes.

The positive impact ripples throughout the community. A well-educated population is crucial for economic growth and community development. With access to quality education, students have better prospects for their future careers. This can lead to increased income levels, improved job opportunities, and a stronger local economy.

SAFCOL's intervention and the resulting improved educational facilities demonstrate a commitment to social upliftment. The community witnesses firsthand the positive impact of collaboration and support from the private sector. This project inspires future community-driven initiatives and partnerships.

In conclusion, this project serves as a beacon of hope and progress, demonstrating the power of corporate social responsibility. It also contributes to society's betterment.

Agroforestry

Agroforestry is an innovative land management approach that harmoniously integrates the cultivation of crops and/or livestock rearing with the strategic planting of trees. SAFCOL continues its efforts to promote agroforestry by granting communities permission to cultivate crops inside our plantations and allocating land and resources for beneficiaries to use in the cultivation and management of biological assets.

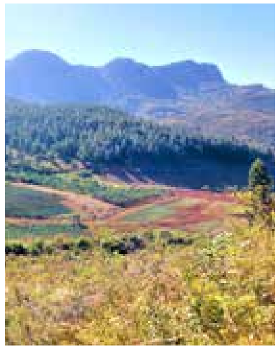
Agroforestry projects have been implemented to address food security and unemployment, aid skills development, environmental education, and awareness, and create livelihoods in communities adjacent to operations.

Agroforestry projects are aimed at addressing SDG 1 (end poverty in all its forms), SDG 2 (zero hunger) and SDG 3 (ensure healthy lives and promote wellbeing for all). Through relay cropping and rotational cropping, these projects ensure that sufficient and diverse food production occurs, combatting hunger, ensuring food security, and enabling sustainable agriculture.

In addition to creating inclusive economic growth and productive employment for the beneficiaries, agroforestry may be practised by people without formal skills and the produce can be commercially sold to formal and informal markets. The success of these projects is a testament to the power of collaboration and the potential of rural communities to create sustainable livelihoods.

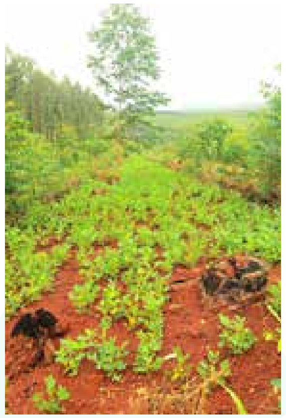
Farming lies at the very heart of human civilisation, providing sustenance, economic stability, and environmental sustainability. As our world faces numerous challenges, from food security to climate change, supporting farming initiatives becomes paramount. By supporting agriculture, SAFCOL aims to make a tangible difference in society, foster sustainable development, and contribute to a more resilient and prosperous future. Small-scale farming is a cornerstone of rural economies, particularly in remote areas.

PROJECT	BENEFICIARIES	PROVINCE
DUNGUDZIVHA AGRICULTURAL PRIMARY COOPERATIVE	**5**	Limpopo



Six hectares of land, vegetable seedlings, fertilisers and fungicides were distributed to the cooperative, alongside mentorship and technical assistance. Beneficiaries in the local community have seen their standard of living improve as a result of the project. The harvested goods are offered for sale at local retailers and to walk-in consumers, and any excess is donated to local educational institutions. These efforts have enhanced the wellbeing of the community and brought attention to the economic and environmental benefits of agroforestry. This project has created five permanent positions and four seasonal casual jobs

PROJECT	BENEFICIARIES	PROVINCE
TZANEEN GROUNDNUTS PROJECT	**300**	Limpopo



The JDM Keet groundnut project saw 300 community members – mainly unemployed women – given access to 18 hectares of SAFCOL land so that they could produce crops. The participants in the project have been given the opportunity to create employment and earn revenue, which has resulted in improved living conditions for the community. After the harvest, ground nuts are sold in unofficial marketplaces, which provides recipients with a source of income and makes it possible for them to access basic requirements like food, medical care, and education. The initiative is beneficial for both SAFCOL and the environment since it lessens the amount of money spent on weeding and it improves the quality of the soil by adding nitrogen. The project has also received assistance from the Agricultural Research Council and Small Enterprise Development Agency, including training in business development.

PROJECT	BENEFICIARIES	PROVINCE
ROYALS AS ONE PRIMARY AGRICULTURAL COOPERATIVE BEEKEEPING PROJECT	**12**	Limpopo

As part of SAFCOL's CSI initiatives, we have embarked on a remarkable beekeeping project in a rural community, aiming to provide sustainable livelihoods, protect the environment, and promote biodiversity. The beekeeping project focuses on empowering the rural community by providing training and support for beekeepers. By establishing beekeeping cooperatives, SAFCOL enables individuals to generate income and develop sustainable livelihoods. Through comprehensive training programmes, participants acquire essential beekeeping skills, such as hive management, honey extraction, and marketing. This knowledge equips them with the tools to operate successful beekeeping businesses independently.

Beekeeping not only offers economic opportunities but also plays a vital role in environmental conservation. Bees are essential pollinators, facilitating the reproduction of countless plant species, including trees, flowers, and crops. SAFCOL's project recognises the symbiotic relationship between bees and the environment, aiming to restore and preserve natural habitats. By increasing the bee population, the project enhances pollination, thus contributing to improved crop yields and ecosystem health.

Royals as One beekeeping project in the rural community stands as a shining example of our commitment to corporate social responsibility. By providing training, support, and resources, SAFCOL has empowered individuals to build sustainable livelihoods while promoting environmental conservation and preserving biodiversity. The project has not only created economic opportunities but also fostered community development and social cohesion. The integrated approach demonstrates how businesses can positively impact society and the environment. As the project continues to thrive, it serves as a beacon of hope, inspiring other organisations to prioritise sustainable community development and environmental stewardship.

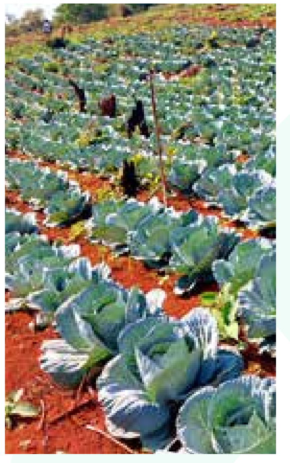
Social and relationship capital
continued

PROJECT

TSHIVHASE COOPERATIVE LIMITED AGROFORESTRY PROJECT

BENEFICIARIES	PROVINCE
9	Limpopo

The cooperative's agroforestry project at the Entabeni plantation in Limpopo was given access to agricultural hand tools, vegetable seedlings, tools, and equipment, which resulted in increased revenue and improved livelihoods. The objective of the project is to develop an environmentally responsible method of farming that makes better use of available land and enhances the fertility of the soil. Vegetables planted in the garden were harvested and sold to walk-in customers. The money made from the sales was used toward the acquisition of fresh seedlings, tools, and other equipment, in addition to being used to pay the individuals who were responsible for maintaining the garden. After severe rains caused the loss of some crops it was decided to employ risk management methods to limit the amount of money lost during the future growing season. These tactics included planting a range of crops with distinct development cycles and making use of raised beds as a flood-prevention measure.



PROJECT

ANOINTED AGRICULTURAL COOPERATIVE

BENEFICIARIES	PROVINCE
6	Limpopo

Located on a five-hectare plot of land in Makhado, the cooperative provides much-needed support to the local community. They use sustainable farming practices and work to ensure land health. SAFCOL assisted the project with vegetable seedlings, pesticides, and a drip irrigation system. Anointed has been certified by the Perishable Products Export Control Board, enabling it to supply Woolworths, Shoprite, and other big retailers. This accreditation allows Anointed to reach a larger pool of potential clients while also providing the certainty of meeting stringent quality requirements. As a direct consequence of this, Anointed stands to gain from better brand awareness and client loyalty, as well as increased financial gains.

PROJECT

SIDLASONKE MULTIPURPOSE PRIMARY COOPERATIVE

BENEFICIARIES	PROVINCE
20	KwaZulu-Natal

This cooperative in Makhambane village in Mtubatuba is mainly managed by women. As part of the project, SAFCOL provided a variety of vegetable seedlings to be planted during the summer season. The spinach and cabbages were planted, harvested, and sold to a local Spar store in Richards Bay. A total of 20 jobs were created for the community, and the revenue collected helped to increase household income and improve quality of life. The money earned from the sale of the vegetables was used to pay salaries, reinvest in the agricultural cooperative, and expand the project to other villages.

PROJECT

MANDELA DAY CELEBRATIONS

BENEFICIARIES	PROVINCE
140	Mpumalanga

Mandela Day, commemorated on 18 July each year, is a time to honour the extraordinary legacy of Nelson Mandela, South Africa's iconic leader and a global symbol of peace and reconciliation. By engaging in Mandela Day activities, SAFCOL demonstrates their commitment to making a positive impact on society and upholding Mandela's vision of a united and inclusive South Africa. In 2023, Mandela Day provided a unique opportunity for our employees to participate in meaningful volunteer work and community service initiatives. This fostered team spirit, employee morale, and a sense of pride in contributing to the greater good. The Company also leveraged its resources, influence, and expertise to address pressing social issues and contribute to sustainable development in the country. Two vegetable gardens were established with crops such as spinach, cabbage, chillies, lettuce, beetroot, green pepper, and potatoes. These gardens allow for nutritious and fresh produce to be harvested regularly, providing pre-school children and senior citizens with a sustainable and healthy source of food and income daily.. The projects also provided education on nutrition and sustainability.

PROJECT

ARBOR WEEK TREE PLANTING

BENEFICIARIES	PROVINCES
2 452	Mpumalanga; Limpopo and KwaZulu-Natal

The DFFE has introduced the Ten Million Trees project, which aims to plant 10 million trees across South Africa over five years. This project is part of the government's commitment to environmental sustainability and climate change mitigation. SAFCOL responded to the call and planted 255 indigenous trees and 55 fruit trees during Arbor Week. Communities were educated on the benefits of trees and forestry.

Social and relationship capital
continued

Relationships

In today's complex and interconnected business landscape, SAFCOL recognises and effectively manages the diverse group of individuals and entities that have a stake in their operations and outcomes. SAFCOL's stock of relationship capital is crucial to its ability to operate as a sustainable and value-creating entity and its ability to achieve its goals and objectives. SAFCOL's relationship capital is inextricably linked with the other capitals and impacts the ability of divisions across the organisation to effectively fulfil their roles and duties, and thus this section should be read in conjunction with the rest of the report.

In addition to the non-exhaustive engagements tabulated below, SAFCOL pursues ongoing engagement with the following stakeholders, among others:

- Communities, through our proactive community engagement and Joint Community Forums
- Government
- Employees
- Customers
- Strategic partners
- The Shareholder (DPE)
- Development finance institutions and other sources of investment funding
- Law enforcement agencies
- Research institutions

Positive media coverage from Business Day Live, MoneyWeb and The Citizen on SAFCOL's financial results (FC)

Wage negotiation agreement between Organised Labour Union and SAFCOL (HC)

Approval of **silviculture project** contracts for two land claimant communities that have been trained and supported by SAFCOL (NC)

Completion of **Edwaleni Primary School classrooms** (RC)

CHALLENGES

Reduction in our Net Promoter Score from the previous fiscal year to the current one, signalling a potential reduction in customer loyalty and satisfaction.


Makobolwane Cooperative - planted maize on Uitsoek plantation

CASE STUDY

ZAFFICO visit

In February 2023, SAFCOL hosted delegates from the state-owned Zambia Forestry and Forest Industries Corporation (ZAFFICO). The purpose of the study tour was for the delegates to gain an insight into SAFCOL's operations, particularly mechanised harvesting and value-added operations. Among the Zambian delegation was Dr Alvert N'gandu, the Chairperson of the Board; Mr Chanda Mtoni, a member of the Board and Chairperson of the Board's Business Development Committee; Mr Mundia Mundia, the Managing Director; Mr Justin Tongo, Director of Plantations; Mr Charles Kapoma, Plantation Manager-Ndola; and Ms Irene Chipili, Public Relations Manager. Following a presentation focusing on the R&D department, the visitors made a stop at the Tissue Culture lab followed by the Seed Section and then the Tweefontein commercial nursery. Plans are now in place to develop an MOU with our Zambian counterparts, which will allow SAFCOL to sell its genetically improved seed to ZAFFICO and explore avenues for further research collaboration.


SAFCOL employee sharing insights on our harvesting operations

Social and relationship capital
continued

Stakeholder engagements

Stakeholder group	Strategic intent/ objective	Stakeholder	Communication message or area of interest	Key engagement issue	Outcome
Communities: Joint Community Forum (JCF)	Stakeholder engagement management, and socio-economic development	JCF and business forum	Community development initiatives and projects	Procurement and education opportunities; road maintenance; progress on projects; Matters affecting the operations and communities	56 successful JCF meetings took place across the two regions during the 2022/23 financial year
Land claimants		Mamahlola CPA Kaapschehoop land claimants	Socio-economic development	Business (silviculture) opportunities	Approval of silviculture project contracts for two land claimant communities that have been trained and supported by SAFCOL
Organised labour	Collective bargaining	South African Forestry, Farming, Catering Allied Workers' Union (SAFFCAWU)	Wage negotiations	Negotiations on matters of mutual interest	Wage agreement reached
Forestry industry	Customer engagement	Forestry industry players	WoodEx participation	Exhibition of SAFCOL brand and engagement of visitors by SAFCOL sales team	Sales leads created from the exposure
Other stakeholders	To coach job seekers on good CV writing and interview skills	Communities and the general public	CV writing and interview coaching session	Online streamed live session	The outcome of the live engagement was impressive, garnering over a thousand views and demonstrating considerable interest from our audience
Business and government agent	Private and public partnership	Roadmac; Vumbuka and National Development Agency	Agroforestry	Facilitation of funding for Intandekho Cooperative	A consolidated budget of R339 970 was allocated to fund the Intandekho Cooperative (a cooperative supported by SAFCOL).
Media	Shareholder engagement and management, and brand awareness	Ligwalagwala FM	Quarterly Legotla meeting	The negative impact of the economic downturn, COVID-19, and the national lockdown on the business; Salary increase and wage negotiations	Organised labour and management were aligned on the impact of the economic downturn and the impact that the national lockdown had on business continuity
		Business Day Citizen MoneyWeb	SAFCOL positive financial results for the financial year 2021/22	SAFCOL's outstanding performance in the financial year 2021/22	
		Lowvelder Newspaper	Eco-tourism safety	Safety at SAFCOL Eco-tourism sites	
		Fevertree Media	Sales	Pine Logs available for sale	
Auditors	Governance excellence	NOSA	2022 compliance audit	Audit BUs as per SLA	Compliance score 88,27%. Report findings to be actioned.
Forestry industry	Stakeholder management	Zambia Forestry and Forest Industries Corporation (ZAFFICO)	ZAFFICO toured SAFCOL operations with the aim of gaining insight into SAFCOL's operations	SAFCOL forestry operations	ZAFFICO delegates were extremely impressed with SAFCOL's management of operations with an interest in SAFCOL products

Stakeholder group	Strategic intent/ objective	Stakeholder	Communication message or area of interest	Key engagement issue	Outcome
Strategic partners	Stakeholder and economic transformation	United Nations Industrial Development Organisation (UNIDO)	Business support to SAFCOL forestry operations contractors	Forestry tools support to contractors	Initiated the procurement of forestry tools for contractors
		Mineworker Development Agency (MDA)	SMME support	Business support to beekeeping and agroforestry projects	Supplied 100 beehive boxes and 20 steel beehive stands to ED incubator (Mambitheni co-operative)
		Development Bank of South Africa (DBSA)	Online training	Community training	Youth from Mpumalanga trained on biogas: 646 registered and 18 completed

DPE Deputy Minister Mr Obed Bapela, at Tweefontein plantation.

Financial capital

Clear felling at Tweefontein plantation

Mr D'Shorne Human
SAFCOL Chief Financial Officer

Grew **return on equity** from 3% **to 7%**

Increased biological asset by R586 million **to R4,6 billion**

Profit after tax **increased 172%** to R231 million

Irregular expenditure reduced from R68 million to **R4 million**

Unqualified audit opinion **four years** in a row

ASSOCIATED SDGS

ASSOCIATED CAPITALS

Financial capital refers to all funds available to SAFCOL, including debt and equity finance.

SAFCOL pursues profitable growth to compete in the market, supported by management of risks related to its income, expenditure working capital, financial position, investments, customer mix, and debt levels.

Growing profits and value

Top line

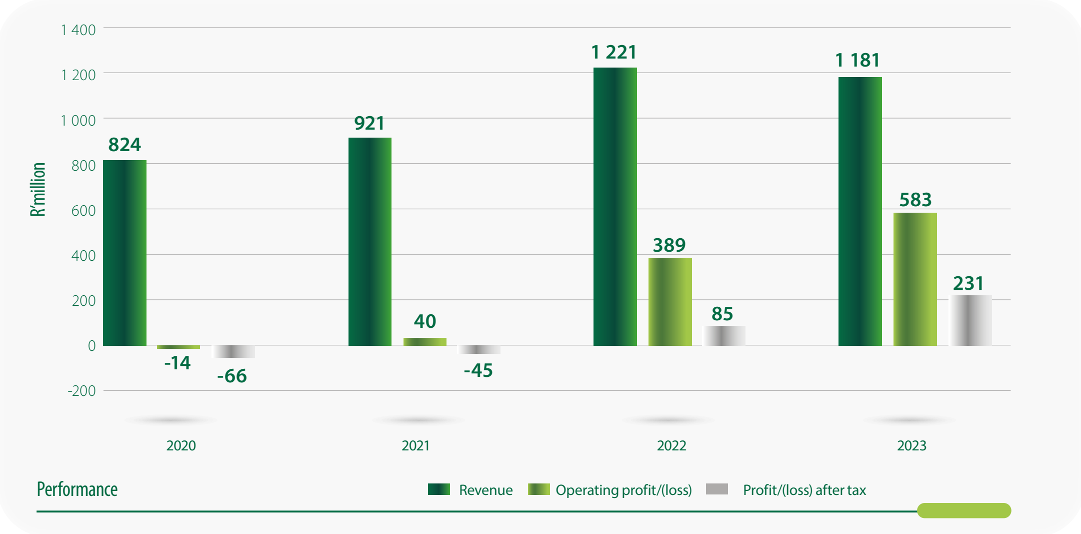
In the current financial year, we generated a total revenue of R1 181 million, reflecting a slight 3% decrease compared to the previous year's top line. While the year-on-year revenue declined mainly due to log sales volumes reducing, it is important to note that similar to the rest of the industry and the South African economy at large, we faced several challenges, including unprecedented electricity unavailability impacting customers and ourselves, prime lending rate increasing from 7,75% in April 2022 to 11,25% in March 2023 putting pressure on the construction sector as well as excessive rains in February 2023 which adversely impacted harvesting. These factors influenced our overall performance and our progress to diversifying our revenue streams. Despite these challenges, we remain resilient, financially sustainable and stay focused on optimizing our operations and delivery to our customers.

Bridal Veil Waterfall, Mpumalanga

Financial capital
continued

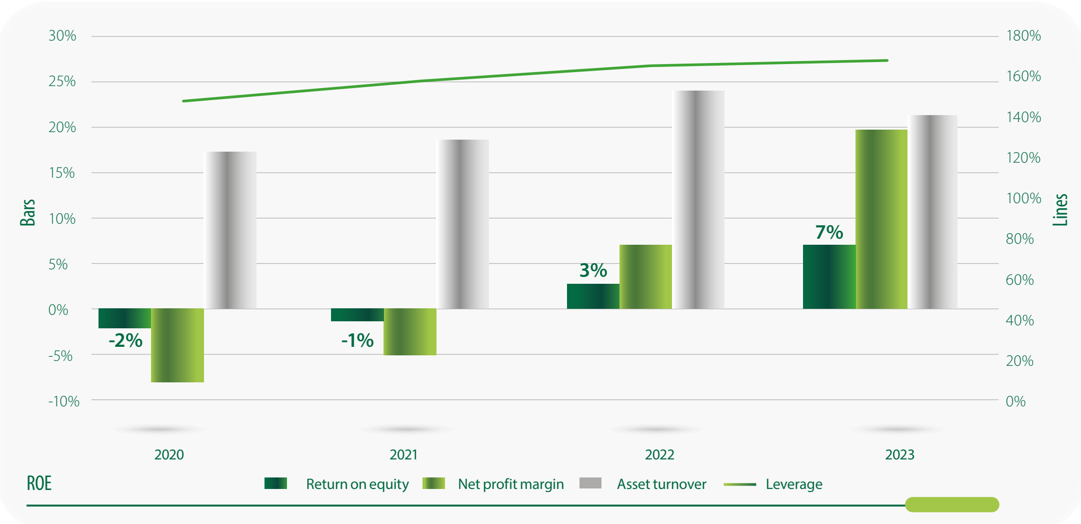
Profitability

I am delighted to share that our company's operating profit showed a strong 50% improvement this year. We recorded an operating profit of R583 million, representing a substantial increase from the previous year. This growth can largely be attributed to a higher fair-value gain on our biological assets in the current year. The increase in the biological asset value to R4 613 million, represents our optimisation of the harvesting plan and achieving a record-low Total Unplanted Percentage for the year. We managed to limit the pressure on the bottom line arising from increased input costs due to a 15% increase in diesel price year-on-year and inflation rate increasing from 5,9% in March 2022 to 7,1% in March 2023. These results reflect our commitment to driving profitability while maintaining sustainable business practices.



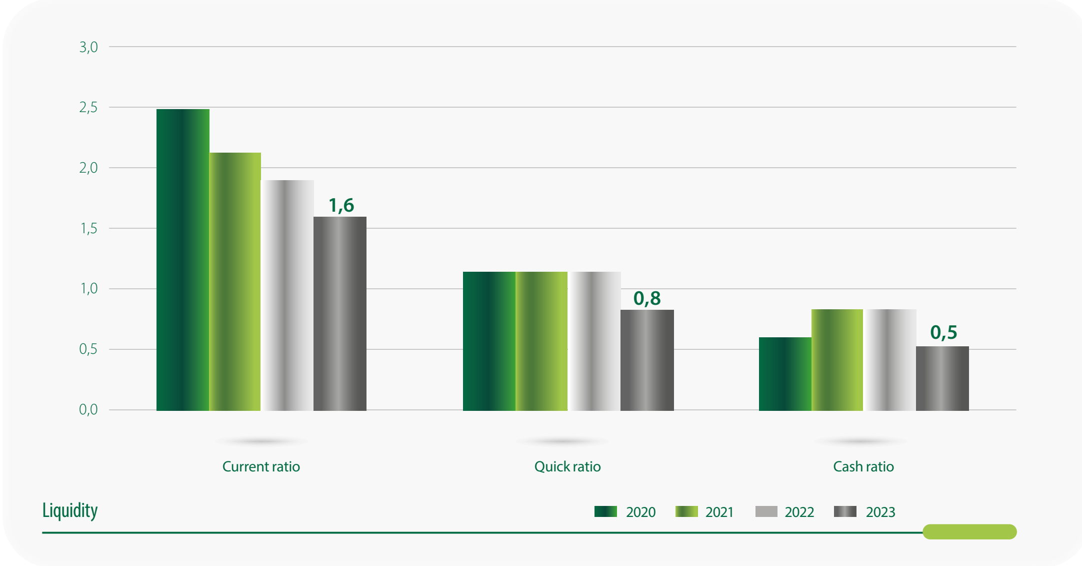
Shareholder value

Our return on equity (ROE) exhibited an impressive increase this year. We achieved a 7% return, marking a substantial improvement from the 3% recorded in the previous year. This enhancement can be attributed to our sustained efforts in improving profitability and efficient allocation of capital and compares favourably to many of our peers. Upon unpacking the ROE using a DuPont analysis, it is clear that the improved outcome this year was mainly driven by the increased operating efficiency as indicated by the net profit margin. Other elements of ROE remained relatively stable. We remain committed to maximising shareholder value and optimising our resources.



Cash is king

We closed the financial year on a healthy cash balance and continue to monitor our liquidity, but our cash flow is reflective of the challenging year we faced on the ground. This year we had R117 million of cash generated by our operating activities, which is less than half of that generated last year. This is indicative of the subdued market in construction and lumber. Our liquidity ratios are being closely tracked to seek optimisation of working capital. We ended the financial year with an overall reduction in cash of 18%.



Financial outlook

Looking ahead, we remain optimistic about the potential and future prospects of SAFCOL. We are committed to addressing the challenges that may arise, as well as capitalizing on exciting new opportunities in the market. We will continue to invest in technology and innovation, as well as explore potential expansion strategies to further strengthen our position in the industry.

I would like to express our gratitude to our shareholder, customers, employees, and other stakeholders for their unwavering support. We remain committed to delivering sustainable financial results, while maintaining our focus on environmental stewardship and corporate social responsibility.

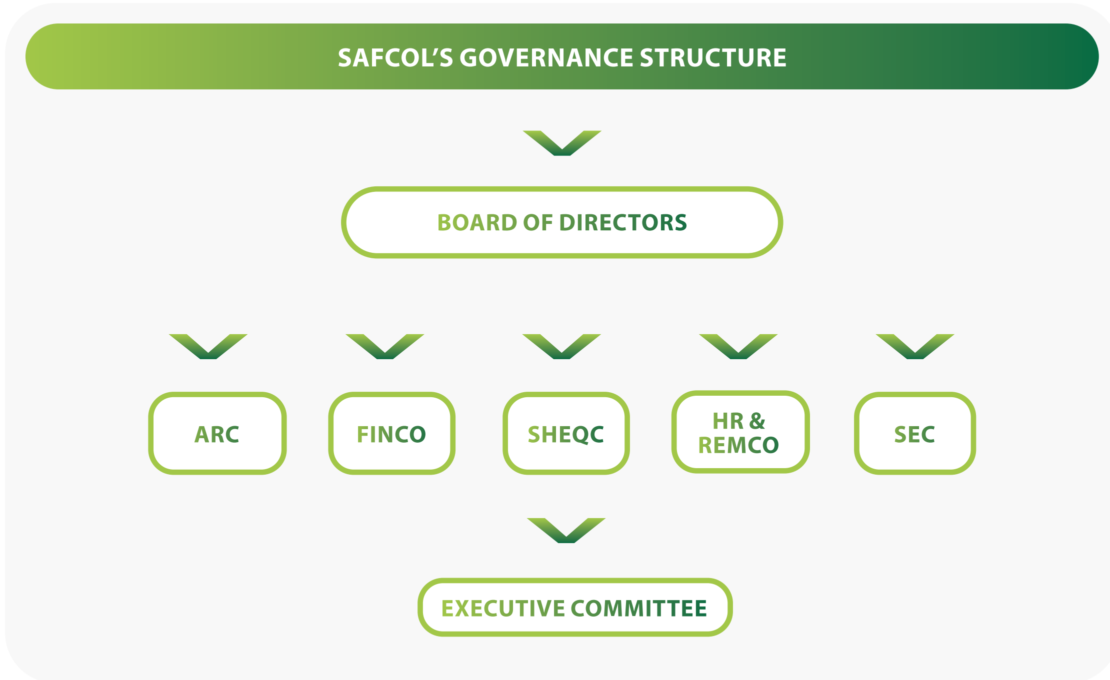
Mr D'Shorne Human
SAFCOL Chief Financial Officer

Pine cones

Governing with purpose

The Board is the Accounting Authority in terms of the PFMA, 1999 and is responsible for ensuring that SAFCOL's business is conducted in accordance with the law and proper standards, and that the affairs and resources of the entity are safeguarded and properly accounted for, used economically, efficiently and effectively. The Shareholder representative is the Minister of Public Enterprises who is responsible for the appointment of all the directors. The directors have individual and collective accountability to the Shareholder, and responsibility for the performance of SAFCOL. Each director is obligated to discharge their functions and act with integrity, competence, responsibility, accountability, fairness and transparency when doing so.

The Board ensures that SAFCOL is governed effectively in accordance with good corporate governance practice, appropriate and relevant non-binding industry rules, codes and standards and internal control systems.



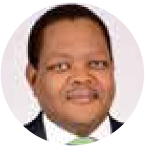
The Board ensures that delegation within its structures promotes independent judgement, assists in maintaining the balance of power and the effective discharge of its duties. Responsible leadership from the Board is supported by a delegation of authority, which is reviewed and approved regularly. All strategic decisions are debated in detail, either by the committees or the Board, with cognisance of the risks and unintended consequences of such decisions. The delegation of authority ensures that management functions are suitably empowered to discharge their responsibilities, while also being held accountable through their respective reporting lines. The Board has delegated responsibility to the CEO for ensuring that individuals with the necessary competence, authority and adequate resources are appointed to key management functions.

Who directs us

Board composition that is fit for purpose

Our Board of Directors is responsible for the strategic direction and control of the Company and brings independent, informed and effective judgement to bear on material decisions reserved for the Board. It sets the tone for ethical and effective leadership.

The Board leads the business ethically, transparently and with integrity.



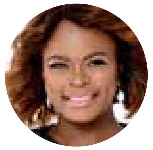
1. MR MPHO MAKWANA
Chairperson
Born: 1970
Qualifications:
BAdmin (Hons), Executive Development Programme (EDP), Postgraduate Diploma in Retail Management (Stirling University, UK)
Appointed: 01/10/2018
Attendance: 7/7

2. MR TSEPO MONAHENG
Chief Executive Officer
Born: 1963
Qualifications:
MBA (General, IT and Marketing), BSc (Electronic Engineering) and BSc Ed (Physics and Mathematics)
Appointed: 01/12/2017
Attendance: 7/7

3. MR D'SHORNE HUMAN
Chief Financial Officer
Born: 1979
Qualifications:
CA(SA), Fellow Chartered Management Accountant (UK), Chartered Global Management Accountant (USA), MSc (Strategic Business Management), BCom Honours (Accounting Sciences)
Appointed: 01/04/2021
Attendance: 7/7

4. MR FRANS BALENI
Born: 1960
Qualifications:
BA (Social Development Studies), Diploma: Political Science and Trade Unionism, Certificate in BOT from IMD, Lausanne Switzerland, Certificate in Project and Infrastructure Finance, London Business School, London UK
Appointed: 01/10/2018
Attendance: 6/7

5. MR NEESHAN BALTON
Born: 1962
Qualifications:
MSc (Public Policy and Management), BEd, BA (Education)
Appointed: 01/10/2018
Attendance: 6/7



6. MS BUHLE HANISE
Born: 1982
Qualifications:
CA(SA), BCom, BCom Honours, Postgraduate Certificate in Accounting
Appointed: 01/10/2018
Attendance: 6/7

7. MS LAHLANE MALEMA
Born: 1971
Qualifications:
BProc, LLB
Appointed: 01/10/2018
Attendance: 7/7

8. ADV. LENTSWE MOKGATLE
Born: 1955
Qualifications:
LLB
Appointed: 01/10/2018
Attendance: 6/7

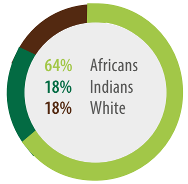
9. MR YERSHEN PILLAY
Born: 1983
Qualifications:
MBA (Master of Business Administration), Bachelor of Social Science (Political Science and Economics), Postgraduate Diploma in General Management, Certificate in Cybersecurity
Appointed: 01/10/2018
Attendance: 6/7

10. MS JOANNE YAWITCH
Born: 1957
Qualifications:
MSc (Agricultural Development), MA (Development Studies), BA Honours, BA
Appointed: 01/10/2018
Attendance: 6/7

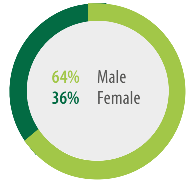
11. MS ZIMKHITHA ZATU
Born: 1983
Qualifications:
CA(SA), MSc Corporate Finance, Higher Diploma in Accountancy, BCom
Appointed: 01/10/2018
Attendance: 7/7

- Audit and Risk Committee
- Finance, Investment and Transactions Committee
- Safety, Health, Environment and Quality Committee
- Social and Ethics Committee
- Human Resources and Remuneration Committee
- Corresponding colour bar denotes Chairperson of committee

Racial diversity



Gender diversity



Age diversity

No of meetings in FY2022/23	Planned meetings	Ad hoc/Special Meetings
7	7	0

Our Board has the following skills and expertise:

- MARKETING
- GENERAL MANAGEMENT
- AUDIT & ACCOUNTING
- MERGERS AND ACQUISITIONS
- ESG, CLIMATE CHANGE AND SUSTAINABILITY
- SCRUTINY AND OVERSIGHT
- STRATEGY
- CEO AND CFO EXPERIENCE
- CORPORATE GOVERNANCE AND ETHICS
- LEGAL AND REGULATORY
- CORPORATE FINANCE
- RISK AND PROJECT MANAGEMENT
- FINANCE

The Board skills and expertise reflect a combination of different business and academic backgrounds as well as diversity in age, gender and race allow for robust debate and more considered decision-making, supporting the sustainable growth of the business.

Company secretary

The effective functioning of the Board is facilitated and supported by the Company Secretary, Ms Zaza Malinga, who was appointed as the Company Secretary on 4 July 2022. Having considered the competence, qualifications and experience of Ms Malinga, the Board is satisfied that she is competent and has the appropriate qualifications and experience to serve as the Company Secretary.

The Company Secretary provides a central source of guidance and support to the Board on matters of good governance and changes in legislation while maintaining an arm's length relationship with the Board and the directors. All directors have access to the advice and relevant services of the Company Secretary, who is responsible to the Board for ensuring compliance with procedures and applicable legislation and regulations.

Board governance at a glance

The Board at work

The Board approves the material policies and processes that give effect to the delivery of our strategy, being the 50:50 Strategy. The Board oversees and monitors management's implementation and execution of the strategy, and ensures that accountability for SAFCOL's performance is reflected in its performance, reporting and disclosures.

The Board receives standing reports from the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Operations Officer (COO) at each quarterly meeting. These reports include, but are not limited to:

- Industry trends and market analysis
- Strategic execution and updates on the delivery of key projects
- Performance against pre-determined objectives/Shareholder's Compact targets
- Topical matters relevant to SAFCOL's operating environment, both internally and from a macroeconomic perspective
- Key strategic risks
- Pertinent legal, regulatory and compliance reports
- Stakeholder engagement and Corporate Social initiatives
- Funding and financial assistance transactions by the company to related and interrelated companies
- Improvements and interventions in the Group's control environment
- Overall operational performance
- Progress on new growth opportunities
- Consider committee reports and provide guidance and/or approval where required

Focused discussions

Throughout the year, the Board allocates time to detailed discussions on emerging topics material to our business. These discussions provide the Board with an opportunity to give specific attention to topical matters. During the year, the Board held focused discussions on the Financial Economic Outlook and the Just Economic Transition.

Board governance

The Board approves a detailed annual work plan to ensure that key Board focus areas are suitably addressed, and the Board complies with its obligations in respect of legislation, regulation, governance practices and its charter. The Board is satisfied that it has fulfilled its responsibilities in accordance with the Companies Act, memorandum of incorporation and its charter for the reporting period.

Board activities

The Board meets quarterly, with further meetings held for, *inter alia*, the approval of the financial statements. An annual strategy session, spanning two days, provides the Board with the opportunity to deliberate the strategy, execution to date and approve any changes which may be required. Special Board meetings are convened when necessary.

The Board focused on key areas that underpin the execution of the 50:50 Strategy. The following matters were considered and/or approved, where required:

Quarter 1

Strategic business enablers
- ERP Business Case
- Timbadola Business Case
- Revised Delegation of Authority Framework

Policies
- Risk Management Policy
- Ethics Policy
- Dividend Policy
- Revised SCM Policy
- Whistleblowing Policy
- Anti-Fraud and Corruption Policy FY2022/23

Governance
- ARC Terms of Reference FY2022/23
- Board Charter
- Board Annual Work Plan
- SEC Terms of Reference FY2022/23
- FINCO Terms of Reference FY2022/23
- HR&REMCO Terms of Reference FY2022/23
- SHEQC Terms of Reference FY2022/23

Business performance and results
- Q4 Performance Report
- Unaudited Annual Financial Statements of SAFCOL and its Subsidiaries: 2021/22
- Unaudited Annual Performance Report: 2021/22
- Annual salary increases: Executive Directors and Prescribed Officers FY2022/23

Quarter 2

Strategic business enablers
- Export Strategy

Policies
- Conditions of Service Policy Review
- Review of Enterprise Supplier Development Policy

Governance
- FY2021/22 integrated report
- Shareholder's Compact FY2023/24

Business performance and results
- 1st Quarter Consolidated Performance Report
- Performance Incentives Submission: FY2021/22
- Audited Annual Financial Statements for SAFCOL and its subsidiaries: FY2021/22
- Audited Non-Financial Performance Information Report: FY2021/22
- Audit Report and Management Report for SAFCOL and its subsidiaries: FY2021/22
- Dividend Declaration FY2021/22
- Direct and indirect financial assistance by the Company to related and interrelated companies

Quarter 3

Strategic business enablers
- Asset-backed finance proposal
- Change in Accounting Policy for Investment Properties

Policies
- Work Outside SAFCOL Policy

Governance
- B-BBEE Audit Report
- Reconstitution of the SEC
- Board Annual Meeting Plan FY2022/23
- Board Skills Matrix

Business performance and results
- 2nd Quarter Consolidated Performance Report

Quarter 4

Strategic business enablers
- Condonation of irregular expenditure (round 1)

Policies
- SCM Policy update (preferential procurement impact)
- Management of Unsolicited Proposals Policy
- Management of SAFCOL's Business Growth Initiatives Policy
- FINCO Chairperson's Reimbursement and nomination for appointment as FINCO Chairperson

Governance
- 2nd Quarter Investor Brief Response
- FY2023/24 Strategic and Corporate Plan
- Annual Meeting Plan
- FINCO Chairperson's Reimbursement and nomination for appointment as FINCO Chairperson

Business performance and results
- 3rd Quarter Consolidated Performance Report
- Approval of Administrative and Management Annual Salary Increases – 2023/24
- Wage Mandate: 2023/24
- FY2023/24 SAFCOL Group Budget

Ethical and effective leadership

The delivery of SAFCOL's strategy and purpose requires a strong ethical culture.

The Board is cognisant of the direct and indirect impact of SAFCOL's business on the economy, society and the environment, while also balancing the interests of a diverse group of stakeholders. Accordingly, the Board accepts collective responsibility for setting the tone as to how ethics and ethical behaviour should be implemented throughout the organisation. All directors and employees are required to maintain the highest ethical standards. Effective and ethical leaders complement and reinforce each other. By setting an example of doing business responsibly, directors demonstrate their continued commitment to SAFCOL's values.

SAFCOL drives its ethical culture in accordance with its values, King IV, and the best practices of The Ethics Institute of South Africa.

FY2022/23 included various initiatives that focused heavily on ensuring that ethics is institutionalised throughout SAFCOL. These included, but were not limited to, ethical culture surveys, robust assessments of SAFCOL's ethical risks as well as opportunities, and training and awareness campaigns aimed at ethical environments that various groups of employees, customs, service providers, communities, and other stakeholders are exposed to.

In addition, the Ethics function has developed a framework to appoint Ethics Ambassadors to further entrench an ethical culture within the organisation. This will assist not only with the identification of roles and responsibilities of ethics stakeholders but also in improving and delivering ethics initiatives throughout the organisation. Continued training and awareness initiatives to SAFCOL's various leadership, production, and support staff will continue to progress the institutionalisation of an ethical culture within SAFCOL.

Excavator stacking logs at Tweefontein


Lone Creek Waterfall

Who leads us

What we delivered during the year

- Increased shareholder value by growing our ROE to levels exceeding the prior year
- Increased focus on embedding the safety culture through training, awareness, improved oversight, site visits, and industrial theatre roadshow
- Strengthened our relationships with other forestry companies in Africa
- Continued to investigate and conclude critical strategic partnerships
- Investment in mechanised harvesting
- Our R&D maintained world status and exporting of seedlings has taken off with great success

1. MR TSEPO MONAHENG
Chief Executive Officer (Executive Director)
Born: 1963
Qualifications:
MBA (General, IT and Marketing)
BSc (Electronic Engineering)
BSc Ed (Physics and Mathematics)
Appointed: 01/12/2017

2. MR D'SHORNE HUMAN
Chief Financial Officer (Executive Director)
Born: 1979
Qualifications:
Chartered Accountant (SA)
Fellow Chartered Management Accountant (UK)
Chartered Global Management Accountant (USA)
MSc (Strategic Business Management)
BCom Honours (Accounting Sciences)
Appointed: 01/04/2021

3. MR SIBALO DLAMINI
Chief Operating Officer
Born: 1966
Qualifications:
Masters in Engineering Management
BSc Chemical Engineering
BSc Chemistry and Biology
Leadership Development Program
Registered Professional Engineer (PrEng)
Appointed: 05/10/2020

4. MS MASEBOLELO GAEGANELWE
Chief Information Officer
Born: 1973
Qualifications:
Certified Director (IoDSA Cert. Dir.)
Masters (Informatics)
BSc Honours (Information Systems)
BSc (Mathematics and Computer Science)
Appointed: 01/06/2021

5. MS ZAZA MALINGA
Company Secretary
Born: 1979
Qualifications:
LLB, LLM
Postgraduate Diploma in Integrated Reporting
IT Networking Diploma
Electrical Engineering (Heavy Current) NTC4
Appointed: 04/07/2022

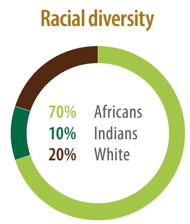
6. MR VISHAL HARICHUND
Executive: Strategy and Commercial
Born: 1974
Qualifications:
Master of Business Leadership
BSc Engineering (Chemical)
Executive Development Programme (EDP)
Master in Strategy Execution – Balanced Scorecard (Certified Training)
Advanced Program in Customer Centricity and Digital Transformation
Appointed: 01/07/2020

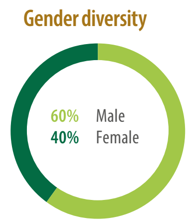
7. MS CHRISTELLE MARAIS
Chief Risk Officer
Born: 1971
Qualifications:
Certified Director (IoDSA Cert. Dir.)
Certified Risk Management Professional (IRMSA CRM Prof)
MBA, B.Iuris
Certified Ethics Officer (TEI USB Certified EO)
Appointed: 01/06/2020

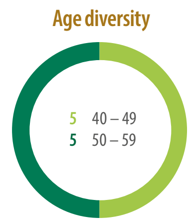
8. MS DIMAKATSO MOTSEKO
Executive: Human Capital
Born: 1973
Qualifications:
Master of Business Leadership
BSocSci Honours (Industrial Psychology)
BSocSci (Industrial Psychology)
Advanced Programme in Organisational Development
Appointed: 02/01/2018

9. MR SIYABONGA MPONTSHANA
Executive: Legal Services
Born: 1978
Qualifications:
LLB, LLM (Commercial Law)
Appointed: 01/06/2018

10. MR NTSATSI RAPOO
Chief Audit Executive
Born: 1976
Qualifications:
Certified Internal Auditor (CIA)
BCom (Accounting Sciences)
Appointed: 01/06/2020







Our Executives have the following skills and expertise:

MARKETING | MERGERS AND ACQUISITIONS | RISK MANAGEMENT
LEGAL, COMPLIANCE AND REGULATORY | FINANCE | SALES | ETHICS
PROJECT MANAGEMENT | BUSINESS DEVELOPMENT AND ECONOMIC ANALYSIS
BUSINESS MANAGEMENT/BUSINESS ACUMEN | STRATEGY | LEADERSHIP
CORPORATE GOVERNANCE | AUDIT AND ACCOUNTING | COMMUNICATION
CLIMATE CHANGE AND SUSTAINABILITY | STAKEHOLDER MANAGEMENT

The range of skills an Executive team requires to lead the company and ensure its long-term sustainability are broad and constantly changing. The Executive team regularly reviews the possible need to strengthen and balance its knowledge, skills and expertise.

Board committee reports

AUDIT AND RISK COMMITTEE

ASSOCIATED CAPITALS

ASSOCIATED SDGS

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

No of meetings
6

Composition

Five Non-Executive Directors including the Chairperson

Members*

Ms ZP Zatu Moloi (Chairperson)
Ms B Hanise
Ms LH Malema
Mr Y Pillay
Ms J Yawitch

* *Executive Directors (CEO, CFO) and other key Executives participate in meetings by invitation.*

Ms ZP Zatu Moloi
Chairperson of the Audit and Risk Committee

Responsibilities

- Maintain oversight of integrity in the preparation of financial statements in compliance with all applicable laws and regulations.
- Maintain oversight regarding the integrity of the financial reporting system.
- Maintain oversight of the organisation's combined assurance model.
- Monitor, assess, and oversee the management of financial and other risks.
- Assist the Board in carrying out its functions relating to safeguarding SAFCOL's assets, practising of adequate risk management, and ensuring the effectiveness of the Company's internal controls.
- Support the Board in carrying out its role relating to ICT by ensuring the ethical and responsible use of ICT, compliance with relevant laws, ensuring an appropriate control environment and managing material ICT risks.
- Maintain oversight of compliance with applicable laws and consider adherence to non-binding rules, codes and standards.

Key challenges, focus areas, and achievements

The following key matters and policies were recommended to the Board for approval:

- External Audit Strategy
- ICT Strategic Plan of FY2022/23 – FY2024/25
- The condonation of irregular expenditure in the amount of R84 880 684 (mainly stemming from previous financial years)
- Strategic and Corporate Plan for FY2023/24
- Delegation of Authority Framework
- Accounts Payable Policy
- Change in Accounting Policy for Investment Properties
- Whistleblowing Policy
- Anti-Fraud and Corruption Policy
- Risk Appetite Framework and the Insurance Strategy

Challenges experienced in the creation of value for stakeholders

- The increased cost of doing business has affected SAFCOL drastically which was evident from the non-realisation of the planned revenue targets. The Group achieved a total revenue for the period of R1 181 million which was 21% behind budget. This was due to missed lumber sales targets, excessive loadshedding combined with machinery breakdowns at Timbadola as well as the difficult economic conditions that affected our customers' ability to run their own businesses and take product (hardship of sawmilling industry)
- In terms of the Shareholder's Compact targets, 79% of the key performance indicators were achieved. Only 6 out of a total of 29 measurable targets were not achieved. These included the current ratio, EBITDA margin, IFLOMA fibre project, Disabling Injury Frequency Rate, Procurement spend on Black youth owned entities as a % of total measured procurement spend (TMPS) and Procurement spend on people with disabilities' owned entities as a % of TMPS
- The Committee considered and approved the revision of the Internal Audit Plan and the proposed deferral of the activities which resulted in the reduction of the annual audit coverage by 21% (from 28 scheduled audits to 22)

Achievements which created value for stakeholders

- An unqualified audit opinion has been obtained for the fourth successive year, with a significant reduction in audit findings
- Finalisation of the appointment of the implementation partner for the Enterprise Resourcing Planning system
- 86% of all recommendations from forensic investigations were implemented. At least 87% of all cases reported through the whistle-blowing platforms were finalised
- As at 31 March 2023, 92% of all previous internal audit recommendations had been implemented

Conclusion

The committee has performed its duties of strategic planning and oversight, and discharged its responsibilities successfully in compliance with its charter for the reporting period.

Signed

Ms ZP Zatu Moloi
Chairperson of the Audit and Risk Committee

Board committee reports

FINANCE, INVESTMENTS AND TRANSACTIONS COMMITTEE

ASSOCIATED CAPITALS

ASSOCIATED SDGS

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

No of meetings

8

6 Scheduled
2 Ad hoc

Composition

Five Non-Executive Directors including the Chairperson

Members*

Mr NI Balton (Chairperson)
Mr PM Makwana
Ms L Malema
Mr Y Pillay
Ms ZP Zatu Moloi

** Executive Directors (CEO, CFO) and other key Executives participate in meetings by invitation.*

Mr N Balton
Chairperson of the Finance, Investments and Transactions Committee

Responsibilities

- Assist the Board of Directors in providing oversight of investment and financial planning, funding models, implementation of major projects and investments, and proposed partnerships
- In support of the abovementioned objectives, review and approve:
  - SAFCOL's annual budget
  - Funding models, including their respective funding sources in line with the approved delegation of authority
  - Procurement transactions that are above the mandate of the Executive authority
  - The Company's financial performance, and highlight any areas of concern to the Board
  - Management proposals, consider progress reports and report on these to the Board
- Maintain oversight and obtain assurances on the robustness of the Company's key income sources and contractual safeguards

Key challenges, focus areas, and achievements

The following key matters were recommended to the Board for approval:

- Timbadola Sawmill Reinvestment Project
- Export strategy
- Enterprise Resource Planning (ERP) business case to automate and streamline business processes
- Dividend policy
- Supply Chain Management Policy promoted by the amendments to the preferential procurement guidelines
- Settlement of the 2019 tax penalty levied against KLF

Challenges experienced in the creation of value for stakeholders

- Excessive loadshedding resulted in a decline in the uptake of volumes by customers due to the shorter production times and increased cost of doing business
- At the Timbadola Sawmill, loadshedding necessitated the use of diesel generators to aid in the continuation of operations. However, the perpetually increasing diesel costs have resulted in increased input costs, thus significantly contributing to the reduction of the bottom line
- Machinery breakdowns at the Timbadola Sawmill
- Due to cost curtailment, only 44% of the annual procurement plan initiatives were undertaken. The remaining 56% were reprioritised

Achievements which created value for stakeholders

- The Group achieved a total revenue for the year of R1 181 million which was aligned with prior year results
- A Combined Heat and Power partner was appointed
- A Pole Treatment partner was appointed

Conclusion

Committee members have performed their roles admirably in what was a challenging year. The committee adopted appropriate terms of reference as its charter, regulated its affairs in compliance with this charter, and discharged its responsibilities as contained therein.

Signed

Mr N Balton
Chairperson of the Finance, Investments and Transactions Committee

Board committee reports

SAFETY, HEALTH, ENVIRONMENT AND QUALITY COMMITTEE

ASSOCIATED CAPITALS

ASSOCIATED SDGS

No of meetings
4

Composition
Five Non-Executive Directors including the Chairperson

Members*
Mr MF Baleni (Chairperson)
Ms J Yawitch
Ms LH Malema
Adv L Mokgatle
Mr NI Balton

* *Executive Directors (CEO, CFO) and other key Executives participate in meetings by invitation.*

Mr MF Baleni
Chairperson of the Safety, Health, Environment and Quality

Responsibilities

- Assist the Board to ensure the continuous safety of employees and other stakeholders
- Assist the Board in discharging its duties by reviewing safety, health, environment and quality-related strategies and strategic policies
- Assess the impact that the business has on the environment and the mitigation thereof
- Monitor key indicators on incidents, and communicate improvement expectations where appropriate
- Review high-severity incidents, and ensure that accurate and consistent internal reporting systems and corrective mitigation strategies are in place
- Consider substantive national and international regulatory and technical developments in the fields of safety, health, environment and quality management, and communicate appropriate improvement expectations to management

Key challenges, focus areas, and achievements

The following key matters were brought to the attention of the Board:

- A fire on 13 March 2023 at IFLOMA's Messica office caused substantial damage to the building and its contents
- The implementation of the three-year Climate Change Response Plan
- A baseline for SAFCOL's Green House Gas (GHG) emissions was created

Challenges experienced in the creation of value for stakeholders:

- An all-time low DIFR was recorded for the year at 2,73 against a Shareholder's Compact target of <1,65
- The Fibre project area is still recovering from Cyclone Eloise which occurred in January 2021. Management had to cut 55 ha of affected trees for coppicing
- Illegal mining activities, whereby water courses are panned and abandoned workings reactivated, took place on SAFCOL land
- The impossibility of re-establishing commercial plantations on land subjected to surface mining was elevated to DPE, DFFE and DMRE in an effort to promote a nationally coherent strategy on the allowance of surface mining on forestry land

Achievements which created value for stakeholders:

- SAFCOL celebrated 25 years of FSC® certification
- No fatalities were recorded for the third consecutive financial year
- The NOSA audit was concluded and an overall compliance score of 88.27% was achieved, –the highest on record
- The targeted Toolbox Talks programme, an industrial theatre safety roadshow, and issue-specific workshop sessions (among other interventions) were implemented to improve the safety performance and safety culture
- The committee members were provided with awareness training on climate change as well as on Compensation for Occupational Injuries and Diseases incident classification

Conclusion

The committee has regulated its affairs in compliance with its charter for the reporting period and has successfully discharged its responsibilities as contained therein.

Signed

Mr MF Baleni
Chairperson of the Safety, Health, Environment and Quality

Board committee reports

SOCIAL AND ETHICS COMMITTEE

ASSOCIATED CAPITALS

ASSOCIATED SDGS

1 No poverty
2 Zero hunger
3 Good health and well-being
4 Quality education
5 Gender equality
8 Decent work and economic growth
10 Reduced inequalities
11 Sustainable cities and communities
16 Peace and justice strong institutions
17 Partnerships for the goals

No of meetings

4

Composition

Four Non-Executive Directors including the Chairperson

Members*

Ms J Yawitch (Chairperson)
Mr MF Baleni
Mr NI Balton
Ms LH Malema**
Adv L Mokgatle

** Executive Directors (CEO, CFO) and other key Executives participate in meetings by invitation.*
*** Appointed 30 January 2023*

Ms J Yawitch
Chairperson of the Social and Ethics Committee

Responsibilities

- Govern and oversee SAFCOL's socio-economic transformation imperatives, as well as its drive to instill an ethical culture across the organisation at all levels
- Ensure that the Board has a sound Ethics Policy
- Ensure that SAFCOL is a socially responsible corporate citizen
- Monitor the ethical conduct of the Company, its executives, and the senior officials in terms of the provisions of the Code of Ethics
- Review policies and strategies of the Company pertaining to the CSI programmes and socio-economic development programmes and recommend to the Board for approval
- Ensure that the Company's ethics performance is assessed, monitored, reported, and disclosed
- Review the Company's stakeholder management plan and recommend to the Board for approval

Key challenges, focus areas, and achievements

The following key matters were brought to the attention of the Board:

- Whistleblowing Policy
- Communication and Marketing Implementation Framework
- Ill-Health Management Policy
- Forensic Investigation Methodology
- Ethics Policy
- Work Outside SAFCOL Policy

Challenges experienced in the creation of value for stakeholders

- The Company continues to strive towards the achievement of the SDGs and NDP goals as well as the business's operations nationally and internationally. The focus in the year included SAFCOL's approach to ESG and how it would support the SDG targets

Achievements which created value for stakeholders

- A B-BBEE Level 2 rating was achieved, and an improvement on all elements of the B-BBEE scorecard was recorded
- The skills development score improved from 16 to 20
- The Enterprise and Supplier Development score improved by two points from 50 to 52
- The Company completed the construction of two classrooms at eDwaleni Primary School, an early-childhood development centre for the Umjinidini community, and the Sukumani advisory centre, in line with its Transformation agenda
- SAFCOL hosted the state-owned Zambia Forestry and Forest Industries Corporation PLC study tour
- A focused ethics programme was implemented, an Ethics Policy and Framework approved and implemented, ethics training, awareness and communication was delivered, an independent Ethics Management Maturity Assessment was conducted, conflicts of interest, gifts, sponsorships and donations were declared and monitored, and the DPE SOC Risk and Integrity Management Framework was embedded and reported to the Shareholder

Conclusion

The committee has adopted appropriate terms of reference as its charter, regulated its affairs in compliance with this charter, and discharged its responsibilities as contained therein. Going forward, the committee will prioritise oversight of SAFCOL's internal and external transformation initiatives.

The committee will also monitor SAFCOL's community beneficiation, enterprise, and SMME development initiatives and will ensure that work is done to increase SAFCOL's impact. It will also oversee and support Management in resolving land claims.

Signed

J. Yawitch.

Ms J Yawitch
Chairperson of the Social and Ethics Committee

Board committee reports

HUMAN RESOURCES AND REMUNERATION COMMITTEE

ASSOCIATED CAPITALS

ASSOCIATED SDGS

3 Good health and well-being
4 Quality education
5 Gender equality
8 Decent work and economic growth

No of meetings

5

4 Scheduled
1 Ad hoc

Composition

Five Non-Executive Directors including the Chairperson

Members*

Ms B Hanise (Chairperson)
Mr PM Makwana
Mr Y Pillay
Adv L Mokgatle
Mr MF Baleni

** Executive Directors (CEO, CFO) and other key Executives participate in meetings by invitation.*

Ms B Hanise
Chairperson of Human Resources and Remuneration Committee

Responsibilities

- Provide oversight in determining the SAFCOL people strategy, practices, and policies, and company-wide remuneration matters
- Assist the SAFCOL Board to discharge its responsibility of oversight in the management of reward and remuneration matters
- Provides support for the acquisition of executive talent and sets the terms and conditions of employment of Executives
- Review and approve, through the Board and ultimately by the Shareholder, the Executive's proposals on the compensation of Non-Executive Directors
- Continuously monitor human resources and remuneration-related risks, which could potentially harm the execution of the SAFCOL's strategic objectives
- Review and make a determination of the various remuneration programmes in particular, the compensation of Executive Directors and Prescribed Officers as well as employee benefits, and ensure that SAFCOL remunerates fairly, responsibly, and transparently to promote the achievement of its strategic targets, goals, and objectives

Key challenges, focus areas, and achievements

The following key matters and policies were recommended to the Board for approval:

- Payment of an incentive bonus
- Payment of a salary increase
- Work Outside SAFCOL Policy
- Ill-health Incapacity Management Policy
- Talent Management Policy

Challenges experienced in the creation of value for stakeholders

- The non-implementation of the performance incentive due to financial instability
- Sourcing of sawmilling experts

Achievements which created value for stakeholders

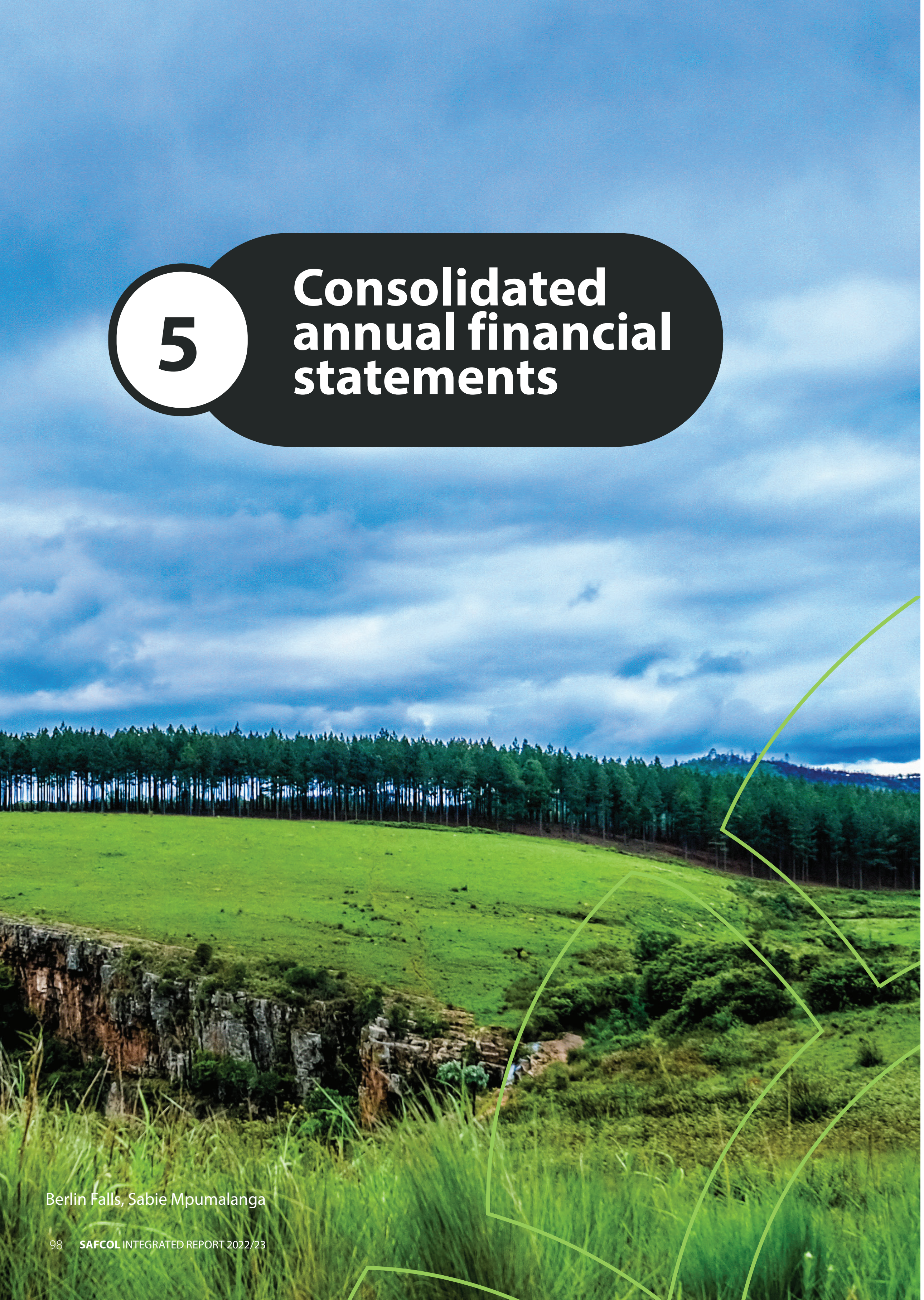
- The business exceeded the Shareholder's Compact target on Training Spend of 3% by 1,97 percentage points, achieving 4,97%
- Full-Time Equivalent Study was concluded to realign and enhance people processes
- Submitted the Workplace Skills Plan and Annual Training Report to the Fibre Processing and Manufacturing SETA
- Welcomed an additional union, the Food and Allied Workers Union

Conclusion

The committee has adopted appropriate terms of reference as its charter, has regulated its affairs in compliance with this charter, and has discharged its responsibilities as contained therein.

Signed

Ms B Hanise
Chairperson of Human Resources and Remuneration Committee



5 Consolidated annual financial statements

Berlin Falls, Sabie Mpumalanga

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

These consolidated annual financial statements were prepared under the supervision of:

D Human
Group Chief Financial Officer

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

Issued date: 22 September 2023

Contents

A report of the directors has not been prepared as the group is a wholly owned subsidiary of Government of the Republic of South Africa represented by the Minister of Public Enterprises.

GENERAL **INFORMATION**

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Development in the long term of the South African forestry industry and the optimising of its assets and land value
Directors	OT Monaheng D Human PM Makwana (15 May 2023 – resigned) ZP Zatu Moloi (16 May 2023 – acting board chairperson) B Hanise L Malema Y Pillay J Yawitch N Balton FM Baleni L Mokgatle
Registered office	209 Aramist Avenue Menlyn Maine Pretoria 0181
Business address	209 Aramist Avenue Menlyn Maine Pretoria 0181
Ultimate shareholder	Government of the Republic of South Africa represented by the Minister of Public Enterprises
Auditors	Auditor-General South Africa Chapter 9 institution 300 Middel Street New Muckleneuk Pretoria, 0081
Company Secretary	L Letsaolo (Acting)

DIRECTORS' RESPONSIBILITIES **AND APPROVAL**

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the Group as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

The annual financial statements are prepared in accordance with the Public Finance Management Act and International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The appropriate framework to be used has also been assessed per Directive 12. Per the requirements of Directive 12, the appropriate framework to be used by the Group is International Financial Reporting Standards.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board 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 Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the period to 31 March 2023 and, in light of this review and the current financial position, they are satisfied that the Group has access to adequate resources and funding to continue in operational existence for the foreseeable future.

During the 2023 financial year. The Group declared dividends of R1 million to the shareholder Department of Public Enterprises. Dividends were paid out of operating cash flows.

The external auditors are responsible for independently auditing and reporting on the Group's consolidated annual financial statements. The consolidated annual financial statements have been examined by the Group's external auditors and their report is presented on pages 102 to 105.

The consolidated annual financial statements were approved by the board on 22 September 2023 and were signed on their behalf by:

Approval of financial statements

ZP Zatu Moloi
(Acting Board Chairperson)

OT Monaheng
(Chief Executive Officer)

CERTIFICATE BY **COMPANY SECRETARY**

The Company Secretary certifies to the best of her knowledge that the Group has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act, No. 71 of 2008 and that all such returns are true, correct and up to date.

L Letsoalo
(Acting)

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT **ON SOUTH AFRICAN FORESTRY SOC LIMITED**

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the South African Forestry SOC Limited and its subsidiaries set out on pages 106 to 153, which comprise the consolidated and separate statement of financial position as at 31 March 2023, consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of South African Forestry Company SOC Limited and its subsidiaries as at 31 March 2023 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of my report.

4. I am independent of the group in accordance with the *International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matter below. Our opinion is not modified in respect of this matter.

Restatement of corresponding figures

7. As disclosed in note 39 to the financial statements, the corresponding figures for 31 March 2022 were restated as a result of an error in the financial statements and a change in the accounting policy of the public entity at, and for the year ended 31 March 2023.

Material impairments

8. As disclosed in note 12 to the financial statements, the trade receivable balance was significantly impaired. As disclosed in note 12 to the financial statements, a significant portion of the trade receivables balance is subject to a loss allowance amounting to R73,2 million (2021 – 22: R64,9 million).

Other matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

10. On 23 December 2022 National Treasury issued Instruction Note No. 4 of 2022-23, which came into effect on 3 January 2023, in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA. the instruction note deals with the PFMA compliance and reporting framework and addresses, amongst others, the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Irregular expenditure and fruitless and wasteful expenditure incurred in prior financial years and not yet addressed no longer need to be disclosed in either the annual report or the disclosure notes to the annual financial statements. Only the current year and prior year figures are disclosed in note 43 to the financial statements of the SAFCOL SOC Limited and its subsidiaries. Movement in respect of irregular expenditure and fruitless and wasteful expenditure also no longer need to be disclosed in the notes to the annual financial statements. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) is now included as part of other information in the annual report of the public entity. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the consolidated and separate financial statements

11. The board of directors, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the PFMA and the Companies Act and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the accounting authority either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor for the audit of the consolidated and separate financial statements

13. My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

14. A further description of our responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

16. I selected the following material performance indicators presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.
    - Total expenditure on research and development (R&D) as a percentage of revenue
    - Agro/social forestry research: Silvopastoral Research
    - Wood Product and Business Research: Mapping a way forward for SAFCOL
    - TUP South Africa
    - TUP Mozambique – Manica Operations
    - Timbadola Reinvestment Project
    - IFLOMA fibre project
    - KLF South African operations fully certified to FSC® standard and submission of annual FSC® report
    - Training Spend
    - Apprenticeship trainees
    - Sector specific learnerships (e.g wood technologist, processors, foresters)

17. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

18. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
    - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
    - the reported performance information is presented in the annual performance report in the prescribed manner
    - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

19. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

20. I did not identify any material findings on the reported performance information for the selected material performance indicators.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT **ON SOUTH AFRICAN FORESTRY SOC LIMITED** CONTINUED

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and underachievements.

Report on compliance with legislation

23. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

24. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

25. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

26. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and annual performance report

27. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statement were corrected resulting in the financial statements receiving an unqualified audit opinion.

Other information in the annual report

28. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the board committee reports and the company secretary's certificate, as required by the Companies Act 71 of 2008. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected material performance indicators presented in the annual performance report that have been specifically reported on in this auditor's report.

29. My opinion on the consolidated and separate financial statements, the report on the audit of annual performance information and the report on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

30. My responsibility is to read thls other information and, in doing so, consider whether is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

31. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

32. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

33. The matters reported below are limited to the significant internal control deficiency that resulted in the material finding on compliance with legislation included in this report.

34. Management did not adequately review the financial statements against the underlying schedules/listings that support the amounts disclosed in the AFS and the application of the accounting standards resulting to non-compliance in laws and regulations.

Auditor-General

Auditor-General
Pretoria

22 September 2023

AUDITOR-GENERAL SOUTH AFRICA
Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- the auditor's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated and separate 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 my 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 public entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made;
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Note(s)	GROUP 2023 R'000	GROUP Restated 2022 R'000	COMPANY 2023 R'000	COMPANY Restated 2022 R'000
Assets					
Non-current assets					
Property, plant and equipment	3	**182 089**	153 310	**3 787**	2 969
Investment property	4	**14 100**	12 400	**–**	–
Biological assets	5	**4 206 189**	3 712 455	**–**	–
Intangible assets	6	**439**	658	**439**	658
Other financial assets	8	**3 676**	4 584	**1 934**	2 841
Right-of-use asset	24	**412 771**	408 593	**10 030**	15 199
Deferred tax	10	**101 016**	106 734	**57 812**	61 891
		4 920 280	4 398 734	**74 002**	83 558
Current assets					
Biological assets	5	**407 248**	314 758	**–**	–
Inventories	11	**80 447**	74 787	**185**	212
Loans to group companies	7	**–**	–	**362 088**	249 305
Trade and other receivables	12	**176 837**	132 987	**2 348**	6 325
Current tax receivable	13	**–**	772	**–**	–
Cash and cash equivalents	14	**333 556**	409 295	**318 594**	386 543
		998 088	932 599	**683 215**	642 385
Non-current assets held for sale	15	**708**	708	**–**	–
Total assets		**5 919 076**	5 332 041	**757 217**	725 943
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	16	**318 013**	318 013	**318 013**	318 013
Reserves	17/18/19	**48 935**	11 317	**129 043**	129 043
Retained income		**3 108 428**	2 884 118	**98 778**	95 079
		3 475 376	3 213 448	**545 834**	542 135
Non-controlling interest		**(55 643)**	(47 517)	**–**	–
		3 419 733	3 165 931	**545 834**	542 135
Liabilities					
Non-current liabilities					
Finance lease liabilities	20	**900 897**	824 368	**4 233**	9 702
Long-term liabilities	20	**10 826**	7 661	**–**	–
Deferred tax	10	**956 288**	839 161	**–**	–
Provisions	21	**8 329**	7 640	**–**	–
		1 876 340	1 678 830	**4 233**	9 702
Current liabilities					
Finance lease liabilities	20	**204 173**	181 483	**5 469**	4 472
Long-term liabilities	20	**7 587**	7 417	**–**	–
Provisions	21	**23 716**	14 441	**–**	–
Current tax payable	13	**569**	–	**575**	–
Trade and other payables	23	**386 958**	283 939	**201 106**	169 634
		623 003	487 280	**207 150**	174 106
Total liabilities		**2 499 343**	2 166 110	**211 383**	183 808
Total equity and liabilities		**5 919 076**	5 332 041	**757 217**	725 943

* *See Note 39.*

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Note(s)	GROUP 2023 R'000	GROUP Restated 2022 R'000	COMPANY 2023 R'000	COMPANY Restated 2022 R'000
Revenue	25	**1 181 035**	1 220 784	**193 335**	176 452
Cost of sales	26	**(1 131 625)**	(1 170 589)	**–**	–
Gross profit/(loss)		**49 410**	50 195	**193 335**	176 452
Other operating income	27	**11 122**	17 477	**1 152**	703
Fair value gains	28	**1 625 459**	1 305 378	**–**	–
Other operating expenses	30	**(1 097 743)**	(984 626)	**(193 633)**	(176 279)
Allowance for bad debts	30	**(5 480)**	783	**–**	–
Operating profit/(loss)		**582 768**	389 207	**854**	876
Investment income	31	**10 263**	7 475	**11 914**	7 525
Finance costs	32				
Lease finance costs		**(216 986)**	(277 944)	**(1 575)**	(645)
Other finance costs		**(3 811)**	(2 314)	**(1 840)**	(2 953)
Profit/(loss) before taxation		**372 234**	116 424	**9 353**	4 803
Taxation	34	**(141 385)**	(31 505)	**(4 654)**	(2 551)
Profit/(loss) for the year		**230 849**	84 919	**4 699**	2 252
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		**29 471**	17 062	**–**	–
Other comprehensive income for the year net of taxation		**29 471**	17 062	**–**	–
Total comprehensive income for the year		**260 320**	101 981	**4 699**	2 252
Total comprehensive income for the period attributable to owners of SAFCOL Group arises from:					
Owners of SAFCOL Group SOC Ltd		**248 888**	106 142		
Non-controlling interests		**11 432**	(4 161)		
		260 320	101 983		

STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 MARCH 2023

	Share capital R'000	Foreign currency translation reserve R'000	Retirement fund reserve R'000	Other NDR R'000	Total reserves R'000	Retained income R'000	Total of the parent R'000	Non-controlling interest R'000	Total equity R'000
GROUP									
Balance at 31 March 2021 restated*	318 013	(117 583)	64 000	65 043	11 460	2 760 771	3 090 244	(49 768)	3 040 476
Profit/(loss) for the year restated	–	–	–	–	–	106 142	106 142	(4 161)	101 981
Current year movement in translation reserve	–	25 641	–	–	25 641	–	25 641	6 412	32 053
Other comprehensive income**		(8 579)	–	–	(8 579)	–	(8 579)	–	(8 579)
Error in classification of forex translation	–	(17 205)	–	–	(17 205)	17 205	–	–	–
Balance at 31 March 2022 as restated*	318 013	(117 726)	64 000	65 043	11 317	2 884 118	3 213 448	(47 517)	3 165 931
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**225 310**	**225 310**	**5 538**	**230 848**
Current year movement in translation reserve	**–**	**43 135**	**–**	**–**	**43 135**	**–**	**43 135**	**(13 664)**	**29 471**
Other comprehensive income**	**–**	**(5 516)**	**–**	**–**	**(5 516)**	**–**	**(5 516)**	**–**	**(5 516)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(1 000)**	**(1 000)**	**–**	**(1 000)**
Balance at 31 March 2023	**318 013**	**(80 107)**	**64 000**	**65 043**	**48 936**	**3 108 428**	**3 475 377**	**(55 643)**	**3 419 734**
Note(s)	16	17	18	19					

*** Unrealised forex loss/gain, as a result of movement on foreign currency translations.*

** See Note 39*

	Share capital R'000	Retirement fund reserve R'000	Other NDR R'000	Total reserves R'000	Retained income R'000	Total equity R'000
COMPANY						
Balance at 31 March 2021	318 013	64 000	65 043	129 043	92 827	539 883
Total comprehensive profit for the year (restated)*	–	–	–	–	2 252	2 252
Balance at 31 March 2022 (restated)*	318 013	64 000	65 043	129 043	95 079	542 135
Total comprehensive profit for the year	**–**	**–**	**–**	**–**	**4 699**	**4 699**
Dividends paid	**–**	**–**	**–**	**–**	**(1 000)**	**(1 000)**
Balance at 31 March 2023	**318 013**	**64 000**	**65 043**	**129 043**	**98 778**	**545 834**
	16	18	19			

** See Note 39*

STATEMENT OF **CASH FLOWS**

FOR THE YEAR ENDED 31 MARCH 2023

	Note(s)	GROUP **2023 R'000**	GROUP Restated 2022 R'000	COMPANY **2023 R'000**	COMPANY Restated 2022 R'000
Cash flows from operating activities					
Cash generated from operations	33	**108 467**	244 423	**43 842**	6 451
Interest received		**10 263**	7 467	**11 914**	7 461
Dividend received		**15**	8	**15**	8
Finance costs paid		**(2 320)**	(2 307)	**(3 415)**	(4)
Tax received/(paid)	34	**(404)**	(216)	**(200)**	–
Net cash from operating activities		**116 021**	249 375	**52 156**	13 916
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(47 004)**	(13 355)	**(1 271)**	(105)
Loans (to)/from group companies		**–**	–	**(112 787)**	58 198
Net cash from investing activities		**(47 004)**	(13 355)	**(114 058)**	58 093
Cash flows from financing activities					
Finance lease payments		**(143 756)**	(163 267)	**(6 047)**	(1 976)
Dividend paid to shareholders		**(1 000)**	–	**–**	–
Net cash from financing activities		**(144 756)**	(163 267)	**(6 047)**	(1 976)
Total cash movement for the year		**(75 739)**	72 753	**(67 949)**	70 033
Cash at the beginning of the year		**409 295**	336 542	**386 543**	316 510
Total cash at end of the year	14	**333 556**	409 295	**318 594**	386 543

ACCOUNTING **POLICIES**

FOR THE PERIOD ENDED 31 MARCH 2023

General information

South African Forestry Company SOC Limited (SAFCOL), a public company and holding company of the Group, is incorporated and domiciled in the Republic of South Africa. The Group's main business is the development in the long-term of the South African forestry industry and the optimising of its assets and land value.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied to all years presented which are consistent with those of the previous year, except for new and revised standards and interpretations adopted per notes to the financial statements. During 2023 financial year changes in accounting policies were applied on the measurement of investment property from amortised cost to fair value.

The preparation of the annual financial statements in conformity with International Financial Reporting Standards, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Companies Act No. 71 of 2008 and the Public Finance Management Act No. 1 of 1999 requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and the underlying assumptions are reviewed on an ongoing basis. The actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimate is revised and future years, if it affects both the current and future years.

The rounding level used in presenting amounts in the financial statements is thousands.

1.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The annual financial statements have been prepared on the historical cost convention. Unless otherwise stated in the accounting policies that follow, the financial statements incorporate the principal accounting policies set out below. They are presented in Rands, which is the Group's functional currency.

These accounting policies are consistent with the previous period, except for the change in the accounting policy on the measurement of Investment property from the cost model to the fair value model.

1.2 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the consolidated annual financial statements of the company and all subsidiaries. Subsidiaries are entities, which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use of its power over the entity.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary, to the consolidated annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Industrias Florestais de Manica SA (IFLOMA), is a company situated in Mozambique. It is controlled by Komatiland Forest SOC Limited (KLF) with an 80% shareholding. Although KLF holds only 80% of the shares, it has an irrevocable option to acquire the minority interest at a fixed price of R1 971 743 (equivalent to USD 112 500). Non-controlling interests is initially recognised at fair value. The net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of consolidated annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in the provisions note.

Provision for impairment of trade receivables

A simplified lifetime Expected Credit Loss (ECL) model assesses trade receivables for impairment. ECL is the present value of all cash shortfalls over the expected life of a trade receivable. Expected credit losses are based on historical loss experience on trade receivables, adjusted to reflect information about current economic conditions and reasonable and supportable forecasts of future economic conditions. At the date of initial recognition, the credit losses expected to arise over the lifetime of a trade receivable are recognised as an impairment.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the asset's recoverable amount is estimated. Suppose the recoverable amount of an asset, or cash-generating unit (CGU) to which the asset relates, is less than its carrying amount. The carrying amount of the asset, or CGU, is reduced to its recoverable amount, an impairment is recognised as an expense.

The recoverable amount of the asset, or CGU, is the higher of its fair value less costs to dispose and its value-in-use. In assessing value-in-use, the estimated future cash flows generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows independent from other assets, the Group estimates the recoverable amount of the smallest CGU to which the asset belongs.

Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount of the asset, or CGU, is increased to the revised estimate of its recoverable amount. Such a reversal is limited to the carrying amount that would have been determined had no impairment been recognised for the asset, or CGU, in prior years. A reversal of impairment is recognised in the statement of profit or loss.

Agriculture-owned forestry assets

The methods and assumptions used in determining the fair value of the standing timber in the plantations can be described as follows and have been applied consistently in accordance with the Group policy and are reviewed every five years or when there are market conditions which impact:

Current market prices

The market prices per cubic metre are based on market expectations per log class.

Expected yield per log class:

- The expected yield per log class is calculated with reference to growth models relevant to the nominal planted area.
- The growth models are derived from actual trial data measured regularly. Using the modelled tree shape at various ages, a merchandising model is used to split the tree lengths into pre-defined products or log classes.
- The nominal planted area is derived from the core forestry management systems.

Volume adjustment factor

Due to the nature of plantation forestry, and more specifically, its susceptibility to the environment, an adjustment factor is determined to reduce the modelled volumes to approximate marketable volumes. The percentage volume adjustment is based on factors such as baboon damage and other pests and damage due to natural elements, such as wind, rain, hail, drought, fires, insect and fungal damage such as sirex and fusarium. Natural elements such as extreme wind, rain and hail conditions may damage the trees, as well as reduced rainfall or uneven rainfall affects tree growth. In the case of fires, the actual volume is recalculated per compartment.

Rotation

The Group mainly manages its plantation crop on a 25-year (prior year: 30 years) rotation for saw log production.

Operating costs

Operating costs are calculated with reference to the maintenance and harvesting activities and the average annual unit costs per activity.

The activities are based on the prescribed silvicultural regimes and volume of timber to be harvested and extracted.

The operating costs per activity are based on the annual average unit costs as per the plantation operating statements and include relevant overheads.

ACCOUNTING **POLICIES**

FOR THE PERIOD ENDED 31 MARCH 2023

1. Significant accounting policies continued

1.3 Significant judgements and sources of estimation uncertainty continued

Discount rate

The current market determined discount rate is based on the Weighted Average Cost of Capital model as calculated by an independent professional service provider, using the following:

- Risk free rate which is updated with the market rates applicable at the valuation dates.
- Market premium which has been adjusted to compensate for increased risk factors.
- Inflation assumptions which have been adjusted to incorporate the market view at the valuation date.

Taxation

The Group is subject to income taxes in South African and Mozambican jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the initially recorded amounts, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

Finance leases

The application of IFRS 16 requires the Group to make judgements that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include determining contracts in the scope of IFRS 16, determining the contract term and determining the interest rate used for discounting future cash flows.

The lease term determined by the Group generally comprises a non-cancellable period of lease contracts, periods covered by an option to extend the lease if it is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. The same term is applied to the useful economic life of right-of-use assets.

For all contracts signed since 1 January 2018 relating to properties and printers, the Group has concluded that there are a number of scenarios where it might not be able to exercise the extension options. Therefore, the IFRS 16 criterion of being reasonably certain to exercise the extension options is not fulfilled. The periods covered by the potential use of an option to extend the lease are excluded from the lease term. For leases with the indefinite term, the Group estimates the non-cancellable period of such leases to be equal to approximately two rotational pine periods.

When assessing the lease term, the Group considers penalty payments specified in the contract and the materiality of possible economic outflows related to the termination of the contracts. The Group will continue to monitor these assumptions in the future due to a review of the industry practice and the evolution of the accounting interpretations concerning estimation of the lease terms among peer forestry entities when they also apply IFRS 16.

The present value of the lease payment is determined using the discount rate representing the incremental cost of borrowing for the Group observed in the period when the lease contract commences or is modified.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

1.4 Biological assets

Biological assets are pine, wattle and eucalyptus trees planted, where the Group controls the assets, future economic benefits are probable and the fair value can be reliably measured. Biological assets are measured at their fair value less costs to sell. Fair value of plantations is estimated based on the present value of the net future cash flows from the asset, discounted at a current market-based rate of the Group. In determining the present value of expected net cash flows, the Group includes the net cash flows that market participants would expect the asset to generate in its most relevant market. Costs to sell are the costs of harvesting and bringing the timber to roadside. Increases or decreases in value are recognised in the statement of profit and loss. Biological assets that are expected to be consumed in the next 12 months are disclosed under current assets. Biological assets are transferred to inventory upon harvesting.

1.5 Investment property

Investment property are properties held for the purpose of earning rental income or for capital appreciation or both, and are initially recognised at cost or deemed cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service, a property.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Subsequent to the initial recognition, investment properties are measured using a fair value ("FV") model. Changes in the fair value under the FV model are recognised in profit or loss. In terms of IFRS 13 disclosures, the land is valued every three years, and the market value is presented in the financial statements. The information is disclosed in terms of Level 3 unobservable inputs that would have been used to determine the current market price of the land.

1.6 Investment in subsidiaries

Komatiland Forests SOC Limited, Kamahlabane Forests SOC Limited and ABACUS Forests SOC Limited are subsidiaries of SAFCOL Group. Significant judgements and assumptions relating to control relates to ownership of the subsidiaries. SAFCOL Group wholly owns the subsidiaries. An assessment of control arises from the basis that SAFCOL Group wholly owns and has the ability to direct all the activities of the subsidiaries. In making judgement, there are no limitations in terms of rights.

SAFCOL entity applies the cost method for measurement of investments in subsidiaries.

1.7 Property, plant and equipment

Property, plant and equipment are tangible assets that the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Owned assets

Property, plant and equipment is initially measured at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment loss. Items of property, plant and equipment are stated at historical cost less related accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes all costs that are incurred in bringing the asset into a location and condition necessary to enable it to operate as intended by management and includes the cost of materials, direct labour, and the initial estimate, where applicable, of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditure

Subsequent expenditure relating to an item or part of property, plant and equipment is capitalised when it is probable that future economic benefits associated with an item will flow to the Group and the cost can be measured reliably. The carrying amount of the part that is replaced is derecognised in accordance with the principles set out below. Items such as spare parts, stand by equipment and servicing equipment are recognised in accordance with IFRS when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory. Costs of repairs and maintenance are recognised as an expense in the year in which it was incurred.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised at the earlier of the date of disposal or the date when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition of items of property, plant and equipment are included in the statement of profit or loss and other comprehensive income. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

Depreciation

Depreciation is charged to the statement of profit or loss and other comprehensive income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation will not be charged to the statement of profit or loss and other comprehensive income if it has been included in the carrying amount of another asset. Land and capital work in progress are not depreciated. The methods of depreciation, useful lives and residual values are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate annually and changes in estimates, if appropriate, are accounted for on a prospective basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Item	Depreciation method	Useful life
Buildings and utilities	Straight line	5 – 50 years
Plant and machinery	Straight line	3 – 40 years
Furniture and fixtures	Straight line	5 – 35 years
Motor vehicles	Straight line	4 – 35 years
Computer equipment	Straight line	3 – 25 years
Roads	Straight line	5 – 40 years
Leasehold improvements – buildings and utilities	Straight line	5 – 40 years
Leasehold improvements – telephone lines and fences	Straight line	5 – 40 years
Leasehold improvements – roads	Straight line	5 – 40 years

1.8 Intangible assets

Intangible assets are initially measured at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment loss. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates, and all other subsequent expenditure is expensed as incurred.

Acquired computer software is capitalised based on the costs incurred to acquire and bring the specific software into use. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software and other products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software or product so that it will be available for use
- management intends to complete the software or product and use or sell it
- there is an ability to use or sell the software or product
- it can be demonstrated how the software or product will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software or product are available, and
- the expenditure attributable to the software and product during its development can be reliably measured.

ACCOUNTING **POLICIES**

FOR THE PERIOD ENDED 31 MARCH 2023

1. Significant accounting policies continued

1.8 Intangible assets continued

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

The Group's intangible assets are assessed as having finite useful lives. Amortisation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful life of the asset.

The methods of amortisation, useful lives and residual values are reviewed annually and changes in estimates, if appropriate, are accounted for on a prospective basis.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software	3 – 25 years

The carrying amount of an item or part of an intangible asset is derecognised at the earlier of the date of disposal or the date when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition of an item of an intangible asset are included in the statement of profit or loss and other comprehensive income. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

1.9 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9: Financial Instruments. Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets, which are debt instruments:

- Amortised cost – This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows.

Financial liabilities:

- Amortised cost – Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Loans receivable

Classification

Loans to Group companies are classified as financial assets subsequently measured at amortised cost.

Loans to Group have been classified in this manner because the contractual terms of these loans give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding and the Group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

Subsequently measured at amortised cost

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12-month expected credit losses (12-month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12-month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, Value-Added Tax (VAT) and prepayments, are classified as financial assets and subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Group calculated the expected credit loss under the simplified approach using a provision matrix. The expected credit loss is calculated by applying an expected loss ratio to each age receivable group. The loss ratio is calculated as the historical payment profile and adjusted for macro-economic forecasts. A default credit loss ratio is applied to ageing periods of 90 days and over.

Derecognition

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the de-recognition gains/(losses) on financial assets at amortised cost.

Borrowings

Classification

Borrowings are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value less transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in other finance costs paid. Borrowings expose the Group to liquidity risk and interest rate risk. Refer to the note for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables, excluding VAT and amounts received in advance, are classified as financial liabilities and subsequently measured at amortised cost.

Recognition and measurement

Trade and other payables are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any, and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to the note for details of risk exposure and management thereof.

Derecognition

Any gains or losses arising on the derecognition of trade and other payables is included in profit or loss in the de-recognition gains (losses) on financial assets at amortised cost.

ACCOUNTING **POLICIES**

FOR THE PERIOD ENDED 31 MARCH 2023

1. Significant accounting policies continued

1.9 Financial instruments continued

Cash and cash equivalents

Cash and cash equivalents are classified as financial assets and subsequently measured at amortised cost. Cash and cash equivalents are initially and subsequently recognised at amortised cost.

1.10 Tax

Current tax

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither accounting profit nor taxable profit or tax loss.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting profit nor taxable profit or tax loss.

The Group shall disclose the amount of a deferred tax asset and the nature of evidence supporting its recognition, when: the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The consumption of biological assets is uncertain. The Group have used historical information to estimate future consumptions. The consumption rates have an impact on volumes available and the value of the biological assets disclosed. The value of biological assets has an impact on the deferred tax estimated.

Dividend withholding tax

Dividends withholding tax (DWT) is a tax levied on the beneficial owner of the share. The tax is withheld by the Group and paid over to the revenue authorities on the beneficiaries' behalf.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- Directly in equity.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.11 Leases

Where the Group is a lessee, a right-of-use asset and lease liability is recognised, except for:

- Leases of low value assets below the value of 1 million rand; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on a commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Right-of-use

The following policies apply subsequent to the date of initial application, 1 January 2019. On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the company if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Nature of leasing activities (in the capacity as lessee)

The Group leases land from the Department of Forestry, Fisheries and the Environment (DFFE) and Mamahlola CPA. The Group finalised leases over land it is leasing from DFFE and Mamahlola CPA. Right of use assets has been recognised over the leased land. The lease contracts allow payments to increase each year by a pre-agreed rate usually linked to inflation. The Group has also recognised the right-of-use over building leased from a related party and computer equipment leased from an independent third party. Leases of land and buildings comprise only fixed payments over the lease terms. No rent concessions were received on any of the leases the Group has entered into.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable.

At 31 March 2023	Lease contracts number	Fixed payment %
Land and property lease	4	100
Leases of computer equipment	1	–

1.12 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity. When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised.

The amount of any write down of inventories to net realisable value and all losses of inventories is recognised as an expense in other operating expenditure in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

ACCOUNTING **POLICIES**

FOR THE PERIOD ENDED 31 MARCH 2023

1. Significant accounting policies continued

1.12 Inventories continued

Cost is determined on the following bases:

- Finished goods and work in progress comprise raw material, direct labour, other direct costs and related production overheads incurred in bringing the inventories to their present location and condition, calculated on the weighted average basis, based on the normal capacity for the period to eliminate the effect of changes in log distribution. Included in finished goods and work in progress inventories are sawn timber, lumber and seedlings.
- Raw materials are valued at landed cost on the weighted average basis.
- Consumable stores are valued at cost on the weighted average basis.
- The cost of harvested timber transferred from biological assets is its fair value less costs to sell at the date of harvest.

1.13 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal) are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

1.14 Impairment of non-financial assets

The carrying amounts of the Group's tangible and intangible assets are assessed at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated as the higher of the fair value less costs to sell and value-in-use of the asset. Value-in-use is estimated based on the expected future cash flows, discounted to their present values using a discount rate that reflects forecast market assessments over the estimated useful life of the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash generating unit to which the asset belongs is calculated. Where an asset or a cash generating unit's recoverable amount has declined below the carrying amount, the decline is recognised as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.15 Share capital and equity

Ordinary shares are classified as equity.

1.16 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 paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), is recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group and Company's shareholders after certain adjustments. The Group recognises a provision where obliged contractually, or where there is a past practice that has created a constructive obligation.

Defined contribution plans

The SAFCOL Provident Fund is a defined contribution plan. The contribution plan under which the Group pays fixed contributions into a separate entity.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

1.17 Provisions, contingencies and commitments

A provision is recognised when the Group has a present legal or constructive obligation because of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes to the annual financial statements. A commitment is an agreement or a pledge to assume a financial obligation at a future date. The Group discloses commitments incurred by the Group at year-end.

1.18 Revenue

Under IFRS 15, revenue is recognised based on the satisfaction of performance obligations. In applying IFRS 15, entities would follow this five-steps process:

- Identify the contract with a customer;
- Identify the separate performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the separate performance obligations; and
- Recognise revenue when (or as) each performance obligation is satisfied.

Sale of services

Where the holding company charges management services to its subsidiaries, the fees are eliminated on consolidation level. Revenue arising from such services is recognised on the decimal basis over the period the services are rendered in accordance with the substance of the relevant agreements.

Sale of logs

Revenue is recognised at a point in time for sale of logs. The sale of logs to customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods. Payment of the transaction price is due either immediately at the point the customer purchases the goods, or within 30 days for account holding customers or on agreed terms payment. A receivable is recognised for account holding customers. No financing element is recognised as the payment terms are either within 30 days or less than a calendar year for negotiated settlements. When the period of time between delivery of goods and subsequent payment by the customer is less than one year, no adjustment for a financing component is made.

Sale of timber products

Revenue is recognised at a point in time for local sales of timber products. For local timber sales, revenue is recognised when the goods leave the premises at the stand-alone selling prices. When the customer collects the goods at the premises, the Group no longer directs the use of the goods and the client accepts responsibility.

1.19 Translation of foreign currencies

Functional and presentation currency

These consolidated financial statements are presented in Rand, which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Group at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Rand at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Rand at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest (NCI). The Group applies the proportionate share method for measurement and recognition of NCI.

ACCOUNTING **POLICIES**

FOR THE PERIOD ENDED 31 MARCH 2023

1. Significant accounting policies continued

1.20 Reserves

Translation reserve

If the functional currency of a subsidiary is different to the presentation currency of the Group, the net effect of translating to the presentation currency is allocated to the foreign currency translation reserve.

Revaluation reserve

The revaluation of non-current assets and equity instruments are charged to the non-distributable reserve and therefore reflected as a gain or loss in the statement of profit or loss.

Retirement fund reserve

Accelerated lump sum payments to reduce the retirement fund deficit are transferred to a distributable reserve being a retirement fund reserve, as far as cash generated through profits from trading activities is available for this purpose.

Other non-distributable reserve

Profits made on the cancellation of the provision of the transfer of land, and proceeds from insurance claims that are deemed exceptional are classified as non-distributable reserves.

1.21 Post balance sheet

Recognised amounts in the financial statements are adjusted to reflect events arising after the statement of financial position date that provide evidence of conditions that existed at the statement of financial position date. Depending on materiality, events after the statement of financial position date that are indicative of conditions that arose after the statement of financial position date are dealt with by way of a note.

1.22 Related parties

An entity is related to a reporting entity if the following condition applies:

- The entity and the reporting entity are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- SAFCOL also considers all other entities controlled by Department of Enterprise as related.
- Key management personnel are also considered as related.

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

1.23 PFMA reportable expenditure

In terms of section 55(2)(b)(i) of the Public Finance Management Act, 1999 (PFMA) the financial statements must include particulars of any material losses through criminal conduct and any irregular and fruitless and wasteful expenditure.

Section 1 of the PFMA, as amended, defines irregular expenditure as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation, and defines fruitless and wasteful expenditure as expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All PFMA reportable expenditure is accounted for in the statement of profit or loss and other comprehensive income in the period in which it is identified.

PFMA reportable expenditure is recorded in the notes to the annual financial statements when confirmed. The amount recorded is equal to the value of the expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided.

PFMA reportable expenditure receivables are de recognised when settled or written off as irrecoverable or condoned by the relevant authority.

1.24 Research and development

Research and development expenditure are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1.25 Change in accounting policy

Investment property

The directors took a decision to change the accounting policy related to the subsequent measurement of Investment property from the cost model to the fair value model. The change in accounting policy will be applied retrospectively to the current and prior period. Annually, the FV changes in the land valuation will be recorded in the profit and loss account in the period they are incurred. The change in accounting policy will result in a deferred tax adjustment due to the differences between the carrying amount and costs. There is no expected impact on the taxable income as the FV adjustments are reversed for income tax calculations.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the prior year

Several new standards are effective for annual periods beginning after 1 January 2022 and, earlier application is permitted; however, the company still needs to adopt the new or amended standards early in preparing these financial statements:

IFRS pronouncement	Effective date	Impact
IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	Immaterial
Annual Improvements to IFRS Standards 2018–2020	1 January 2022	Immaterial
IFRS 3 – Reference to the Conceptual Framework	1 January 2022	Immaterial
IAS 16 – Property, Plant and Equipment: Proceeds before intended use	1 January 2022	Not applicable

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2023 or later periods:

IFRS pronouncement	Effective date	Impact
IAS 1 – Classification of Liabilities as Current or Non-current Amendments.	1 January 2023	Immaterial
IFRS 17 – Insurance Contracts and amendments to IFRS 17 Insurance contracts	1 January 2023	Not applicable
IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023	Immaterial
IAS 8 – Definition of Accounting Estimates	1 January 2023	Immaterial
IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	Immaterial

The standard is not applicable to the company and will not have an impact on the financial statements.

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2023

3. Property, plant and equipment

Group	2023 Cost R'000	2023 Accumulated depreciation R'000	2023 Carrying value R'000	2022 Restated* Cost R'000	2022 Restated* Accumulated depreciation R'000	2022 Restated* Carrying value R'000
Land	**2 481**	**–**	**2 481**	2 481	–	2 481
Buildings	**37 007**	**(23 342)**	**13 665**	34 992	(21 994)	12 998
Leasehold improvements: Buildings	**5 326**	**(289)**	**5 037**	18 192	(9 167)	9 025
Plant and machinery	**325 869**	**(246 180)**	**79 689**	307 508	(233 699)	73 809
Furniture and fixtures	**2 439**	**(1 207)**	**1 232**	3 215	(2 585)	630
Motor vehicles	**170 725**	**(138 043)**	**32 682**	155 099	(132 019)	23 080
Computer equipment	**47 817**	**(44 273)**	**3 544**	43 411	(38 461)	4 950
Leasehold improvements: roads, telephone lines and fences	**65 375**	**(36 431)**	**28 944**	46 242	(23 730)	22 512
Capital – work in progress	**14 815**	**–**	**14 815**	3 825	–	3 825
Total	**671 854**	**(489 765)**	**182 089**	614 965	(461 658)	153 310

Company	2023 Cost R'000	2023 Accumulated depreciation R'000	2023 Carrying value R'000	2022 Restated* Cost R'000	2022 Restated* Accumulated depreciation R'000	2022 Restated* Carrying value R'000
Buildings	**3 138**	**(694)**	**2 444**	3 138	(562)	2 576
Leasehold improvements: Buildings	**1 361**	**(190)**	**1 171**	188	(86)	102
Plant and machinery	**87**	**(87)**	**–**	87	(80)	7
Furniture and fixtures	**1 306**	**(1 299)**	**7**	1 286	(1 273)	13
Motor vehicles	**2 892**	**(2 797)**	**95**	2 892	(2 634)	258
Computer equipment	**2 925**	**(2 855)**	**70**	2 847	(2 834)	13
Total	**13 303**	**(7 940)**	**3 787**	10 438	(7 469)	2 969

Reconciliation of property, plant and equipment

Group – 2023	Opening balance R'000	Additions R'000	Other changes: write-backs, write-offs and transfers R'000	Depreciation R'000	Closing balance R'000
Land	**2 481**	**–**	**–**	**–**	**2 481**
Buildings	**12 998**	**–**	**1 876**	**(1 209)**	**13 665**
Leasehold improvements: Buildings	**9 025**	**6 355**	**(8 865)**	**(1 478)**	**5 037**
Plant and machinery	**73 809**	**21 767**	**(58)**	**(15 829)**	**79 689**
Furniture and fixtures	**630**	**21**	**880**	**(299)**	**1 232**
Motor vehicles	**23 080**	**14 610**	**679**	**(5 687)**	**32 682**
Computer equipment	**4 950**	**3 378**	**(2 329)**	**(2 455)**	**3 544**
Leasehold improvements: roads, telephone lines and fences	**22 509**	**–**	**8 779**	**(2 344)**	**28 944**
Capital work in progress	**3 825**	**11 877**	**(887)**	**–**	**14 815**
	153 307	**58 008**	**75**	**(29 301)**	**182 089**

Reconciliation of property, plant and equipment

Group – 2022	Opening balance R'000	Additions R'000	Other changes: write-backs, write-offs and transfers R'000	Depreciation R'000	Closing balance R'000
Land	2 481	–	–	–	2 481
Buildings	14 263	–	(596)	(669)	12 998
Leasehold improvements: Buildings	10 361	1 810	(1 344)	(1 802)	9 025
Plant and machinery	81 668	7 823	2 443	(18 125)	73 809
Furniture and fixtures	757	31	(118)	(40)	630
Motor vehicles	32 711	–	(197)	(9 434)	23 080
Computer equipment	9 246	1 213	1	(5 510)	4 950
Leasehold improvements: roads, telephone lines and fences	22 561	–	1 731	(1 780)	22 512
Capital work in progress	3 735	1 102	(1 012)	–	3 825
	177 783	11 979	908	(37 360)	153 310

Company – 2023	Opening balance R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Buildings	**2 576**	**–**	**(132)**	**2 444**
Leasehold improvements: Buildings	**102**	**1 173**	**(104)**	**1 171**
Plant and machinery	**7**	**–**	**(7)**	**–**
Furniture and fixtures	**13**	**21**	**(27)**	**7**
Motor vehicles	**258**	**–**	**(163)**	**95**
Computer equipment	**13**	**77**	**(20)**	**70**
	2 969	**1 271**	**(453)**	**3 787**

Company – 2022	Opening balance R'000	Additions R'000	Depreciation R'000	Closing balance R'000
Buildings	2 708	–	(132)	2 576
Leasehold improvements: Buildings	32	74	(4)	102
Plant and machinery	14	–	(7)	7
Furniture and fixtures	22	31	(40)	13
Motor vehicles	615	–	(357)	258
Computer equipment	36	–	(23)	13
	3 427	105	(563)	2 969

A schedule containing the information required by Regulation 25(3) of the Companies Regulations is available for inspection at the company's registered office.

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2023

4. Investment property

GROUP	2023 Opening cost/ valuation R'000	2023 Fair value adjustment R'000	2023 Closing value R'000	2022 Opening cost/ valuation R'000	2022 Fair value adjustment R'000	2022 Closing value R'000
Investment property	**12 400**	**1 700**	**14 100**	10 400	2 000	12 400

Reconciliation of investment property – Group 2023

	Opening cost/ valuation R'000	Fair value adjustment R'000	Closing value R'000
Land and buildings	**12 400**	**1 700**	**14 100**

Reconciliation of investment property – Group 2022* (restated)

	Opening cost/ valuation R'000	Fair value adjustment R'000	Closing value R'000
Land and buildings	10 400	2 000	12 400

Investment property consists of land and buildings, which forms part of the remainders of portions 1 and 2 of the Farm Mooiplaats No. 537; and Portion 1 of the Farm Zaagkuil No. 777 situated at R618 Ngome, KwaZulu-Natal, South Africa. The fair value of the land as determined by an independent valuator is R14 million.

The level of hierarchy within which the fair value measurement is categorised as Level 3. A register containing the details of the investment property is available for inspection at the registered office of the company.

The fair value of the investment property was determined by an external independent property valuator, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for all of the investment properties has been categorised as Level 3 based on the inputs to the valuation technique used.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	The method of valuation employed to determine the fair value of the property is the comparable sales approach. The value is established by comparing the subject property with similar properties. The international valuation standards 2007 defines the sales comparison method as "The comparative approach considers the sales of similar or substitute properties and related market data, and establishes value estimated by processes involving comparison."	The estimated fair value would increase/(decrease) if any: a. expected market rentals increase/(decrease); b. growth were higher/(lower); c. void periods were shorter/(longer); and d. the occupancy rates were higher/(lower);

5. Biological assets

Biological assets are measured at fair value less costs to sell, with any change recognised in profit or loss. On 31 March 2023, standing timber comprised approximately 117 917 hectares of pine, eucalyptus, wattle, and other tree plantations (2022: 117 617 hectares), which ranged from newly established trees to trees that were 30 years old. The Group recognises biological assets when it controls the assets because of past events. Future economic benefits associated with such assets will flow to the Group, and the fair value or cost of the assets can be measured reliably. The Group does not capitalise costs incurred on biological assets. Expenditure incurred on biological assets is recognised as a period cost in the period that it is incurred.

GROUP	2023 Fair valuation R'000	2023 Carrying value R'000	2022 Fair valuation R'000	2022 Carrying value R'000
Non-current assets	**4 206 189**	**4 206 189**	3 712 455	3 712 455
Current assets	**407 248**	**407 248**	314 758	314 758
Total	**4 613 437**	**4 613 437**	4 027 213	4 027 213

Reconciliation of biological assets Group – 2023

	Opening balance R'000	Decrease due to harvest/sales R'000	Gains arising from changes in fair value R'000	Closing balance R'000
Planted forests	**4 027 213**	**(1 037 535)**	**1 623 759**	**4 613 437**

Reconciliation of biological assets Group – 2022

	Opening balance R'000	Decrease due to harvest/sales R'000	Gains arising from changes in fair value R'000	Closing balance R'000
Planted forests	3 812 794	(1 088 959)	1 303 378	4 027 213

Biological assets: Current and non-current

Biological assets that expected to be consumed in the next 12 months are disclosed under current assets. Biological assets are transferred to inventory at fair value less cost to sell at the point of harvest.

	GROUP 2023 R'000	GROUP Restated* 2022 R'000	COMPANY 2023 R'000	COMPANY Restated* 2022 R'000
Current portion	**407 248**	314 758	**–**	–
Non-current portion	**4 206 189**	3 712 455	**–**	–
Total	**4 613 437**	4 027 213	**–**	–
Reconciliation of standing volume				
Opening balance	**41 447 412**	40 300 437	**–**	–
Increase due to growth and enumeration	**672 423**	2 460 192	**–**	–
Decrease due to harvesting and sales	**(1 339 553)**	(1 313 217)	**–**	–
Closing balance	**40 780 282**	41 447 412	**–**	–

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2023

5. **Biological assets** continued

Measurement of fair values

i. Fair value hierarchy

The fair value measurements for the standing timber have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

ii. Level 3 fair values

The following table shows a breakdown of the total gains/(losses) recognised in respect of Level 3 fair values (standing timber).

Gains included in other operating gains and losses

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Fair values	1 623 759	1 303 378	–	–

iii. Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation techniques	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Standing timber	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for 30 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Estimated future timber market prices weighted average per cube (2023: R894, 2022: R803). • Estimated volumes (2023: 37 875 086, 2022: 37 389 413). • Risk-adjusted discount rate (2023: 13.60%; 2022: 12.81%).	The estimated fair value would increase (decrease) if: • the estimated timber prices per tonne were higher (lower); • the estimated yields per hectare were higher (lower); • the estimated harvest and transportation costs were lower (higher); or • the risk-adjusted discount rates were lower (higher).

The estimated yields per hectare of pine tree plantations are determined mainly based on the age of the plantation, historical yields, the potential impact of extreme weather events and harvest loss due to disease and pests. A 5% (2022: 5%) volume adjustment factor has been applied.

Level 3 fair value

The valuation model considers the present value of the net cash flows expected to be generated from the plantations. The cash flow projections include specific estimates for 30 years (2022: 30 years). The expected net cash flows are discounted using a risk-adjusted comparable discount rate that considers the Beta factors of comparable forestry companies.

The estimated yields per hectare of each species of tree plantations are determined mainly based on the age of the plantation, historical yields, the potential impact of extreme weather events and harvest loss due to disease and pests. Historical yields of standing timber have been adjusted downwards by 5% (2022: 5%) to reflect potential losses due to severe storms, adverse weather, disease and animal damage. The impact of the 5% volume adjustment factor on the current year valuation is R401 274 076. The risk of potential losses due to fire is reflected in the cash flows, including the estimated cost of fire prevention activities.

The Group assessed the impact of climate change on the estimated yields per hectare for all species of standing timber. It is impossible to estimate the impact of climate on the yields with reasonable accuracy. Due to the high degree of estimation uncertainty around the impact of climate change on the intensity and frequency of storms, this conclusion may change in the future.

Methodology and assumptions used in determining fair value

Volumes

The expected yields per log class are calculated with reference to growth models relevant to the planted area. The growth models are derived from actual trial data that is measured annually. Using the modelled tree shapes at various ages, a merchandising model is used to divide the trees into predefined products as a basis for calculating log yields. In the current year management approved a proposal to harvest trees that mature earlier than the prescribed maturity period of 30 years. Management's decision resulted in an increase in the volumes available in the current and future periods.

Volume adjustment factor

Due to the susceptibility of the plantations to the environment, an adjustment factor is used to reduce the volumes obtained from the merchandising model. This percentage is based mainly on animal damage and damage due to natural elements, such as wind, rain, hail, droughts and fires. The volume reduction was made to acknowledge deviations such as the impact of baboon damage and other natural elements, genetic defects, pest, and diseases from the planned harvesting volumes. Consistent with prior years, volumes expected from KLF plantations in MicroForest are adjusted down by 5% (2022: 5%).

Log prices

The price per cubic metre per log class is based on current and future expected market prices per log class. The log prices have not been increased by either inflation or an actual price increase in the subsequent years. Log prices are computed as a weighted average of external and internal market prices charged to the Company's processing operations. Internal prices are generally higher than external prices and are limited to levels that result in the profitability of the processing operations.

Operating costs

The costs are based on the unit cost of the forest management activities required for the trees to reach the age of felling. The costs include the current and expected future costs of harvesting, maintenance and risk management and an appropriate amount of fixed overhead costs. The costs exclude the costs necessary to get the asset to the market. It has been assumed that all stock will be sold either standing or roadside.

Costs to sell

Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes. The only costs to sell applied are harvesting costs, which are included under operating costs. No other selling costs are included.

Discount rate

The directors used comparable forestry companies' Beta to calculate the after-tax weighted average cost of capital (WACC), which was applied to the after-taxation net cash flows. An independent third party calculated the discount rate used by the Group.

Risk management strategy related to agricultural activities

The Group is exposed to the following risks relating to its pine tree plantations.

i. Regulatory and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

ii. Supply and demand risks

The Group is exposed to risks arising from fluctuations in pine's price and sales volume. The Group manages this risk by aligning its harvest volume to market supply and demand. Management performs industry trend analyses for projected harvest volumes and pricing. Management performs regular industry trend analyses for projected harvest volumes and pricing. The Group uses an auction process to sell available volumes to potential customers.

iii. Climate and other risks

The Group's plantations are exposed to the risk of damage from extreme weather events such as storms, high winds and drought. Changes in global climate conditions could intensify one or more of these events. Periods of drought and associated high temperatures may increase the risk of forest fires and insect outbreaks. In addition to their effects on forest yields, extreme weather events may also increase the cost of operations. The Group has extensive processes in place aimed at monitoring and mitigating these risks through proactive management and early detection. The Group has incorporated considerations for climate change into its reforestation practices, such as the establishment and maintenance of fire breaks and increased monitoring during fire danger periods.

Physical risks arising from fires and drought are to a great extent subject to risk transfer and thereby within the cover of the Group's property and business interruption insurance programmes. However, should the frequency and severity of these events increase as a result of climate change, the cost of such coverage may increase.

Other risks affecting the Group's plantations are diseases, forest fires and other natural forces. The Group has extensive processes to monitor and mitigate those risks, including regular forest health inspections and industry pest and disease surveys. The Group is also partly self-insured against natural disasters such as floods and hurricanes.

Pledged as security

Biological assets are unencumbered and have not been used to secure the Group's funding.

Components of biological assets

Biological assets are made up of the following plantation trees:

- Pine trees
- Eucalyptus trees
- Wattle trees
- Other

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2023

5. Biological assets continued

Area under each of the species

The area covered by each biological asset species is as shown in the table below:

	GROUP 2023 Total area (Ha)	GROUP 2022 Total area (Ha)
Pine	110 989	110 516
Eucalyptus	4 960	5 061
Wattle	1 543	1 611
Other	425	429
Temporary unplanted areas	2 286	2 772
Conservation area	69 417	69 231
Total landholding	189 620	189 620

Biological assets-standing timber

The valuation methodology used to determine the fair value of the biological assets at year end is the discounted cash flow method, which is complex, highly judgemental and based on significant assumptions.

The most significant judgements and assumptions relate to:

- The WACC calculation;
- A volume adjustment factor due to susceptibility of the plantations to the environment;
- The price per cubic metre based on the current and future expected market prices per log class (profit margin); and
- Operating costs based on unit cost of the forest management activities.

Level 3 reconciliation

	GROUP 2023 R'000	GROUP Restated* 2022 R'000	COMPANY 2023 R'000	COMPANY Restated* 2022 R'000
Opening balance	**4 027 213**	3 812 794	–	–
Harvested timber	**(1 037 535)**	(1 088 959)	–	–
Fair value	**1 623 759**	1 303 378	–	–
Closing balance	**4 613 437**	4 027 213	–	–

In the current year, there were no additions to biological assets through acquisitions of either forests or other plantations.

Level 3 fair values

The Company applied the debt/equity ratio of the market participants included in its comparable company basket.

Key assumptions used in the calculation of the discount rate

	GROUP 2023 R'000	GROUP Restated* 2022 R'000	COMPANY 2023 R'000	COMPANY Restated* 2022 R'000
Risk-free rate (%)	**10.50**	10.00	–	–
Beta factor	**0.90**	0.96	–	–
Cost of equity (%)	**20.50**	24.36	–	–
Cost of debt (%)	**11.90**	10.24	–	–
Capital structure (%)	**78.50**	70.30	–	–
Pre-tax discount rate (%)	**13.60**	12.81	–	–

An external independent third party calculated WACC.

Sensitivity

A variation of 10% on the significant assumptions will impact the valuation of biological assets fair value.

Group	Weighted average range of probabilities High	Weighted average range of probabilities Low
10% change in WACC	5 369 587	3 472 835
10% change in price	5 195 130	3 647 292
10% change in costs	4 047 303	4 858 200
10% change in volume	4 105 873	4 736 549

The higher the timber price and yield per hectare, the higher the fair value. The lower the discount rate, the higher the fair value.

6. Intangible assets

Group	2023 Cost/Valuation R'000	2023 Accumulated amortisation R'000	2023 Carrying value R'000	2022 Cost/Valuation R'000	2022 Accumulated amortisation R'000	2022 Carrying value R'000
Computer software	**66 158**	**(65 719)**	**439**	66 158	(65 500)	658

Company	2023 Cost/Valuation R'000	2023 Accumulated amortisation R'000	2023 Carrying value R'000	2022 Cost/Valuation R'000	2022 Accumulated amortisation R'000	2022 Carrying value R'000
Computer software	**59 202**	**(58 763)**	**439**	59 202	(58 544)	658

Reconciliation of intangible assets – Group – 2023

	Opening balance R'000	Amortisation R'000	Closing balance R'000
Computer software	**658**	**(219)**	**439**

Reconciliation of intangible assets – Group – 2022

	Opening balance R'000	Amortisation R'000	Closing balance R'000
Computer software	1 753	(1 095)	658

Reconciliation of intangible assets – Company – 2023

	Opening balance R'000	Amortisation R'000	Closing balance R'000
Computer software	**658**	**(219)**	**439**

Reconciliation of intangible assets – Company – 2022

	Opening balance R'000	Amortisation R'000	Closing balance R'000
Computer software	1 753	(1 095)	658

Change in estimate on useful life of computer software

The remaining useful life of intangible asset was revised from zero to two years as the existing ERP system is still in use and will be replaced with a new system in two years.

7. Loans to group companies

Subsidiaries

	COMPANY 2023 R'000	COMPANY Restated* 2022 R'000
Komatiland Forests SOC Limited	**361 516**	248 849
ABACUS Forestries SOC Limited	**572**	456
Kamhlabane Timber SOC Limited	**–**	–
	362 088	249 305

Loans are held in Komatiland Forests SOC Limited, ABACUS Forestries SOC Limited and Kamhlabane Timber SOC Limited, which are wholly owned subsidiaries of SAFCOL. The Intercompany loan in Komatiland Forests is unsecured, bears interest at the prime rate of 11.25% (2022: 7.75%), and has no fixed terms of repayment. The loans in Kamhlabane and ABACUS bear no interest. The loan in Kamhlabane is at R100. SAFCOL entity applies the cost method for measurement of all loans in subsidiaries.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2023

8. Other financial assets

	GROUP 2023 R'000	GROUP Restated* 2022 R'000	COMPANY 2023 R'000	COMPANY Restated* 2022 R'000
Investments	**3 676**	4 584	**1 934**	2 841
Non-current assets				
Other financial assets	**3 676**	4 584	**1 934**	2 841
	3 676	4 584	**1 934**	2 841

Fair value hierarchy of available-for-sale financial assets

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy, which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets, which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs, which are not based on observable market data.

	GROUP 2023 R'000	GROUP Restated* 2022 R'000	COMPANY 2023 R'000	COMPANY Restated* 2022 R'000
Level 1				
Insurance policy – Guardrisk	**1 931**	2 839	**1 932**	2 839
Level 3				
Transvaal Wattle Growers Co Op Agriculture Company	**1**	1	**1**	1
KAAP Agri	**1**	1	**1**	1
NTE Investments	**1 743**	1 743	**–**	–
	1 745	1 745	**2**	2
	3 676	4 584	**1 934**	2 841

Reconciliation of financial assets measured at Level 3 – Group – 2023

	Opening balance R'000	Closing balance R'000
Transvaal Wattle Growers Co Op Agriculture Company	**1**	**1**
KAAP Agri	**1**	**1**
NTE Investments	**1 743**	**1 743**
	1 745	**1 745**

Reconciliation of financial assets measured at Level 3 – Group – 2022

	Opening balance R'000	Closing balance R'000
Transvaal Wattle Growers Co Op Agriculture Company	1	1
KAAP Agri	1	1
NTE Investments	1 743	1 743
	1 745	1 745

Reconciliation of financial assets measured at Level 3 – Company – 2023

	Opening balance R'000	Closing balance R'000
Transvaal Wattle Growers Co Op Agriculture Company	**1**	**1**
KAAP Agri	**1**	**1**
	2	**2**

Reconciliation of financial assets measured at Level 3 – Company – 2022

	Opening balance R'000	Closing balance R'000
Transvaal Wattle Growers Co Op Agriculture Company	1	1
KAAP Agri	1	1
	2	2

Other financial assets

	GROUP 2023 R'000	GROUP Restated* 2022 R'000	COMPANY 2023 R'000	COMPANY Restated* 2022 R'000
Balance at the beginning of the year	**4 584**	4 361	**2 841**	2 618
Movement for the year	**(908)**	223	**(907)**	223
	3 676	4 584	**1 934**	2 841

The directors value all unlisted investments at cost.

None of the available-for-sale assets are past due or impaired.

9. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

GROUP – 2023	Loans and receivables R'000	Other financial assets R'000	Total R'000
Trade and other receivables	**171 771**	**–**	**171 771**
Other financial assets	**–**	**3 676**	**3 676**
Cash and cash equivalents	**333 556**	**–**	**333 556**
	505 327	**3 676**	**509 003**

GROUP – 2022	Loans and receivables R'000	Other financial assets R'000	Total R'000
Trade and other receivables	129 404	–	129 404
Other financial assets	–	4 584	4 584
Cash and cash equivalents	409 295	–	409 295
	538 699	4 584	543 283

COMPANY – 2023	Loans and receivables R'000	Other financial assets R'000	Total R'000
Loans to group companies	**362 088**	**–**	**362 088**
Trade and other receivables	**1 152**	**–**	**1 152**
Other financial assets	**–**	**1 934**	**1 934**
Cash and cash equivalents	**318 594**	**–**	**318 594**
	681 834	**1 934**	**683 768**

COMPANY – 2022	Loans and receivables R'000	Other financial assets R'000	Total R'000
Loans to group companies	249 305	–	249 305
Trade and other receivables	5 832	–	5 832
Other financial assets	–	2 841	2 841
Cash and cash equivalents	386 544	–	386 544
	641 681	2 841	644 522

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2023

10. Deferred tax

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Deferred tax asset	**101 016**	106 734	**57 812**	61 891
Deferred tax liability	**(956 288)**	(839 161)	**–**	–
Total net deferred tax asset/(liability)	**(855 272)**	(732 427)	**57 812**	61 891
Reconciliation of deferred tax asset/(liability)				
At beginning of year	**(732 427)**	(698 922)	**61 891**	64 442
Prior year under/(over) provision	**(10 980)**	691	**(2 134)**	(668)
Reversing/Originating temporary differences on property, plant and equipment, right-of-use assets	**113**	(20 013)	**1 482**	(3 999)
Reversing/Originating temporary differences on provisions	**3 466**	(2 441)	**(75)**	52
Reversing/Originating temporary differences on other allowances	**(18 153)**	2 404	**156**	(186)
Reversing/Originating temporary differences on fair value	**(143 497)**	(62 415)	**–**	–
Reversing/Originating temporary differences on borrowings	**26 789**	57 710	**(1 207)**	3 969
Reversing/Originating temporary difference on assessed loss	**19 417**	(9 441)	**(2 301)**	(1 719)
	(855 272)	(732 427)	**57 812**	61 891

The deferred tax asset in SAFCOL is due to an assessed loss, which has accumulated over the years, timing differences in property, plant and equipment, right-of-use assets and provisions. This asset will be realised over a period of time at the applicable tax rate.

11. Inventories

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Raw materials	**5 458**	12 843	**–**	–
Work in progress	**8 231**	6 622	**–**	–
Finished goods	**47 818**	43 202	**–**	–
Consumables	**29 404**	22 093	**185**	212
	90 911	84 760	**185**	212
Provision for obsolete stock	**(10 464)**	(9 973)	**–**	–
	80 447	74 787	**185**	212

Assigning costs to inventories
The costs of individual items of inventory are determined using weighted average costs with the exception of harvested logs that are valued at fair value at the point of harvest.

Provision for obsolete stock
The Group has provided for an inventory based on the history on write-downs in the prior years. This has been assumed to estimate correct provisions as the business model and products have not changed over the years.

Amounts recognised in profit or loss
Inventories recognised as an expense under cost of sales during the year amounted to R1 066 million (2022: R1 085 million) for the Group.

Inventory-write-downs
Inventory has been reduced by R55 million (2022: R44 million) because of the write-down to net realisable value. This write down was recognised as an expense during 2023.

There are no inventories pledged as security at the date of these financial statements.

12. Trade and other receivables

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Trade receivables	**228 640**	185 328	**–**	–
Prepayments	**4 912**	3 801	**1 311**	662
Other receivables	**16 501**	8 793	**1 037**	5 663
Provision for impairment	**(73 216)**	(64 935)	**–**	–
	176 837	132 987	**2 348**	6 325

Classification as trade receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in the accounting policies.

Fair values of trade receivables
Due to the short-term nature of the current receivables, their carrying amount is considered the same as their fair value.

Impairment and risk exposure
Information about the impairment of trade receivables and the Group's exposure to credit risk and interest rate risk can be found in the Risk Management Note.

Trade and other receivables pledged as security
In the current year, there are no trade and other receivables pledged as security.

Fully performing trade and other receivables
Trade receivables and other receivables

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Fully performing trade receivables	**113 208**	86 177	**–**	–
Fully performing other receivables	**3 235**	4 730	**619**	4 132
	116 443	90 907	**619**	4 132

Trade and other receivables which would have been past due or impaired, but which have been renegotiated are as follows:

Included in the Group's trade and other receivables are trade and other receivables with a carrying amount of R55 million (2022: R35 million) which has not been provided as there has been no significant change in the credit quality and the amounts are still considered recoverable.

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Trade receivables	**54 997**	35 165	**–**	–
Other receivables	**73**	40	**–**	–
	55 070	35 205	**–**	–

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2023

12. Trade and other receivables continued

Trade and other receivables not impaired

The ageing of amounts past due but not impaired is as follows:

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
30 – 60 days	**49 326**	30 916	**–**	–
60 – 90 days	**3 947**	2 207	**–**	–
90 – 120 days	**488**	1 470	**–**	–
120 – 150 days	**1 309**	612	**–**	–
	55 070	35 205	**–**	–

Reconciliation of loss allowance

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
Opening balance	**(64 935)**	(65 718)	**–**	–
Decrease/(increase) in loss allowance	**(12 534)**	783	**–**	–
	(77 469)	(64 935)	**–**	–

The Group has applied the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

13. Current tax receivable/(payable)

Consists of:

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
SA Normal Tax: Normal Taxation	**(569)**	772	**(575)**	–
	(569)	772	**(575)**	–

The corporate tax rate reduced from 28% to 27% with effect from years of assessment commencing on or after 1 April 2022.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
Bank balances	**15 269**	23 106	**307**	354
Short-term deposits	**318 283**	386 185	**318 283**	386 185
Petty cash	**4**	4	**4**	4
	333 556	409 295	**318 594**	386 543

The Group receives funds on behalf of communities that still need to be identified by the government. The funds received are included in the short-term deposits. The cash reserves of the Group is a financial asset. Although the funds are due on request, the Group exercises control over their investment and use. There is currently no agreement that limits the Group on its level of control over the funds received on behalf of the communities. The Group has recognised a financial liability in relation to the funds held on behalf of communities. The Group has elected not to offset the financial asset and financial liability that arises from holding funds due to the communities.

15. Non-current assets held for sale

Non-current assets held for sale consists of property, plant and equipment. Gains realised through the sale of assets held for sale are normally recognised in other income. Certain assets will be recovered through sale and not use in the operations. Based on past practice; assets identified for sale will be auctioned in accordance with National Treasury prescripts and regulations. Management is committed to the sale of the assets in the next financial period through an auction process. Significant changes to the plan are unlikely. As at 31 March 2023, all assets held for sale were stated at lower of carrying amount or fair value less costs to sell and comprised the following assets.

Assets and liabilities

Non-current assets held for sale

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
Property, plant and equipment	**708**	708	**–**	–

Measurement of fair values:

i. Fair values

The non-recurring fair value measurement for assets held for sale has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique	Significant unobservable inputs
Fair value approach: The valuation of property, plant and equipment was based on comparable fair values of assets in the market in the same location and condition of assets held for sale. Inferences to previous selling prices were used for specialised assets that did not have readily available market information.	There are no significant unobservable inputs used by management to determine the fair values of assets held for sale in the prior year.

16. Share capital

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
Authorised				
1 500 000 000 Ordinary shares of R 1 each	**1 500 000**	1 500 000	**1 500 000**	1 500 000
Issued				
318 013 254 Ordinary shares of R1 each	**318 013**	318 013	**318 013**	318 013

17. Foreign currency translation reserve

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries.

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
Foreign exchange – IFLOMA	**(80 107)**	(117 726)	**–**	–

18. Retirement fund reserve

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
Lump sum payment to retirement funds	**20 000**	20 000	**20 000**	20 000
Pension fund shortfall funded by Government	**44 000**	44 000	**44 000**	44 000
	64 000	64 000	**64 000**	64 000

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2023

19. Other non-distributable reserves

	GROUP 2023 R'000	GROUP Restated* 2022 R'000	COMPANY 2023 R'000	COMPANY Restated* 2022 R'000
Capital surplus on sawmill insurance claims	**37 061**	37 061	**37 061**	37 061
Cancellation of provision for cost of transfer of land	**27 982**	27 982	**27 982**	27 982
	65 043	65 043	**65 043**	65 043

20. Finance lease liabilities

	GROUP 2023 R'000	GROUP Restated* 2022 R'000	COMPANY 2023 R'000	COMPANY Restated* 2022 R'000
– within one year	**246 359**	219 843	**5 469**	4 472
– in second to fifth year inclusive	**955 986**	873 909	**5 381**	12 425
– more than five years	**14 259 481**	13 304 797	**–**	–
	15 461 826	14 398 549	**10 850**	16 897
– less: future finance charges	**(14 356 756)**	(13 392 698)	**(1 148)**	(2 723)
Present value of minimum lease payments	**1 105 070**	1 005 851	**9 702**	14 174
Present value of minimum lease payments due				
– within one year	**204 173**	181 483	**5 469**	4 472
– in second to fifth year inclusive	**497 699**	453 856	**4 233**	9 702
– more than five years	**403 198**	370 512	**–**	–
	1 105 070	1 005 851	**9 702**	14 174
Non-current liabilities	**900 897**	824 368	**4 233**	9 702
Current liabilities	**204 173**	181 483	**5 469**	4 472
	1 105 070	1 005 851	**9 702**	14 174

Finance lease liabilities are capitalised between prime plus 1.7% and prime less 3.6% (2022: prime plus 1.7% and prime less 3.6%). The effective interest rate prevailing at year-end was 10.2% (2022: 10.2%). Included in finance lease liabilities are instalment sale agreements that are secured over assets with a carrying value of R18.7 million (2022: R18.7 million). Monthly repayments are R1.1 million (2022: R1.1 million).

Long-term liabilities

The Group has entered into a long-term liability with a financial institution to purchase vehicles and equipment. The vehicles purchased are used as a collateral support over the lease liability. The duration of the collateral support is equal to the finance term over the liability incurred. The balance of the liabilities is as shown below.

	GROUP 2023 R'000	GROUP Restated* 2022 R'000	COMPANY 2023 R'000	COMPANY Restated* 2022 R'000
Non-current liabilities	**10 826**	7 661	**–**	–
Current liabilities	**7 587**	7 417	**–**	–
	18 413	15 078	**–**	–
Maturity analysis – contractual undiscounted cash flows				
– within one year	**9 301**	8 674	**–**	–
– in second to fifth year inclusive	**13 265**	8 283	**–**	–
	22 566	16 957	**–**	–
– less: future finance charges	**(4 153)**	(1 879)	**–**	–
Present value of minimum lease payments	**18 413**	15 078	**–**	–
Reconciliation				
Opening balance	**15 078**	25 796	**–**	–
Additions	**11 004**	–	**–**	–
Interest	**1 491**	2 284	**–**	–
Payments	**(9 160)**	(13 002)	**–**	–
Closing balance	**18 413**	15 078	**–**	–

21. Provisions

Reconciliation of provisions – Group – 2023

	Opening balance R'000	Additions R'000	Reversals R'000	Closing balance R'000
Non-current liabilities				
Provisions – IFLOMA	**7 640**	**689**	**–**	**8 329**
Current liabilities				
Provision for quality claims on log products	**14 441**	**(1 202)**	**–**	**13 239**
Provision – legal	**–**	**10 477**	**–**	**10 477**
	22 081	**9 964**	**–**	**32 045**

The provision on logs relates to customer claims. The provision on IFLOMA relates to withholding tax payable to the Mozambique tax authority.

Reconciliation of provisions – Group – 2022

	Opening balance R'000	Additions R'000	Reversals R'000	Closing balance R'000
Non-current liabilities				
Provisions – IFLOMA	6 432	1 208	–	7 640
Current liabilities				
Provision for quality claims on log products	9 241	5 200	–	14 441
	15 673	6 408	–	22 081

The provision for returns is calculated based on the anticipated returns on products delivered to customers. The sales contracts and past practice of the Group allows the customers to return products that are out of specifications or damaged. In practice, the Group allows claims that can be substantiated and verified to be adjusted on the price of the product collect. Past practice has shown that there are no actual returns that are made by customers but an adjustment on the price of the product collected. The Group business model has not substantially changed from prior year. The provision for returns has thus been calculated based on prior years rate of returns. The expected timing of the outflow of economic benefits is estimated to be during the next two to five years.

22. Financial liabilities by category

Financial liabilities at amortised cost. The accounting policies for financial instruments have been applied to the line items below:

	GROUP 2023 R'000	GROUP Restated* 2022 R'000	COMPANY 2023 R'000	COMPANY Restated* 2022 R'000
Financial liabilities	**1 477 664**	1 280 508	**195 301**	163 568

23. Trade and other payables

	GROUP 2023 R'000	GROUP Restated* 2022 R'000	COMPANY 2023 R'000	COMPANY Restated* 2022 R'000
Trade payables	**139 903**	72 299	**8 807**	2 719
Value-Added Tax (VAT)	**9 393**	1 273	**8 733**	5 772
Accruals and other payables	**64 575**	60 488	**10 479**	10 787
Minority shareholders	**173 087**	150 356	**173 087**	150 356
	386 958	284 416	**201 106**	169 634

Minority shareholders

Included in trade and other payables is dividends and interest of R173 million (2022: R150 million) which is held on behalf of minority shareholders.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2023

24. Right-of-use asset

The Group leases land from the Department of Environment, Forestry and Fisheries. The lease term has been estimated over 70 years. This corresponds to approximately two rotation periods of pine trees, which is the main product of the Group. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group leases a building from a third party. The building is used as offices for administration purposes. The Group also leases computer equipment from a third party. Some of the Group's vehicles, property, plant and equipment are financed through finance leasing with financial institutions.

Right-of-use assets 2023

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
Balance at 1 April 2022	**408 594**	312 956	**15 199**	–
Additions for the year	**16 829**	17 098	**–**	17 098
Change in estimate	**–**	89 373	**–**	–
Depreciation charge for the year	**(12 652)**	(10 834)	**(5 169)**	(1 899)
Balance at 31 March 2023	**412 771**	408 593	**10 030**	15 199

Finance lease obligations are capitalised between prime plus 1.7% and prime less 3.6% (2022: prime plus 1.7% and prime less 3.6%). The effective interest rate prevailing at year-end was 10.2% (2022: 10.2%). Instalment sale agreement are secured over assets with a carrying value of R17.4 million (2022: R18.7 million). Monthly repayments are R1.2 million (2022: R1.1 million).

The finance lease portion relating to land has been capitalised using WACC. The WACC of 13.6% has been determined by an independent third party at the inception of the lease. The lease relating to land is escalated with a portion of PPI every year.

25. Revenue

The Group harvests, manufactures and sells timber products in the timber market. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

It is the Group's policy to sell its products to the end customer with a right of return within a reasonable time. Therefore, a refund liability (included in provisions) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Revenue streams

The Group generates revenue primarily from the sale of logs and lumber products. Other sources of revenue include rental income from its tourism facilities.

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
Provision of services: Management fees	**–**	–	**193 335**	176 452
Sale of goods: Log sales	**1 034 121**	1 051 161	**–**	–
Sale of goods: Lumber sales	**123 200**	148 114	**–**	–
Other revenue	**23 714**	21 509	**–**	–
	1 181 035	1 220 784	**193 335**	176 452

Other revenue includes:

Other revenue arises mainly from property management, eco-tourism and sundry sales. The Group does not consider this to be part of main revenue generating activities.

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
Property and housing management	**12 462**	10 927	**–**	–
Eco-tourism	**9 580**	9 223	**–**	–
Sundry products	**1 672**	1 359	**–**	–
	23 714	21 509	**–**	–

26. Cost of sales

Cost of sales includes only expenses directly or indirectly attributable to the production process. Cost of harvested logs at point of harvest is valued at fair value less cost to sell. The fair value of harvested logs has been estimated to equal the prevailing market price in an open market between a willing buyer and a willing seller. The costs of harvesting are negligible and thus selling price is assumed to approximate fair value less costs to sell.

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
Harvested timber	**965 598**	1 000 234	**–**	–
Lumber processing	**165 114**	167 434	**–**	–
Other	**913**	2 921	**–**	–
	1 131 625	1 170 589	**–**	–

27. Other operating income

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
Other income	**11 122**	17 477	**1 152**	703
	11 122	17 477	**1 152**	703

Other operating income includes proceeds from insurance claims, SETA income and sundry income.

28. Fair value gain on biological assets

Fair value gains

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	2023 R'000	Restated* 2022 R'000
Biological assets	**1 623 759**	1 303 378	**–**	–
Investment property	**1 700**	2 000	**–**	–
	1 625 459	1 305 378	**–**	–

29. Operating profit/(loss)

Operating profit for the period is stated after charging the following operating expenses: Group 2023: R1 103 223 (2022: R983 843), Company 2023: R193 633 (2022: R176 279).

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2023

30. Other operating expenses

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Auditor's remuneration – external	**11 056**	9 826	**3 236**	4 339
Fees for services				
Administrative and legal services	**7 440**	11 855	**5 987**	4 401
Managerial services	**41 177**	39 726	**15 176**	13 768
	48 617	51 581	**21 163**	18 169
Employee costs				
Basic	**325 601**	305 671	**89 092**	87 913
Incentive bonus	**17 611**	–	**7 023**	–
Bonus – (13th cheque and production)	**14 197**	16 463	**1 801**	1 673
Unemployment Insurance Fund	**1 992**	1 973	**371**	359
Workmen Compensation Association	**6 033**	6 689	**1 417**	1 313
Skills Development Levy	**3 283**	3 073	**1 007**	928
Leave pay provision charge	**3 608**	1 960	**649**	947
Other short-term costs	**47 042**	41 340	**21 649**	16 082
Retirement defined contribution plans	**38 291**	36 443	**10 205**	9 841
	457 658	413 612	**133 214**	119 056
Depreciation, amortisation and impairment losses				
Depreciation				
Property, plant and equipment	**29 320**	37 381	**453**	563
Right-of-use	**12 651**	10 367	**5 168**	1 899
Amortisation				
Intangible assets	**219**	1 095	**219**	1 095
Total depreciation, amortisation and impairment	**42 190**	48 843	**5 840**	3 557
Other operating costs				
Repairs and maintenance	**76 983**	73 216	**1 162**	633
Risk management	**17 140**	18 429	**13 307**	11 534
Inventory write-down	**56 966**	44 040	**–**	–
Travel and accommodation	**3 832**	2 674	**1 931**	1 220
Contractors and material management	**316 916**	241 177	**1 750**	1 309
Indirect taxes	**4 829**	2 942	**10**	182
Subscriptions and levies	**13 144**	12 390	**186**	210
Office and admin	**44 832**	56 427	**2 774**	6 601
Bursaries	**2 927**	3 483	**2 927**	3 483
Corporate Social Investment	**6 133**	5 986	**6 133**	5 986
	543 702	460 764	**30 180**	31 158
Other operating expenses	**1 097 743**	984 626	**193 633**	176 279
Allowance for bad debts	**5 480**	(783)	**–**	–
Total expenditure	**1 103 223**	983 843	**193 633**	176 279

Included in the operating costs above is research and development costs of R22 million.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance for trade receivables as of 31 March 2023 has been reconciled in trade receivables note. The allowance for bad debts recognised in the profit and loss account is as shown above.

31. Investment income

Dividend income

From Group entities

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Dividends received from NTE	**15**	8	**15**	8
Interest income				
From investments in financial assets:				
Bank and other cash	**9 806**	7 255	**9 806**	7 255
Other interest	**442**	212	**447**	206
From loans to Group and other related parties:				
Subsidiaries	**–**	–	**1 646**	56
Total interest income	**10 248**	7 467	**11 899**	7 517
Total investment income	**10 263**	7 475	**11 914**	7 525

Investment income on financial instruments which are held to maturity have been reclassified in compliance with IFRS 9. Investment income consists of interest earned on investments.

32. Finance costs

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Lease finance costs	**216 986**	277 944	**1 575**	645
Other finance costs	**3 811**	2 314	**1 840**	2 953
Total finance costs	**220 797**	280 258	**3 415**	3 598

33. Cash generated from operations

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Profit/(loss) before taxation	**230 849**	84 919	**9 353**	4 803
Adjustments for:				
Depreciation and amortisation	**42 099**	48 843	**5 841**	3 558
Dividend income	**(15)**	(8)	**(15)**	(8)
Interest income	**(10 263)**	(7 467)	**(11 914)**	(7 517)
Finance costs	**220 797**	277 944	**3 415**	3 598
Fair value adjustments on investment property	**(1 700)**	(2 000)	**–**	–
Fair value loss other financial assets	**908**	(223)	**–**	–
Net fair value gain on biological assets	**(586 224)**	(214 419)	**–**	–
Increase in provisions	**10 441**	5 931	**–**	–
Adjustment passed on retained earnings	**4 648**	23 751	**–**	–
Movement on long-term lease payments	**–**	(10 718)	**–**	–
Right of use asset costs capitalised	**(1 594)**	–	**(1 594)**	–
Movement on current and deferred tax payable	**143 130**	33 505	**–**	–
Dividends paid	**1 000**	–	**800**	–
Other expenses non-cash transactions	**(235)**	–	**862**	(112)
Changes in working capital:				
Movement in Inventories	**(5 660)**	(32 901)	**27**	31
Movement in trade and other receivables	**(43 850)**	28 184	**3 997**	(4 852)
Movement in trade and other payables	**102 542**	10 676	**31 476**	8 544
	108 467	244 423	**43 842**	6 451

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2023

34. Taxation

Major components of the taxation

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Current tax				
Current period	**(1 745)**	(216)	**(575)**	–
	(1 745)	(216)	**(575)**	–
Deferred tax				
Current period	**(128 660)**	(31 289)	**(1 945)**	(1 883)
Prior period	**(10 980)**	–	**(2 134)**	(668)
	(141 385)	(31 505)	**(4 654)**	(2 551)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Accounting profit/loss	**460 942**	124 112	**9 353**	4 803
Tax at the applicable tax rate of 27% (2022: 28%)	**124 454**	34 751	**2 525**	1 345
Tax effect of adjustments on taxable income				
Net effect of (income)/expenses that are not (taxable)/deductible in determining taxable profit	**2 776**	(887)	**4**	(2)
Effect of different tax rate of subsidiaries operating in different jurisdictions	**2 330**	4 552	**–**	–
Adjustments recognised in the current year in relation to prior periods	**11 825**	(6 911)	**2 134**	668
Other movements	**–**	–	**(9)**	540
	141 385	31 505	**(4 654)**	(2 551)
Tax paid				
Balance at the beginning of the year	**772**	(772)	**–**	–
Current tax for the period recognised in profit or loss	**(1 745)**	(216)	**(575)**	–
Balance at the end of the year	**(569)**	772	**(575)**	–
	(404)	(216)	**–**	–

35. Commitments

Already contracted for but not provided for

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Operational commitments	**881 747**	1 122 701	**364 594**	380 708
	881 747	1 122 701	**364 594**	380 708

This committed expenditure relates to operational and capital expenditures and will be financed by available bank facilities, retained profits, and existing cash resources. It is not possible to estimate reliably how the commitments will be expended as the expenditure depends on business activities and cash management processes. Some activities may be prioritised over others based on their cash generating capacity. Straight-lining the remaining value of the contract will therefore not approximate the intended future expenditure. These commitments support the Group's strategy and growth initiatives.

36. Contingencies

1. Bank facilities

There are contingent liabilities in respect of:

- Bank guarantees in respect of Group company liabilities to the amount of R750 000 (2022: R750 000).
- Cross-suretyships between the subsidiaries and the holding company for any indebtedness which any of them may have to the specific financial institutions in respect of cash management and financial facilities.
- SAFCOL has provided a guarantee to the amount of R160 000 000 in respect of Komatiland Forests SOC Ltd obligations, including asset-based finance.
- SAFCOL has a credit card facility to the value of R2 547 000.
- An automated clearing bureau credit facility of R5 440 000.
- Fleet Card Facility of R400 000.
- Daylight Limit of R52 000 000.
- Standard Bank potential future exposure facility of R255 000.
- Standard Bank performance guarantee of R597 000.

2. Legal cases

The Group is currently involved in several legal disputes. The amount provided represents the directors' best estimate of the Group's liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action. Because of the nature of the disputes, the directors have not disclosed future information on the basis that they believe that this would be seriously prejudicial to the Group's position in defending the cases brought against it.

Estimates and assumptions.

The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

2.1. Competition Law Infringement Investigations

2.1.1 Masterbord SA (PTY) Ltd (MASTERBORD) V Komatiland Forests SOC Limited (KLF) and South African Forestry Company SOC Limited (SAFCOL) – 2018DEC0036.

On 26 February 2018, SAFCOL/KLF received a letter ("the Letter") from the Competition Commission SA ("Competition Commission").

In the Letter, the Competition Commission informed SAFCOL/KLF that Masterbord had lodged a complaint of abuse of dominance through exclusionary acts (including excessive pricing). SAFCOL/KLF has denied these claims and has submitted written representations to the Competition Commission.

This complaint is still under investigation.

2.2. Contingent liabilities

2.2.1 Economists.co.za (Pty) Ltd vs KLF

In November 2016, KLF received summons from Economists.co.za claiming payment of the sum of R399 000. KLF defended the action matter due to issues related to the contraventions of the PFMA. The matter is pending in the High Court and awaiting the Plaintiff to set the matter down for trial.

2.2.2 Ukhamba Management Consultants CC vs KLF

In September 2018, Ukhamba issued summons against KLF in the High Court of South Africa, Johannesburg for an alleged breach contract for services rendered but not paid for by KLF, which claim KLF is disputing and defending. Ukhamba applied for summary judgment against KLF, which KLF resisted successfully as the applications for summary judgment were dismissed. To date, there has not been any further development as the Plaintiff has not taken any further steps to advance the matter.

The full extent of the financial exposure in the case is R10 702 883.

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2023

36. Contingencies continued

2. Legal cases continued

2.2. Contingent liabilities continued

2.2.3 Ukhamba Management Consultants CC vs KLF

In September 2018, Ukhamba issued summons against KLF for an alleged breach contract for services rendered but not paid for by KLF, which claim KLF is disputing and defending. Ukhamba applied for summary judgment against KLF, which KLF resisted successfully as the applications for summary judgment were dismissed. However, the plaintiff has not taken any further steps to advance the matter so that a court date can be allocated by the Registrar.

The full extent of the potential financial liability exposure in the case is R66 774.

2.2.4 Basadi Ba Itsosa cc vs SAFCOL

In July 2021, Basadi Ba Itsosa cc (Basadi) referred an unlawful termination of contract dispute to arbitration against SAFCOL. In its application, Basadi sought an amount of R59 million as damages but failed to prove these damages claim at arbitration. On 30 August 2022, the Arbitrator found in Basadi's favour and awarded damages in the amount of R23 826 437. SAFCOL has instituted review proceedings against the decision of the Arbitrator to award damages wherein such was not proven by Basadi. The review proceedings are underway in the High Court to set aside the Arbitrator's award.

The full extent of the potential financial liability exposure in the case is R23 826 437.

2.2.5 Ladz Trading CC vs SAFCOL & Nomkhita Mona

In March 2016, SAFCOL received summons from Ladz Trading cc as the plaintiff alleging the breach of an 'oral agreement' and claiming damages as a result. In response, SAFCOL launched a counterclaim against Ms Nomkhita Mona for R807 560. The matter is still pending at the High Court as the Plaintiff has not taken any further steps to advance the matter. KLF attorneys have advised that this matter should be pended until further notice to save the costs.

The extent of the financial value in the case is R807 560.

2.2.6 Morajane du Plessis vs SAFCOL

In November 2019, Morajane du Plessis Attorneys (MDP) instituted a claim against SAFCOL for payment of alleged outstanding invoices. SAFCOL defended the claim and filed a special plea of prescription and misjoinder. However, MDP as the plaintiff in the matter has not taken any further steps to advance the matter so that a court date can be allocated. SAFCOL attorneys have advised that this matter should be pended until further notice to save the costs.

The extent of the financial value in the case is R72 858.

2.2.7 Thonga Lami Sawmill (Pty) Ltd vs KLF

Thonga Lam Sawmills (Pty) Limited (Thonga Lam) issued summons in March 2023 against KLF for an alleged failure by KLF to deliver timber as per the contract between the parties. As a result, Thonga Lam claims the loss amounting to R200 000.00 against KLF. KLF is defending the claim opposing the matter on the basis that delivery did take place and no timber is due to Thonga Lam as alleged in the summons.

The extent of the financial value in the case is R200 000.

2.2.8 The iFIRM Trading & Project (Pty) Ltd vs SAFCOL & NP Mona

In March 2017, SAFCOL received summons from iFIRM claiming payment of the sum of R873 053.95 from SAFCOL and NP Mona jointly and severally. The matter is pending in the High Court. SAFCOL still awaits a plea by iFIRM on the counterclaim filed to set aside the unlawful contract entered into with iFIRM by Ms Mona. Judgment was granted against MS Mona and she subsequently launched proceedings to rescind the judgment, which SAFCOL did not oppose. Ms. Mona was successful in her rescission application in July 2019 and thereafter entered her plea. Since then, there have been no further steps taken by the Plaintiff to advance the matter. SAFCOL attorneys have advised that this matter should be pended until further notice to save the costs.

The extent of the financial value in the case is R873 053.

37. Related parties

Relationships

Ultimate shareholder	Government of the Republic of South Africa represented by the Minister of the Public Enterprises
Subsidiaries	Komatiland Forests SOC Limited Abacus Forestries SOC Limited Kamhlabane Timber SOC Limited Industrias Florestias de Manica.
Other related parties	Other public entities within Department of Public Enterprise.
Members of key management	Listed in Directors emoluments.

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Related party balances				
Loan accounts – Owing (to)/by related parties				
ABACUS Forestries SOC Limited	**–**	–	**572**	456
Komatiland Forests SOC Limited	**–**	–	**361 516**	248 849
Kamhlabane Forests SOC Limited, at cost R100	**–**	–	**–**	–
Payables to related parties				
Komatiland Forests SOC Limited	**–**	–	**–**	–
Other State-Owned Companies	**(964)**	(866)	**–**	–
Receivables from related parties				
Komatiland Forest SOC Limited	**–**	–	**–**	–
Interest income				
Komatiland Forests SOC Limited	**–**	–	**1 646**	56
Interest expense				
Komatiland Forests SOC Limited	**–**	–	**(1 777)**	(2 949)
Eskom	**–**	2	**–**	–
Sale of goods and services				
Komatiland Forests SOC Limited	**–**	–	**193 335**	176 452
Eskom	**242**	228	**–**	–
Purchase of goods and services				
Komatiland Forests SOC Limited	**–**	–	**(600)**	(600)
Eskom	**(19 967)**	(18 810)	**–**	–
Compensation to directors and other key management				
Short-term employee benefits	**(26 816)**	(23 900)	**(26 816)**	(23 900)

Transactions between SAFCOL and its subsidiaries are mainly to settle third party obligations on behalf of each other. The Group also has a centralised treasury function where cash resources are pulled together to ensure that the Group obtains maximum interest benefits.

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2023

38. Directors' emoluments

Executive Directors and Prescribed Officers

2023	Emoluments R'000	Reimbursement R'000	Retirement fund R'000	Total R'000
OT Monaheng	**3 350**	**3**	**417**	**3 770**
D Human	**2 731**	**–**	**286**	**3 017**
SO Dlamini	**3 006**	**4**	**359**	**3 369**
LN Rapoo	**1 742**	**–**	**182**	**1 924**
C Marais	**1 826**	**20**	**308**	**2 154**
V Harichund	**1 917**	**6**	**277**	**2 200**
MI Gaeganelwe	**1 856**	**–**	**271**	**2 127**
ED Motseko	**2 017**	**–**	**234**	**2 251**
SS Mpontshana	**1 816**	**–**	**183**	**1 999**
	20 261	**33**	**2 517**	**22 811**

2022	Emoluments R'000	Reimbursement R'000	Retirement fund R'000	Total R'000
OT Monaheng	3 053	4	391	3 448
D Human	2 473	–	268	2 741
SO Dlamini	2 738	3	307	3 048
LN Rapoo	1 564	–	176	1 740
C Marais	1 608	–	293	1 901
V Harichund	1 745	8	230	1 983
MI Gaeganelwe	1 325	5	176	1 506
ED Motseko	1 751	–	218	1 969
SS Mpontshana	1 582	–	171	1 753
	17 839	20	2 230	20 089

Non-executive

2023	Directors' fees R'000	Reimbursements R'000	Total R'000
N Balton	**351**	**–**	**351**
Y Pillay	**391**	**–**	**391**
L Malema	**392**	**–**	**392**
Z Zatu Moloi	**392**	**–**	**392**
L Mokgatle	**351**	**–**	**351**
M Baleni	**398**	**–**	**398**
P Makwana	**908**	**–**	**908**
B Hanise	**385**	**–**	**385**
J Yawitch	**437**	**–**	**437**
	4 005	**–**	**4 005**

2022	Directors' fees R'000	Reimbursements R'000	Total R'000
N Balton	334	–	334
Y Pillay	372	–	372
L Malema	372	–	372
Z Zatu Moloi	373	–	373
L Mokgatle	334	–	334
M Baleni	379	–	379
P Makwana	865	–	865
B Hanise	366	–	366
J Yawitch	416	–	416
	3 811	–	3 811

39. Prior period adjustments

The following restatements were made in 2022:

	GROUP		COMPANY	
Statement of financial position	**Restated values R'000**	**Previously reported R'000**	**Restated values R'000**	**Previously reported R'000**
1. Investment property	12 400	456	–	–
2. Property plant and equipment	153 310	154 665	532	1 927
3. Deferred tax liability	(839 161)	(836 602)	–	–
4. Total reserves	(11 317)	(47 517)	–	–
5. Retained earnings	(2 868 145)	(2 857 962)	95 079	95 390
6. Right-of-use asset	408 593	404 845	15 199	11 450
7. Loans to group companies	–	–	249 305	249 969
8. Trade and other receivables	132 987	133 205	6 324	6 542
9. Non-current liabilities – finance lease liability	(824 368)	(823 306)	(9 702)	(8 641)
10. Current liabilities – finance lease liability	(181 483)	(180 667)	(4 472)	(3 655)
11. Trade and other payables	(283 939)	(283 814)	(169 634)	(170 298)
12. Deferred tax asset	106 734	107 340	61 891	62 497
Total	(4 194 389)	(4 229 357)	244 522	245 181

	GROUP		COMPANY	
Statement of financial performance	**Restated values R'000**	**Previously reported R'000**	**Restated values R'000**	**Previously reported R'000**
1. Other operating expenses	(984 626)	(984 995)	(176 279)	(176 679)
2. Other finance costs	(2 314)	(2 307)	(645)	–
3. Fair value gains	1 305 378	1 303 378	–	–
4. Operating profit/(loss)	389 207	386 838	–	–
5. Lease finance costs	(277 944)	(277 838)	–	(540)
6. Profit/(loss) before tax	116 424	114 168	4 803	4 508
7. Taxation	(31 505)	(30 557)	(2 551)	(1 945)
8. Total comprehensive income for the year	84 919	83 611	2 252	2 563
	599 539	592 298	(172 420)	(172 093)

Investment property in ABACUS. ABACUS is a subsidiary of SAFCOL Group. The directors took a decision to change the accounting policy related to the subsequent measurement of Investment property from the cost model to the fair value model. The directors believe that the change in accounting policy will result in accurate and fair presentation of the subsidiary. The change in accounting policy was applied retrospectively to the current and prior period.

Retained earnings was affected by the prior year adjustments.

Right-of-use asset and lease liability was incorrectly calculated in the prior year from an incorrect contract.

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2023

40. Risk management

The Group is exposed to various financial risks due to the nature of its activities and the use of various financial instruments. The Board has the overall responsibility for the establishment and oversight of the Group's risk management framework.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern. The Group's overall strategy is to position itself as an attractive business partner by continuous management of the Group's statement of financial position, preserve cash and seek alternative funding alternatives.

The gearing ratio at 2023 and 2022 respectively was as follows:

Total borrowings

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Total debt	**(2 499 343)**	(2 166 110)	**(211 383)**	(183 808)
Total equity	**(3 419 733)**	(3 165 931)	**(545 834)**	(542 135)
Gearing ratio (%)	**73**	68	**39**	34

The capital structure of the Group consists of debt, which includes short and long-term borrowings and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. As a contingency plan, in order to manage the liquidity of the Group, a facility (combination of an asset based finance and multi-option facility) has been secured with a financial institution. Dividends declared in the current financial year 2023: R1.0 million (2022: R0 million). A significant portion of the debt consist of finance lease relating to land lease from DFFE. Equity and other reserves have been disclosed in the statement of change in equity note.

Risk management policies have been compiled and approved by the Board. The Group's risk management policies have been established to identify and analyse the risks, to set appropriate risk limits and controls, and to monitor the progress made in addressing those risks. The internal audit conducts ad hoc reviews to assess compliance with risk management policies.

Classes of financial instruments

The financial instruments are held at amortised costs. At year-end, all financial instruments held at amortised value approximated fair value.

The carrying amounts of the financial assets and liabilities for both Group and Company are shown in the statement of financial position and the accompanying notes to the financial statements. All financial assets and financial liabilities at amortised costs approximate their fair values. The Company does not hold any financial instruments that are traded on an active exchange and thus their carrying amounts are equal to their fair value. The fair value of the financial assets and liabilities equals their amortised costs that is presented in the statement of financial positions and respective accompanying notes to the annual financial statements.

Major financial risks

The following major financial risks that the organisation is exposed to have been identified:
- Forward exchange risk
- Financial risk management
- Liquidity risk
- Market risk
- Compliance risk
- Operational risk
- Price risk
- Credit risk
- Cash flow interest rate risk

Forward exchange risk

Forward exchange risk is the risk of loss arising from changes in the exchange rate from one currency to another through higher payments or lower receipts in the local currency.

The Group enters into forward exchange contracts to buy and sell specified amounts of various foreign currencies in the future at predetermined exchange rates, if needed. The contracts are entered into in order to manage the Group's exposure to fluctuations in foreign currency exchange rates on specific transactions. The contracts are matched with foreign currency commitments and anticipated future cash flows in foreign currencies consisting primarily of exports. No significant export transactions were concluded during the year.

Funding for the IFLOMA subsidiary in Mozambique is mainly paid in US Dollars, whilst expenses are mainly denominated in Metical. This has the effect that the Group is exposed to fluctuations in the Rand, the US Dollar and the Metical. No forward exchange cover was used during the year.

Financial risk management

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. A central treasury department (Group treasury) under policies approved by the Board carries out risk management. Group treasury identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Liquidity risk is the risk that the Group has insufficient funds or marketable securities available to fulfil its cash flow obligations on time. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Group held deposits at call of R114 million (2022: R213 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents based on expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt-financing plans.

Liquidity risk arises primarily from variation in revenue flows as well as the Group's ability to repay principal debt and interest.

The Group's approach to liquidity risk management includes:
- Regular monitoring of liquidity through periodic forecast cash flow management and maintaining an adequate level of short-term marketable securities;
- Implementation of long-term and short-term funding and investment strategies; and
- Diversification of funding and investing activities.

The Group manages its liquidity risk through review of its daily cash flow position. The Board monitors the liquidity position of the Group through review of cash flow forecasts. The liquidity position of the Group has been assessed as part of going concern assessment. Management has assessed and concluded that the Group has access to sufficient cash resources to continue in the foreseeable future.

The tables below analyse the Group and Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group

At 31 March 2023	**Carrying amount R'000**	**Contractual amount R'000**	**Less than one year R'000**	**More than one year R'000**
Finance lease obligation	**1 105 070**	**1 105 070**	**204 173**	**900 897**
Long-term liabilities	**18 413**	**18 382**	**7 587**	**10 826**
Trade and other payables	**386 958**	**386 958**	**386 958**	**–**
	1 510 441	**1 510 410**	**598 718**	**911 723**

At 31 March 2022	Carrying amount R'000	Contractual amount R'000	Less than one year R'000	More than one year R'000
Finance lease obligation	1 005 851	1 005 851	181 483	824 368
Long-term liabilities	15 078	15 078	7 417	7 661
Trade and other payables	283 939	283 939	283 939	–
	1 304 868	1 304 868	472 839	832 029

Company

At 31 March 2023	**Carrying amount R'000**	**Contractual amount R'000**	**Less than one year R'000**	**More than one year R'000**
Finance lease obligation	**9 702**	**9 702**	**5 469**	**4 233**
Trade and other payables	**195 301**	**195 301**	**195 301**	**–**
	205 003	**205 003**	**200 770**	**4 233**

At 31 March 2022	Carrying amount R'000	Contractual amount R'000	Less than one year R'000	More than one year R'000
Finance lease obligation	14 174	14 174	4 472	9 702
Trade and other payables	163 568	163 568	163 568	–
	177 742	177 742	168 040	9 702

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2023

40. Risk management continued

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Compliance risk

Compliance risk is the risk of non-compliance with any statutory requirement of National or local Government and includes the South African Reserve Bank, Financial Services Board and various financial exchanges.

This is minimised through effective monitoring and reporting to ensure compliance with the PFMA, the Occupational Health and Safety Act, Companies Act, Income Tax Act, The Corporate Laws Amendment Act, applicable environmental legislation and the requirements of statutory and other bodies; including the Competition Authorities, South African Reserve Bank, Financial Services Board and the Forestry Stewardship Council.

Operational risk

Operational risk is the risk resulting from inadequate or failed internal processes, people, and systems, or from external events. The Group's approach to managing operational risk has led to the establishment of the following practices:

- Policies and procedures to sustain effective risk management; and
- The ongoing assessment of the effects of changes in the regulatory environment and adaptation of the processes accordingly.

Price risk

Price risk is the risk that changes in log prices have on the financial performance and cash flows of the Group.

Prices have been adjusted in accordance with market expectations.

Credit risk

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates. The expected loss rates are based on the payment profiles of sales over a period of 36 months. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group makes use of credit rating agencies to assess credit worthiness of customers. The current credit profiles of customers are used to assess the future credit behaviour of customers before they are provided with a credit limit. The impact of Covid-19 pandemic on the economy has been assessed against the future payment behaviour of our customers. The Group mainly provides saw logs to its customers. The Group is currently the main supplier of saw logs in Mpumalanga and Limpopo. Customers are therefore less likely to default on their accounts with the Group as we are the only suppliers of raw materials. The historical losses are used as a basis of determining future losses based on the term of the debt. On that basis, the loss allowance as at 31 March 2023 was determined as follows for trade receivables:

2023	Current R'000	More than 30 days past due R'000	More than 60 days past due R'000	More than 120 days past due R'000	Total R'000
Expected loss rate (%)	2	5	50	100	–
Gross carrying amount – trade receivables	50 282	4 628	2 572	74 946	132 428
Loss allowance	**1 006**	**231**	**1 286**	**74 946**	**77 469**

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. The Group actively follows up on all outstanding debtors to ensure that they are recovered. Group Legal is also involved in credit disputes that require their services. CGIC insurance is then engaged at the point where the Legal team fails to recover. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Interest rate risk

Cash flow interest rate risk is the risk of loss arising from changes in interest rates through higher interest payments or lower interest receipts. The Group does not have significant liabilities financed through finance lease. The interest rate associated with each finance lease is negotiated and agreed before the finance lease is concluded. Financial institutions consider the company to be medium risk with its interest payments linked to prime.

The Group is exposed to interest rate risk as the Group funds working capital shortfalls and assets, and invests surplus funds from time to time. The Group utilises limited asset-based and finance leases to fund assets. These finance leases rates are fixed and floating interest rates linked to prime. The Group also invests funds in the money market at both fixed and floating interest rates. The underlying interest rate risk associated with this risk is managed by maintaining an appropriate mix between fixed and floating interest rates.

Shortfalls are funded by the holding company, South African Forestry Company SOC Limited, as and when required. Surplus funds from operations are transferred to the holding company on a daily basis. These surpluses or shortfalls bear interest on a floating interest intercompany account.

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected above.

Available-for-sale financial assets

The fair value of available-for-sale financial assets is determined by reference to the deemed cost price or quoted price at the reporting date.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Carrying amount approximates fair value due to the short-term nature of trade and other receivables.

Other loans and receivables

The fair value of other loans and receivables is based on cash flows discounted using the effective interest rate at the reporting date. Carrying amount approximates fair value due to the short-term nature of other loans and receivables.

Cash and cash equivalents

The fair value of cash and cash equivalents is based on cash flows discounted using the effective interest rate at the reporting date. Carrying amount approximates fair value due to the short-term nature of cash and cash equivalents.

Borrowings

The fair value of borrowings is based on cash flows discounted using the effective interest rate at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Other financial liabilities

The fair value of other financial liabilities is based on cash flows discounted using the effective interest rate at the reporting date. Carrying amount approximates fair value due to the short-term nature of other financial liabilities.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Carrying amount approximates fair value due to the short-term nature of trade and other payables.

Interest rates used for determining fair values

The interest rates used to discount estimated cash flows were as follows:

- 31 March 2023: 13.6%
- 31 March 2022: 12.8%

Interest rate risk sensitivity: Finance costs

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
• 7.1% increase in interest rate	**236 474**	300 156	**3 774**	3 853
• 7.1% decrease in interest rate	**205 121**	260 360	**3 274**	3 343
Profit/loss after tax				
• 7.1% increase in interest rate	**356 556**	65 021	**4 457**	1 997
• 7.1% decrease in interest rate	**246 524**	104 817	**4 941**	2 557

7.1% rate used linked to the average CPI rate for the year.

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:
Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.
Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 31 MARCH 2023

40. Risk management continued

Levels of fair value measurements

Level 3

Recurring fair value measurements

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Assets				
Biological assets				
Biological assets	**1 645 086**	1 303 378	**–**	–
Other financial assets				
Unlisted shares (NTE & Guardrisk)	**3 677**	4 584	**1 934**	2 841
Total	**1 648 763**	1 307 962	**1 934**	2 841

* Gains and losses recognised in profit or loss are included in other income on the statement of comprehensive income.

41. Going concern

The annual financial statements have been prepared based on accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

For the year ended 31 March 2023, the Group reported a profit after tax R230 848 (2022: profit R84 919). In the same period the Group had operating cash inflows of R116 622 (2022: R249 375). A cash flow forecast for the next 12 months prepared by management has indicated that the consolidated Group will have sufficient cash assets to be able to meet its debts as and when they are due.

The ability of the Group to continue as a going concern is dependent on several factors. The most significant of these is that the directors continue to procure funding for the ongoing operations of the Group. The directors believe the Group has ability to raise funds to continue operating in the near future.

42. Events after the reporting period

Subsequent to year-end, the Group received an unfavourable court judgement on a matter that had been disclosed as a contingent liability. The matter was assessed as an adjusting event that impacted the financial statements. A provision was raised to account for the subsequent adjusting event.

Other than the above, there were no other material adjusting or non-adjusting events that were identified after year-end.

43. Compliance note

The following information covers irregular, fruitless and wasteful expenditure. The amounts disclosed are inclusive of VAT in the current year.

	GROUP		COMPANY	
	2023 R'000	Restated* 2022 R'000	**2023 R'000**	Restated* 2022 R'000
Irregular expenditure	**3 802**	68 386	**265**	1 506
Fruitless and wasteful expenditure	**4 124**	26	**35**	–
Closing balance	**7 926**	68 412	**300**	1 506

Irregular expenditure

Section 55(2)(b)(i) of the PFMA requires that the particulars of any irregular expenditure, fruitless and wasteful expenditure as well as material losses due to criminal conduct be disclosed in the annual financial statements. The Group has to report any losses that individually or collectively (where items are closely related) exceed R25 million in terms of the significance and materiality framework agreed with the shareholder.

Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation. The scope is very broad as it includes all transgressions of any laws and regulations as well as internal policies and procedures regardless of whether the breaches were deliberate or accidental, or if they happened unknowingly or in good faith, or if value was received or not.

Condonation of the irregular expenditure is obtained from the relevant internal governance structure, government department or National Treasury.

Non-compliance with SCM policies

Irregular expenditure relating to non-compliance with SCM policies has been identified. Most of the expenditure relates to costs incurred through contracts and quotations that were awarded without following prescribed SCM policies and Treasury Regulations. To ensure that these findings will not be repeated various measures have been put in place to ensure that all SCM Policies and Treasury Regulations are followed before awarding a contract and when quotations are sourced. Furthermore, investigations have been instituted to identify root causes of the irregular expenditure and assist with consequence management. The investigations also review and test whether the company for services and goods provided received value for money.

The SCM environment is continuously being strengthened and supported by appropriate oversight to eliminate future non-compliance.

Fruitless and wasteful expenditure

There were a number of incidents of fruitless and wasteful expenditure, which were individually, or collectively (where items are closely related) below the materiality threshold. Management continues to institute preventive and corrective measures, including disciplinary action, as considered appropriate. Funds are also recovered as relevant based on the outcome of the disciplinary hearings.

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

AGSA	Auditor-General of South Africa
B-BBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
CSI	Corporate social investment
CSIR	Council for Scientific and Industrial Research
DALRRD	Department of Agriculture, Land Reform and Rural Development
DIFR	Disabling Injury Frequency Rate
DFFE	Department of Forestry, Fisheries and the Environment
DPE	Department of Public Enterprises
ERP	Enterprise resource planning
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECD	Early Childhood Development
EE	Employment Equity
ERRP	Economic Reconstruction and Recovery Plan
ESD	Enterprise and supplier development
EVP	Employee value proposition
FP&M SETA	Fibre Processing and Manufacturing Sector Education and Training Authority
FSA	Forestry South Africa
FSC®	Forest Stewardship Council®
Group	SAFCOL, together with its subsidiaries, namely Abacus Forestries SOC Limited, Kamhlabane SOC Limited and KLF SOC Limited with its subsidiary, IFLOMA
FY	Financial year
GHG	Greenhouse gas
ha	hectare(s)
ICT	Information and communication technology
IFLOMA	Indústrias Florestais de Manica SARL
JCF	Joint Community Forum
IFRS	International Financial Reporting Standards
KLF	Komatiland Forests SOC Limited
KPA	Key performance area
KPI	Key performance indicator
MSFA	Management of State Forests Act, No 128 of 1992
NDP	National Development Plan
MOU	Memorandum of Understanding
PFMA	Public Finance Management Act, No 1 of 1999
PWD	People with disabilities
ROE	Return on equity
R&D	Research and development
SAFCOL	South African Forestry Company SOC Limited, also referred to as the Company
SDG	Sustainable Development Goal
SETA	Sector Education and Training Authority
SMME	Small, medium and micro enterprises
SHEQ	Safety, Health, Environmental and Quality
SOC	State-owned company
TMPS	Total Measured Procurement Spend
TU	Temporarily unplanted
TUP	Temporarily Unplanted Proportion
VAT	Value Added Tax
YES	Youth Employment Service

CORPORATE AND CONTACT INFORMATION

Registered name:	South African Forestry Company SOC Limited
Registration number:	1992/005427/30
Physical address:	209 Aramist Avenue, Menlyn Maine, Pretoria, 0181
Postal address:	PO Box 1771, Silverton, 0127
Telephone number:	+27 12 436 6300
Website address:	http://www.safcol.co.za
Company Secretary:	Z Malinga SAFCOLSecretariat@safcol.co.za
Information queries:	mailto: info@safcol.co.za
Media/communications:	communication@safcol.co.za
Title of publication:	Safcol Annual Report 2022/2023 RP271/2023
ISBN:	978-0-621-51430-8

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