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ABOUT THIS REPORT

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The 2013/14 report marks the second year of the integrated reporting journey. This, following a May 2013 decision by the Audit and Risk Committee, that the SAFCOL Group (herein referred to as the Group, the SAFCOL Group or SAFCOL, interchangeably) needed to implement integrated reporting (IR) that is aligned with recommendations of principle 9 of King III.

This report is released in an environment where the importance of IR has been highlighted and encouraged for organisational good governance and accountability. This integrated report aims to provide insight into the utilisation and management of resources by the Group and its operations,and measures taken to leverage stakeholder relationships. It expounds on resources used by SAFCOL and explains how the Group interacted with the external environment in order to create value over the short, medium and long term.

The SAFCOL Group received recognition for its integrated reporting disclosure at the Nkonki 2014 Integrated Reporting Awards ceremony. The Group took first place in the category *Disclosure of Governance of Risk* and received an overall 6th place out of the 18 SOCs that could be rated on integrated reporting - a major improvement from the previous year's 12th place.

SAFCOL has made significant progress from the previous year's evaluation and the following are the disclosures for which SAFCOL received certificates:

Disclosure	Rating	Position
The Governance of Risk	A	1
Ethical Leadership and Corporate Citizenship	A	2
Internal Audit and Internal Control	A	3
Governing Stakeholder Relationships	A	3
Framework for Integrated Reporting	B	2

A = 80%-100%
B= 70% -79%
C= 60% - 69%
D= 50% - 59%

Scope

This report covers the period 1 April 2013 to 31 March 2014. However, material information obtained after year-end, as well as certain forward-looking statements and targets, are included.

The SAFCOL Group operates through its subsidiaries Komatiland Forests SOC Ltd (KLF) and Indústrias Florestais de Manica (IFLOMA). It is in the process of deregistering the following subsidiaries Mountains to Oceans Forestry SOC Ltd, Kamhlabane Timber SOC Ltd and Temba Timber SOC Ltd. Lakenvlei Forest Lodge SOC Ltd and Abacus Forestries SOC Ltd, which are dormant subsidiaries, are also undergoing de-registration.

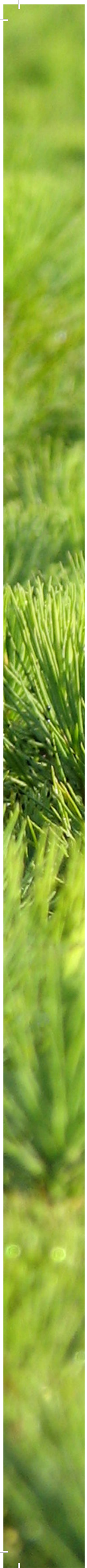
The table below illustrates the report framework.

Report Type	2014 Integrated Report	Annual Financial Statements	Sustainability Reporting
Contents	Refer to the contents page	Full financial statements Risk disclosures, Director's report GACC report, Auditors report.	To be developed and published as a stand-alone report during 2014/15 financial year. It will be published on our website: www.safcol.co.za.
Audience	All stakeholder groups, with an emphasis on the shareholder and investors.	All stakeholder groups, with an emphasis on the shareholder and investors.	All stakeholder groups.
Distribution	Printed and posted to the shareholder. Also available at www.safcol.co.za	Available at www.safcol.co.za	N/A
Key governance and regulatory framework	Companies Act King III International Integrated Reporting Committee Framework Public Service Corporate Governance of Information and Communication Technology Framework (DPSA)	IFRS Companies Act King III PFMA	King III International Integrated Reporting Committee Framework SAFCOL considered GRI for sustainability information
Assurance	FSC, Health and Safety, internal control system, IFC, risk management, B-BBEE performance has been independently verified	Audited	FSC Principles and Criteria of forest stewardship

Disclaimer regarding forward-looking statements

Certain statements in this document are forward-looking. These relate to, among others, the plans, objectives, goals, strategies, future operations and performance of the Group and its subsidiaries. Words such as "anticipates", "estimates", "expects", "projects", "believes", "intends", "plans", "may", "will", "should", and similar expressions are typically indicative of a forward-looking statement. These statements are not a guarantee of the Group's future operating, financial or other results and involve certain risks, uncertainties and assumptions. Accordingly, actual results and outcomes may differ materially from those expressed or implied by such statements. The Group makes no representation or warranty, expressed or implied, that the operating, financial or other results anticipated by such forward-looking statements will be achieved. Such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. The Group has no obligation to update the historical information or forward- looking statements in this document.

ABOUT SAFCOL



ABOUT SAFCOL

SAFCOL was established as per the Management of State Forests Act, No. 128 of 1992. It is a registered public company in terms of the Companies Act and a Schedule 2 public entity in terms of the Public Finance Management Act (PFMA).

SAFCOL conducts its primary business within the forestry industry, ensuring the sustainable management of plantations and other assets within the Group, to enhance value for the shareholder. The Group also plays the role of catalyst in the realisation of the State's afforestation, rural development and economic transformation goals.

SAFCOL is one of the leading forestry companies in South Africa and maintains this position by continuously developing its understanding of and striving for innovation throughout the full forestry-processing value chain. The Group generates its revenue from the sale of forest products, sawn timber and other value-added products.

The South African Government is the sole owner of the SAFCOL Group. The Group reports to the Minister of Public Enterprises, through an independent Board of Directors (Board), which is appointed by the Minister.

SAFCOL is dedicated to growing its business in the forestry value chain and maximising stakeholder value. The Group's greatest strength lies not only in its assets, intellectual property and structures, but also in its people.

The overall governance of SAFCOL, as a Schedule 2 public entity wholly-owned by government, is broadly determined by various pieces of legislation, namely:

- Management of State Forests Act (Act No. 128 of 1992)
- Public Finance Management Act (Act No. 1 of 1999) (PFMA), as amended, and the Treasury Regulations
- Companies Act (Act No. 71 of 2008)
- Income Tax Act (Act No. 58 of 1962), as amended
- Value Added Tax Act 1991 (Act No. 89 of 1991), as amended
- Shareholder Compact, Significance and Materiality Framework and various codes of corporate governance applicable to companies
- King Report on Corporate Governance for South Africa, 2010 (King III)
- Protocol on Corporate Governance for the Public Sector 2002
- The National Forest Act (Act No. 84 of 1998)
- The National Veld and Forest Fires Act (Act No. 101 of 1998)

STRATEGIC GOALS

The link between the strategic goals and objectives of SAFCOL is illustrated in the diagram below:

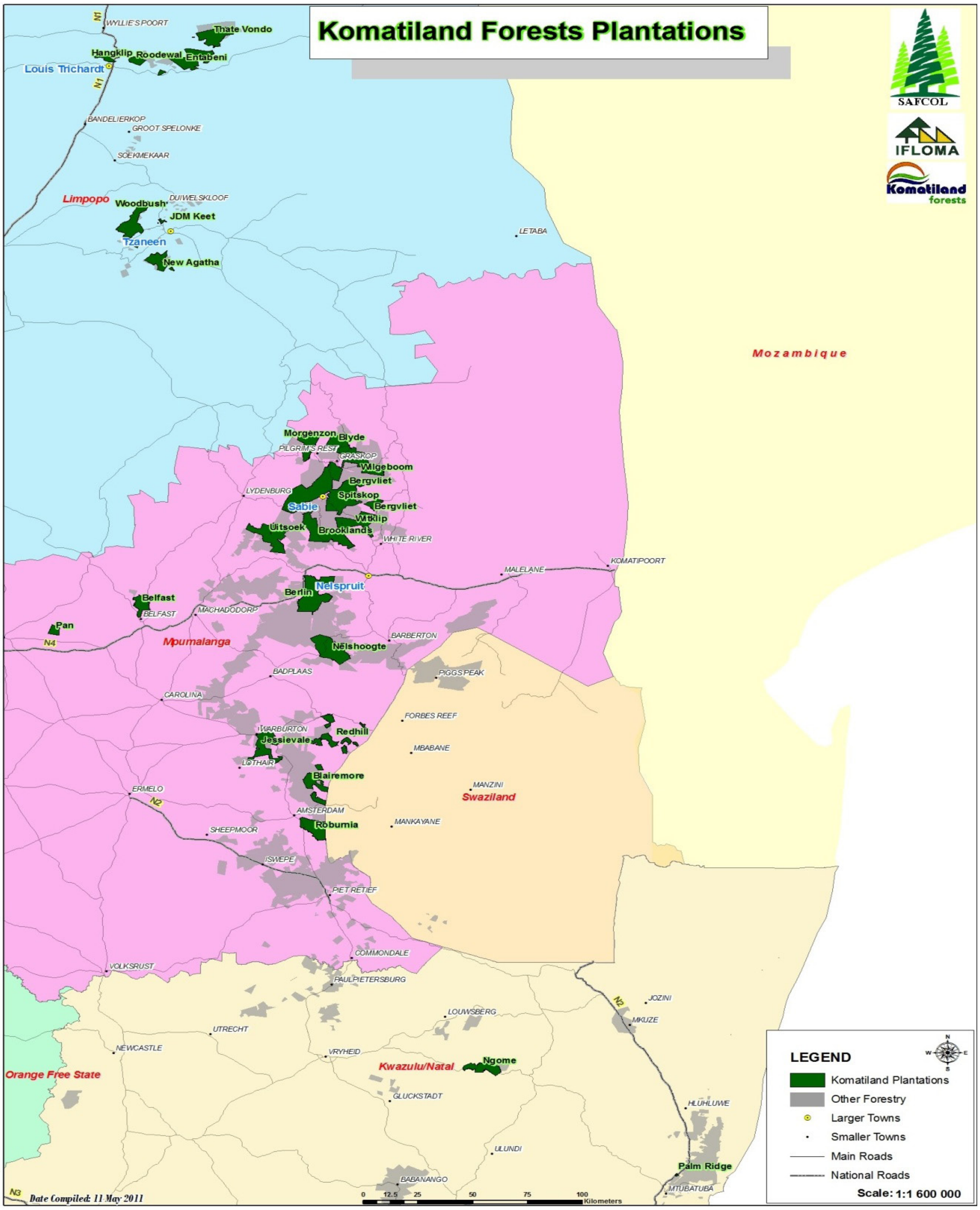
OVERVIEW OF OPERATIONS

Komatiland Forests (KLF)

KLF manages prime softwood saw log forestry assets in Mpumalanga, Limpopo and KwaZulu-Natal, consisting of 18 plantations (managed as 15 business units). The plantations are segmented into three districts, namely Highveld, Central and North. KLF's commercial and non-commercial areas cover a total of 187 320 ha.

KLF also runs a research centre and various nurseries. The research centre manages trial plots in several plantations in the three provinces of South Africa in which the company operates, as well as in Mozambique. The nurseries produce in excess of 10 million seedlings and cuttings per annum and supply all plantations operated by KLF, as well as generate income from the sale of seeds to the industry.

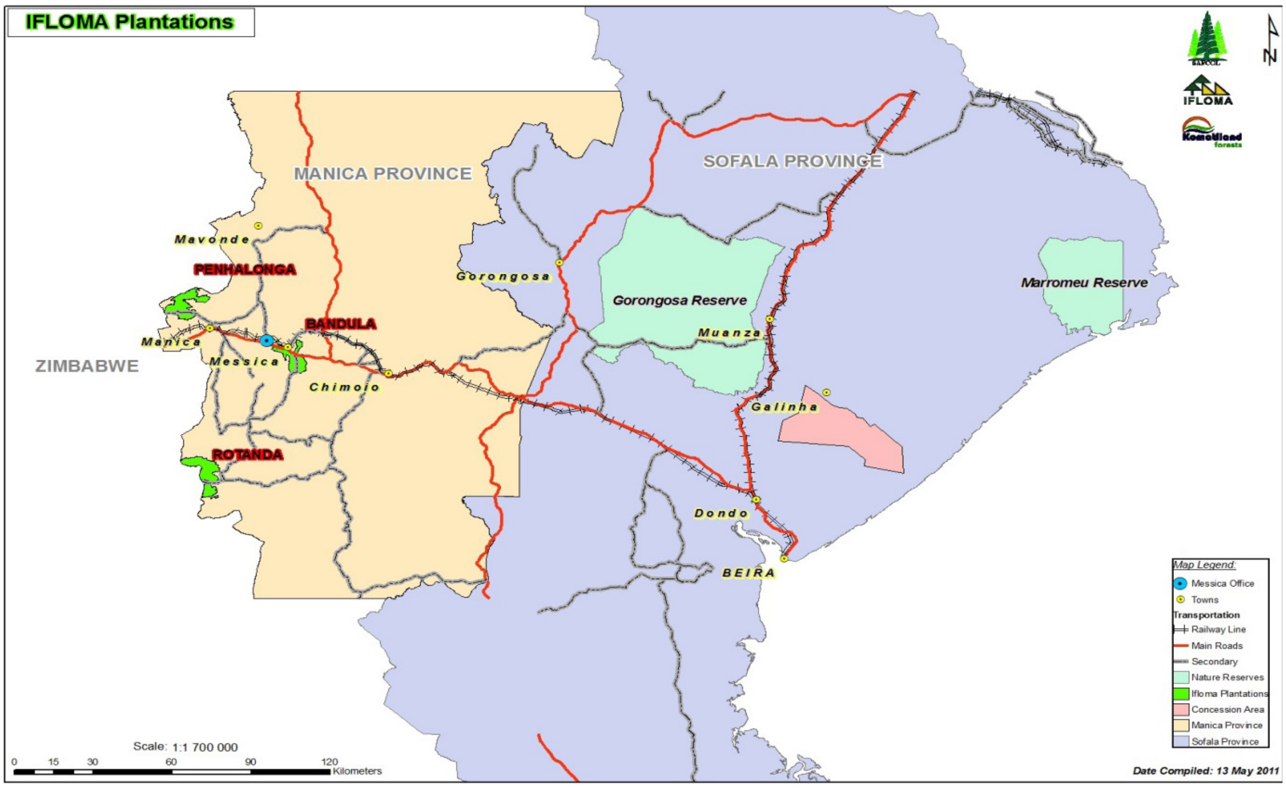
KLF owns and operates Timbadola Sawmill – a softwood processing sawmill – situated in Limpopo. The company also has custom-cut arrangements with Ringkink and John Wright Veneer sawmills in the Highveld of Mpumalanga. The Timbadola Sawmill in Limpopo has an annual intake capacity of 120 000m^3 per annum and is poised to increase the intake in the 2014/2015 financial year. The sawmill and plantations in the north are aligned and operate inter-dependently.

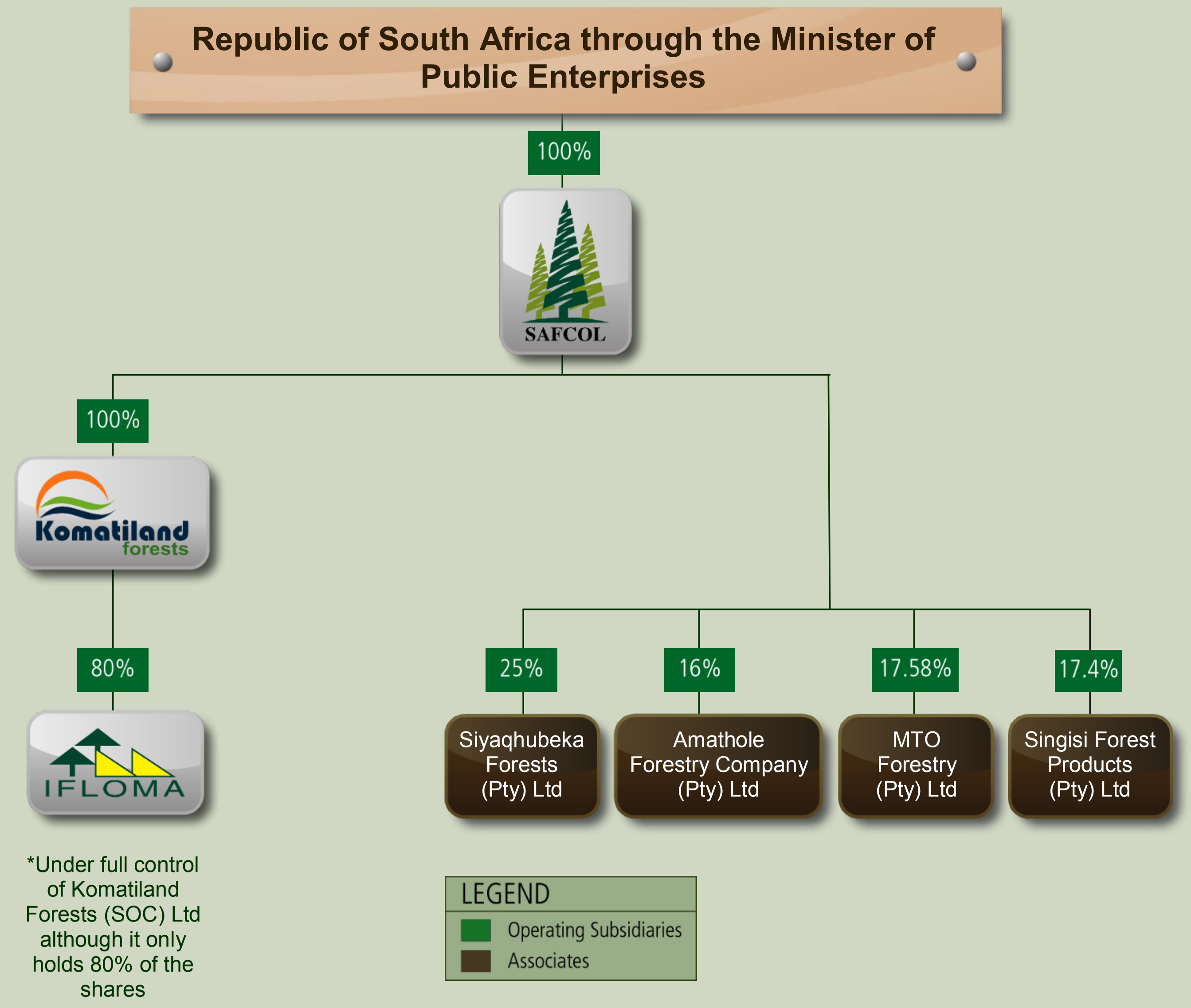


Indústrias Florestais De Manica, SARL (IFLOMA)

Indústrias Florestais de Manica, SARL (IFLOMA) is a Mozambique-based public limited liability company that was established in the 1980s as a government initiative. As part of the programme of privatisation of State-Owned Enterprises in Mozambique, 80% of the share capital of IFLOMA was sold to KLF in 2004 – with the remaining 20% of shares being held by IGEPE, Mozambique's State Shareholding Management Institute. IFLOMA is 100% consolidated, meaning that KLF accounts for 100% of the assets and liabilities. This is due to an irrevocable option to acquire the remaining 20% of shares at a pre-determined amount.

The total landholding area is 31 754 ha in extent, of which 16 178 ha is plantable for commercial forestry. The operations are in Manica province, an ideal location from which to serve markets in Mozambique, as well as a warehouse in Maputo. SAFCOL has recently completed a bankable feasibility study on 61 000 ha for IFLOMAII.




Republic of South Africa through the Minister of Public Enterprises
100%
SAFCOL
100%
Komatiland forests
80%
IFLOMA
*Under full control of Komatiland Forests (SOC) Ltd although it only holds 80% of the shares
25%
Siyaqhubeka Forests (Pty) Ltd
16%
Amathole Forestry Company (Pty) Ltd
17.58%
MTO Forestry (Pty) Ltd
17.4%
Singisi Forest Products (Pty) Ltd
LEGEND
Operating Subsidiaries
Associates

Strategic Focus

During the 2013/14 financial year, SAFCOL introduced four strategic pillars to drive the sustainability of its business into the future. The pillars are: horizontal integration to drive growth; vertical integration to maximise efficiencies; a focus on rural development to initiate synergistic businesses; and initiated projects in green energy to add value to its products.

SAFCOL streamlined its strategic goals to focus on its objectives and mandate, and to effectively measure business performance and implement continuous improvement programmes.

The strategic pillars are underpinned by the improvement of processes and internal systems, including:

- enhancing the financial and commercial value of SAFCOL
- ensuring the sustainable management of forests and other assets within the Group
- moving from manual to automated processes
- implementing an Enterprise Resource Planning (ERP) system
- enhancing the performance management system and focusing on consequence management
- improving stakeholder engagement and management

Board of Directors

SAFCOL's Board of Directors is appointed by the shareholder as represented by the Minister of Public Enterprises. SAFCOL is headed and controlled by a Board comprising executive and a majority of non-executive directors, to ensure independence and objectivity in decision-making. The Board ensures that SAFCOL is managed in the best interests of the Group, the shareholder and other stakeholders. The Board also provides strategic oversight in consultation with the shareholder.

Prof Somadoda Fikeni (47)
Interim Board Chairman

Date of birth:
1 October 1966

Service with SAFCOL:
Appointed in June 2013

Experience:
Prof Fikeni's areas of specialization and interest are political science, public policy development & analysis, history, political economy and heritage. He has lectured in different universities in South Africa and abroad. He has also held management positions at universities. He is a researcher and an author in the aforementioned fields. His main professional work is in higher education, political/policy science and heritage sectors. He was the founding COO and head of heritage for the National Heritage Council during its establishment years. He has received several honours and awards in South Africa and abroad and notably the honorary chieftaincy bestowed on him in Ghana. He has also been voted as number one political analyst in SA. He was recently appointed as one of members of BRICS Think Tank Forum.

Other boards on which the individual serves:
He currently chairs Independent Development Trust (IDT). He has also chaired the Walter Sisulu University Council (2006-2011), South African Heritage Resources Agency (SAHRA) and has been both an interim chairperson and Deputy Chair of the Eastern Cape Development Corporation (ECDC). He is the chair of The Eminent Persons Group for Sports Transformation of South Africa.

Academic qualifications:
PHD (Michigan State University), MA (Queens University in Canada), BA Honours & BA (Unitra)

Mrs Ndumi Medupe (43)
Board Member

Date of birth:
22 September 1970

Service with SAFCOL:
Appointed in September 2010

Experience:
Mrs Medupe is currently employed as Chief Executive Officer, Indyebo Consulting. She previously held financial management and business analyst positions at Vodacom and MTN respectively. She was Director: Financial Planning and Budgeting at the Gauteng Department of Finance and also worked at the Johannesburg City Parks. Ms Medupe has a wealth of experience in internal and external auditing, forensic auditing, risk management and financial management.

Other boards on which the individual serves:
PetroSA
City Lodge
Eastern Cape Development Corporation (ECDC)

Academic qualifications:
Chartered Accountant (SA), Post-graduate Diploma in Accountancy, Bachelor of Accountancy,

Mr Mohamed Kharva (38)
Board Member

Date of birth:
7 December 1975

Service with SAFCOL:
Appointed in September 2010

Experience:
Mr Kharva is currently employed as a research analyst at Nedbank Capital. He has previously lectured in Chemical Engineering at the then Mangosuthu Technikon in 1999. From 2002 until 2006, he was with Oasis Group Holdings as research analyst in the Asset Management Department. He played a role in the launch of Johannesburg Stock Exchange-listed Oasis Crescent Property Fund Managers Ltd. Kharva joined the Nedbank Group Securities as a research analyst in 2006.

Other boards on which the individual serves:
None

Academic qualifications:
Chartered Financial Analyst (SA), BCom, Masters in Chemical Engineering

Ms Khungeka Njobe (43)
Board Member

Date of birth:
6 July 1970

Service with SAFCOL:
Appointed in September 2010

Experience
Ms Njobe founded the Kay Ann Group - an investment holding business with major focus in the green economy sectors in November 2013. Until May 2013, she served as the Managing Director of Aveng Water a wholly owned subsidiary of the Aveng Group which focussed on water treatment. She previously held the positions of Group Executive and of Executive Director at the Council for Scientific and Industrial Research (CSIR) where she served for seven years. Prior to that she worked in government in the Departments of Environment, and of Arts, Culture, Science & Technology. Ms Njobe has experience in executive leadership and management, policy, R&D, technology management, innovation, environment, water and sustainability.

Other Boards on which the individual serves:
Chairperson of the Technology Innovation Agency (TIA); Chairperson of the Board of Sasol Inzalo Public Funding Limited.

Academic qualifications:
M.Sc, B.Sc (Biology), Certificate in Managing Technology Enterprises

Board of Directors

Ms Felicity Blakeway (51) Board Member

Date of birth:
28 August 1962

Service with SAFCOL:
Appointed in September 2010

Experience:
Ms Blakeway previously worked with the Mondi Group on long-term strategic research planning and leading teams in biotechnology, technology networking and innovation. She joined CSIR in October 2004 as the Manager for the Forestry Research Programme and is currently employed as Operations and Special Projects Manager. She serves on the National Forestry Advisory Council (NFAC) as part of the team that oversees the bilateral agreement between the Department of Trade and Industry (DTI) and CSIR. She's also on the provincial committee of the SA Institute of Forestry (SAIF).

Other boards on which the individual serves:
Kilimo Trust, National Forestry Advisory Council (NFAC), Advisory and Back-Stopping Committee of Mondi/SAA/Gatsby East Africa Tree Breeding Biotechnology Projects

Academic qualifications:
MSc (Plant Biotechnology), BSc (Hons) (Life Sciences), Management Development Programme (Graduate School of Business)

Dr Shadrack Moephuli (50) Board Member

Date of birth:
09 March 1964

Service with SAFCOL:
Appointed in June 2013

Experience:
Dr Moephuli has been President and Chief Executive Officer of the Agricultural Research Council (ARC) since 2006. He has extensive experience in the agricultural field, serving as the country's representative on science and technology in agriculture at the international level in a number of organisations including the Food and Agriculture Organization (FAO) and the Organization for Economic Cooperation and Development (OECD). Prior to joining the ARC, he served as acting deputy Director – General responsible for production and natural resource management in the Department of Agriculture. He was also a biochemistry lecturer at the University of the Witwatersrand. He obtained his doctoral degree from the University of Connecticut, USA.

Other Boards on which the individual serves: South African Weather Services

Academic qualifications:
PhD: Biochemistry

Ms Marisa Gilbert (35) Board Member

Date of birth:
23 February 1979

Service with SAFCOL:
Appointed in June 2013

Experience:
Ms Gilbert is the Senior Legal Council: Specialist Lending at First Rand Limited. She has worked in the financial services industry since 2004. Prior to that she was Legal Manager in Investment Banking for Standard Bank.

Other boards on which the individual serves:
Trustee at New Day Trust

Academic qualifications:
LLB and BA Law

Mrs Nomfanelo Magwentshu (42) The Outgoing Chairperson

Date of birth:
25 May 1971

Service with SAFCOL:
Appointed as Chairperson in September 2010

Experience:
Mrs Magwentshu is currently a Partner at McKinsey Company. She previously served as the Chief Restructuring Executive at South African Airways (SAA) (Proprietary) Limited. She has experience in strategic development and operational management. Ms Magwentshu was COO of the 2010 FIFA World Cup Trade Mark Organising Committee.

Other boards on which the individual serves:
Nampak Limited, Eastern Cape Development Corporation (ECDC), Peregrine Holdings Ltd, Coega Development Corporation, Air Traffic and Navigation Services Company Limited, Jessen Dakile (Pty) Ltd , Stimela Infrastructure Management Service (Proprietary) Limited.

Academic qualifications:
MBA, BSc (Hons) (Statistics), BSc (Mathematics and Statistics)

The Executive Committee

Ms Nomkhita Mona (47) Group Chief Executive Officer

Date of birth:
25 April 1966

Service with SAFCOL:
Appointed as Group CEO in September 2012

Experience:
Before joining SAFCOL Mona was the CEO of the Uitenhage Despatch Development Initiative (UDDI). Prior to that, she was Associate Consultant for an international consulting company. She is the former CEO of Inkezo Land Company in Durban. Before that she was the CEO of the Eastern Cape Tourism Board. Mona was the first black woman to be appointed to the board of Goodyear Tyre and Rubber Holdings in South Africa. Her impressive leadership career spans over a period of more than 20 years.

Other boards on which the individual serves:
IFLOMA
Komatiland Forests
Commissioner of the Eastern Cape Planning Commission

Academic qualifications:
MBA, MA (Labour Relations and Human Resources), BA (Hons) Industrial Relations and BA (Psychology & Sociology).

Mrs Zoliswa Mashinini (36) – Group Chief Financial Officer

Date of birth:
9 October 1977

Service with SAFCOL:
Appointed as Group CFO in October 2013

Experience:
Mashinini joined SAFCOL from the South African Mint Company where she was the Executive Finance Manager. She started her career at Price Waterhouse Coopers where she completed her articles. She has worked for companies such as Denel, Old Mutual Properties and BP SA. She has experience in financial management, risk and internal control.

Other boards on which the individual serves:
IFLOMA
Komatiland Forests

Academic qualifications:
CA(SA), BCompt Honours and BCom Accounting

Mr Francois de Villiers (53) Group Chief Operations Officer

Date of birth:
8 December 1960

Service with SAFCOL:
Appointed as Group COO in May 2013

Experience:
De Villiers started his career in the engineering field. He joined SAFCOL in 1994 and has occupied various positions in his 20 years with the Group. He was Export Manager, Divisional Marketing Manager and GM: Marketing and Processing. His strengths lie in trade marketing and processing.

Other boards on which the individual serves:
IFLOMA
Komatiland Forests

Academic qualifications:
B.Eng (Electronics).

Ms Julia Mphafudi (41) Senior Executive: Human Capital Management and Transformation

Date of birth:
4 April 1972

Service with SAFCOL:
Appointed as Senior Executive: HCM and Transformation in June 2012

Experience:
Mphafudi began her career in Human Resources with the Department of Environmental Affairs & Tourism in 2001 and later that year moved to the Department of Labour as HR Manager. In October 2004, she joined the Office of the President as a Deputy Director: Training & Development, Performance Management & Labour Relations. She moved to the South African Broadcasting Corporation for a position as Training Manager, later appointed as General Manager: Human Capital Services by the public broadcaster.

Other boards on which the individual serves:
SAFCOL Provident Fund

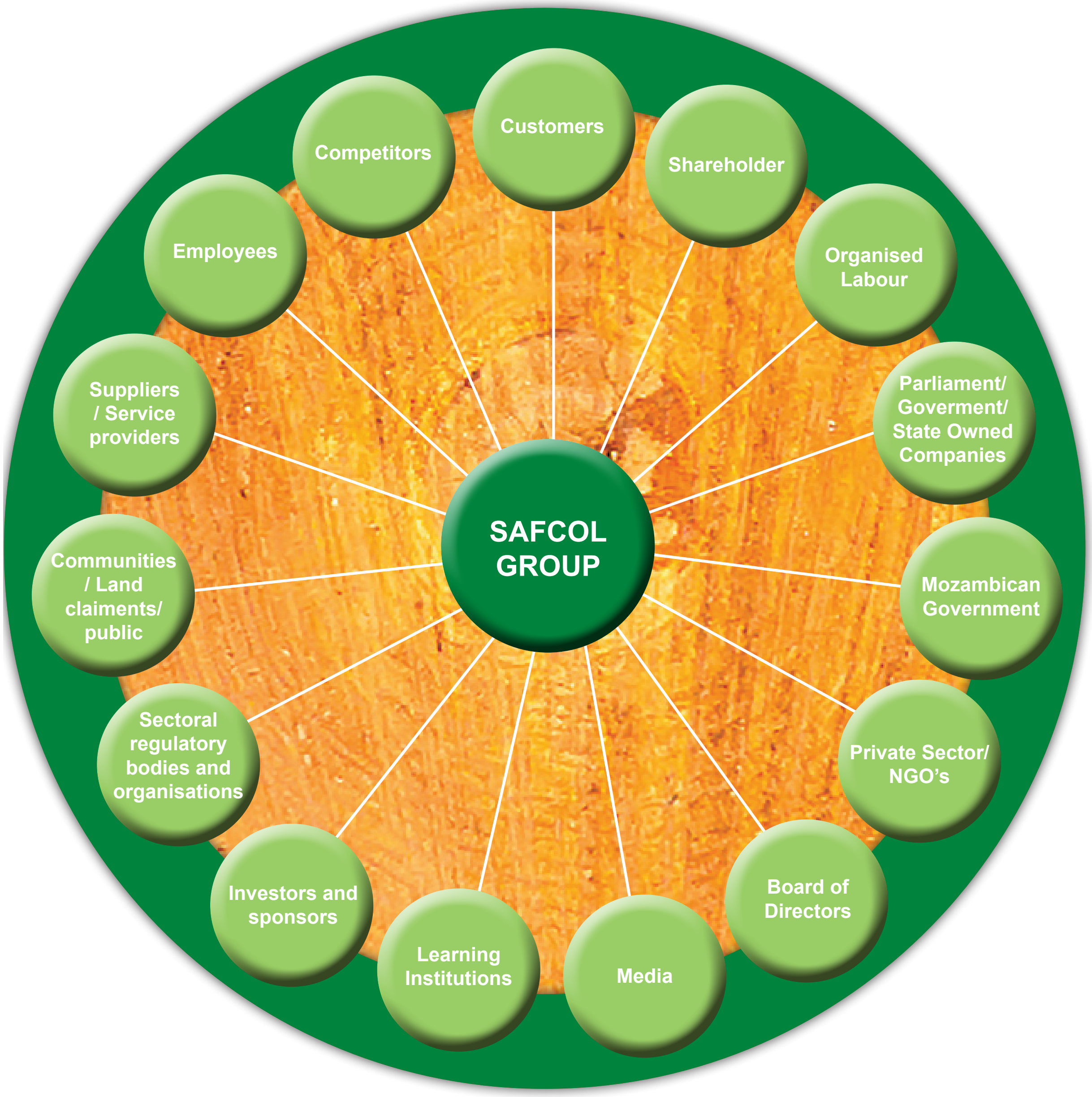
Academic qualifications:
BCom (Hons) Human Resources and B.Tech (Degree) Human Resources.
Nat. Dip: Human Resources Management

HOW SAFCOL ENGAGES WITH STAKEHOLDERS

HOW SAFCOL ENGAGES WITH STAKEHOLDERS

A Group Communication and Stakeholder Relations Strategy was developed for the years 2014-2017, aligned with the Group Corporate Strategy and Plan. Critical areas of focus for effective management of relationships were identified.

During the year under review, the Group initiated a stakeholder management framework and developed a stakeholder map for coherent and targeted engagement. SAFCOL stakeholders were identified as follows:



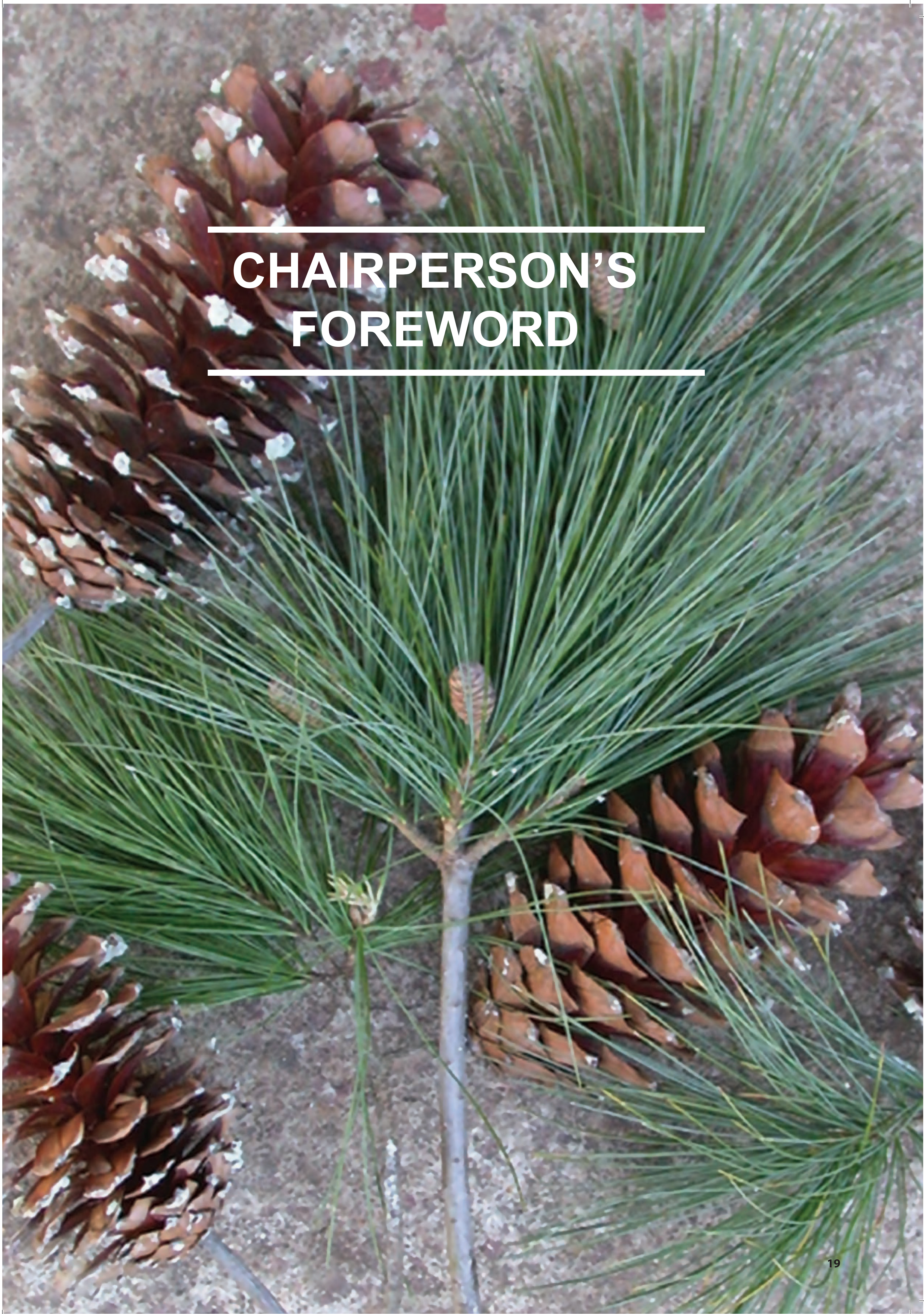
The Group continues to strengthen relationships with stakeholders for effective engagement and support of programmes and projects. The map will be reviewed annually.

During the year under review, an internal climate survey was conducted, to gauge the internal climate. An external survey is due in the 2014/2015 financial year as part of the brand repositioning process.

STAKEHOLDER	ENGAGEMENT OBJECTIVES AND ACTIVITIES	Expected outcome
SHAREHOLDER (DEPARTMENT OF PUBLIC ENTERPRISES)	As a Group that is wholly owned by government, SAFCOL plays a pivotal role in supporting the government in its rural economic development agenda. The SAFCOL Board is appointed by the Minister of Public Enterprises and it ensures that the interests of the shareholder are looked after. The Board engages with the Minister and/or Deputy Minister to ensure that SAFCOL supports government's national priorities. SAFCOL also engages with the shareholder through various committees established by the shareholder to give oversight on business aspects.	Compliance with Shareholder Compact and achievement of KPIs, as per shareholder agreement.
PROVINCIAL STAKEHOLDERS	The Group has participated in various provincial stakeholder engagement forums in the Eastern Cape, Gauteng, KwaZulu-Natal, Limpopo and Northern Cape. These engagements were facilitated by DPE. The forums proposed the prioritisation of rural communities in terms of the Group's SED agenda; as well as timber-frame structures.	Achievement of developmental mandates per province.
REGULATORS	The Group continuously strives to ensure compliance with all applicable legislation, regulations and policies. SACOL is in continuous discussion with all policy departments and contribute to the total policy documents effort.	Comply with legislation related to the sector. To be certified as complying with the requirements of a sustainable institution.
CUSTOMERS	SAFCOL strives to maintain good working relations with customers for mutually beneficial outcomes and has relationships with some customers that span more than 20 years. The Group changed its credit management approach from being a pure accounting function into a front-end customer-facing function. Finding win-win solutions with clients has improved customer relations. SAFCOL offers extended payment terms to allow for sufficient recovery from the adverse impact of the economic downturn. This deviation entails consultation and discussion with customers, as we aim to strike acceptable win-win solutions. The Group assesses the risk exposure to the business daily, in order to ensure that its bad debts are minimised and that customer exposure is within their risk profile.	Effectively managing the quality and price of our products. Improved empowerment status of the business. Maintaining good working relations with our customers for mutually beneficial outcomes.
COMMUNITIES	**Communities** SAFCOL continues to facilitate Joint Community Forums with the 13 communities it has signed social compacts with. The Group has built community halls and school buildings using mostly timber in these projects. SAFCOL conducted career exhibitions in seven of the nine South Afican provinces. **Land Claimants** The Group continues to proactively engage all relevant role players in an attempt to expedite the resolution of claims impacting its operations on land that the Group leases from the state. SAFCOL does not have a delegated mandate for the resolution of land claims. Parties to the settlement are the DRDLR, in particular the Land Claims Commissioner, claimant communities, the landlord, in this case DAFF and the Department of Public Works.	Positioning the Group as a partner of choice to communities and key stakeholder groups.

UNIONS	Good relations and meetings are maintained with Food and Allied Workers Union (FAWU), the main union in the sector. Recognition agreements that spell out engagement processes and procedures between the Group and unions are in place. The expected outcome is that salaries will be reviewed through an extensive bargaining process.	Through the bargaining exercise, annual salaries are reviewed
GOVERNMENT DEPARTMENTS	**Department of Agriculture, Forestry and Fisheries (DAFF)** SAFCOL's finalisation of the leading agreement for the payment of all outstanding lease rentals owed to the Department of Agriculture, Forestry and Fisheries (DAFF) was a major milestone reached during the year under review. This resolution has improved working relations with DAFF and paved the way for discussions about the management of Category B and C plantations; and contributes to proactive steps towards finalisation of a lease agreement and negotiations for the management of these plantations. **Department of Rural Development and Land Reform (DRDLR)** The Group achieved another milestone in negotiations with the Department of Rural Development and Land Reform (DRDLR), which gave rise to a draft framework for cooperation between the two parties. The draft covers the resources and assistance that SAFCOL will provide to the Commissioner, without compromising the legislative responsibility of the Commission and the benefits for claimants. **Department of International Relations and Cooperative Governance (DIRCO)** SAFCOL management was trained by DIRCO on protocol, in order to improve the Group's understanding of government relations and adherence to state protocol.	Finalisation of the lease agreement Negotiations towards management of Category B and C plantations Form effective working relationships with stakeholders SAFCOL continues to proactively engage all relevant role players in an attempt to expedite the resolution of claims impacting its operations Understanding of the public sector process for engagement
EMPLOYEES	SAFCOL has implemented an internal communication programme (incorporating workshops, meetings, road-shows and information sharing sessions) to contribute to transparent business practices and share the vision and strategy of the Group with employees. Managing individual performance and personal development is enhanced by ongoing awareness campaigns. Initiatives such as Wellness Days, Know Your HIV Status campaign and disability awareness are in place, to ensure the well-being of employees. SAFCOL has a transformation forum for use by employees to address issues such as diversity and other supportive policies. SAFCOL maintains a strong succession planning programme to provide its business leaders with opportunities to develop leadership skills through public speaking engagements or appointing them to lead forums. SAFCOL has a consultative and fair approach to dealing with employee grievances. The Group's system of filling vacancies is robust.	Provide a channel to ensure employees are informed of Group performance and progress Provide feedback channels for use by employees Manage individual performance and personal development Succession planning Ensure optimal company performance
THE MEDIA	Positive publicity was obtained for various initiatives, mainly the Group's SED projects.	SAFCOL to be accessible and to be visible to the media

CHAIRPERSON'S FOREWORD



CHAIRPERSON'S FOREWORD

The Group undertook to deal decisively with any legacy issues of inefficiency, including a total review of policies and practices at its subsidiaries. This ongoing process of streamlining and re-positioning is expected to pay dividends soon.

While the trading environment continued to be challenging for the industry in general and for the Group in particular, SAFCOL has shown encouraging signs of resilience. This puts the Group in a strong position to implement its new strategy for growth.

The litigation matter between SAFCOL, DPE and Londoloza Paharpur has been resolved, thus removing a R3.2 billion contingent liability.

As per the Key Performance Indicators in the Shareholder Compact, the Group achieved 73% of its targets, improving on the prior year's 63% achievement. The Group did not expect the improvement due to the depressed markets, which drove the non-achievement of financial targets. Additionally, some of the IFLOMA targets, relating to planting and sawmill volumes, could not be met, due to suspension of operations in Mozambique during the period under review.

> *"The improvement in the audit outcome, from the qualified audit opinion in the prior year, resulted from SAFCOL's concerted effort to ensure that internal controls are tightened and that good corporate governance practices are adhered to."*

Audit Opinion

The Group received an unqualified audit opinion, with a finding on pre-determined objectives (performance reporting) and some findings on non-compliance with legislation. The improvement in the audit outcome, from the qualified audit opinion in the prior year, resulted from SAFCOL's concerted effort to ensure that internal controls are tightened and that good corporate governance practices are adhered to. Ongoing investigation into possible financial irregularities have also been reported in our disclosures to the Auditor-General.

Governance

The Group put particular focus on embedding a culture of good corporate governance into its systems. The Board adopted a zero-tolerance approach to non-compliance matters, ensuring that all relevant legislation and frameworks are complied with. Policies were updated and new policies approved and implemented. A strong governance foundation has since been built, putting the company on a firm footing towards a stable business environment.

Each of the four fully functional Board committees played a crucial role in their respective areas of focus. The ARMC ensured that the Internal Audit and Risk Management divisions were fully compliant, vigilant and relevant. The FINCO – as the custodian of Financial and Investment Management matters - gave active oversight in that area. The REMCO ensured that the policies and procedures implemented are in line with the relevant legislation as well as the country's transformation imperative. The new Social & Ethics Committee cuts across all business areas and promotes ethical conduct and general compliance with transformation policies within the business. The strides made in the area of governance, during the period under review, have created a solid base for the company to act as a good corporate citizen.

The Minister appointed Ms Marisa Gilbert, Dr Shadrack Moephuli and I to the Board, effective June 2013. The combined experience strengthens the Board in terms of its fiduciary duties of overseeing the growth strategy of the Group and advancing the shareholder's strategic goals.

Land Claims

Considering that at least 61% of the land SAFCOL operates on is under claim, delays in the land claims settlement process continue to pose a major strategic risk to the Group. These delays are outside of the Group's direct control, because the jurisdiction to settle these claims lies outside its mandate. The Group places strategic importance on benefits flowing to land claimants and communities surrounding its operations.

During the period under review, the Group participated in an inter-governmental forum that is developing a land claims settlement model. Additionally, the Group continued with its own contribution towards socio-economic development within the communities adjacent to its operations. SAFCOL continues to engage with relevant stakeholders in this regard and wishes to remain the partner of choice for land claimants after a land claim has been settled successfully.

Transformation

The Group continues to drive its transformation agenda, both in terms of human resources as well as economic transformation, as it is a strategic imperative. The Board is pleased to announce that a full complement EXCO team was in operation during most of the period under review. Three of the four-member EXCO - two Executive Directors (the Group CEO and the Group CFO) and the Senior Executive for Human Capital Management are black females.

The Group's commitment to actively contribute to social and economic transformation in South Africa is evidenced by it supporting Government initiatives and goals, as contained in legislation and relevant frameworks. The Group ensures that its Supply Chain Management policies promote and encourage the procurement of services from SMMEs and businesses owned by previously disadvantaged groups.

SAFCOL has retained its targeted Level 2 B-BBEE status.

Board's major achievements during its four-year term

The Board took a decidedly strong stance on corporate governance. Recognising that the business model used by the Group was financially unsustainable in the long term, the Board gave direction for finalisation of the vertical and horizontal integration strategy formulation and implementation plan, in line with government policy of beneficiation and job creation. The Board had introduced Business Process Restructuring in an attempt to align the Group for future growth. The introduction of ERP is an attempt to implement one integrated system, in order to improve management report quality and Group response times, and is a step in the right direction. The activation of the ERP system was delayed and only took place during the second quarter 2014/2015 financial year.

Outlook

The Group's strategy was revised to incorporate expansion in South Africa and into other parts of Africa. It includes the extraction of maximum value from its high-quality raw material throughout the value chain.

The last financial year was spent reviewing and aligning the business for implementation of the new strategic direction. As a result, a number of critical feasibility studies have been finalised and are ready for implementation in the new financial year.

The initiatives include diversifying the product offering and exploring access to new markets. The envisaged strategies will require massive funding, and the management team has already started engaging with potential funders for the various projects. One elevated focal point for the Group is to become an engine for growth in the rural economies of the areas in which it operates. This will be achieved through decisive action to create enterprises and job opportunities, first in the communities adjacent to its operations, then in other areas.

Thanks and Acknowledgements

My immense appreciation goes to the former Minister of Public Enterprises, the Honourable Malusi Gigaba, for playing an oversight and support role to the Board and the Group. I would also like to thank the Deputy Minister, the Honourable Bulelani Gratitude Magwanishe, for his steadfast belief in, and active support of SAFCOL's initiatives. The contribution and support of the Director General, Mr Tshediso Matona and the team from the DPE are acknowledged. I would also like to thank the Chairperson of the Portfolio Committee on Public Enterprises, the Honourable Member Peter Maluleka, and the Committee, for their support and oversight.

I acknowledge the hard work and commitment of my fellow Board members during a challenging period for the SAFCOL Group. The former Chairperson, Ms Nomfanelo Magwentshu's contribution is acknowledged. I would also like to acknowledge the Group CEO, Ms Nomkhita Mona, and her management team, for the positive impact they have had on SAFCOL during the past year.

Professor Somadoda Fikeni
Interim Chairman

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

The year under review was a turning point for the Group, as the period was spent in dual mode: commercial imperative and the consolidation of business practices to ensure efficiency in operations. The Group undertook a total review of its business model, including the arrangements between its subsidiaries. Ineffective and inefficient practices and policies were reviewed – leading to a much cleaner balance sheet. Further focus was on efforts to increase sales, introducing stringent cost-cutting measures and removing inefficiencies. This exercise assisted in bringing the business into alignment with its future strategic direction. The market environment was extremely challenging; however the group performed better than its own mid-year forecast.

Financial Performance

While the markets remained decidedly depressed, the Group achieved 4% revenue growth compared to prior years. This performance is the highest revenue generated over the past five fiscal years. A net profit of R511 million was achieved compared to a net profit of R74 million in the prior year. The significant increase is due to the positive effect of the biological assets valuation. Profitability, however, still remains under pressure, in that, operationally, the Group reported a R24.5 million loss before fair value and tax, compared to a R46.3 million profit in the prior year. The main contributing factor in the prior year profit was the sale of a property asset. The increased revenue was influenced by an 11% increase in timber sales compared to the prior year. Increased volumes, price increases and product mix had a positive influence on revenue; however, revenue from sawn-timber sales declined by 7% year-on-year.

> *"the company achieved the highest revenue from operations in the last five years"*

While the company achieved the highest revenue from operations in the last five years, a number of factors affected overall profit. These include an accrual for land rentals amounting R47.7 million. Additionally, the Group wrote off a number of non-performing inter-company loans. The Group managed to raise sufficient cash from operations, posting a positive net cash flow of R94 million, against the prior year's R15 million. Group cash reserves saw a significant 45% increase, from R153 million in the prior year to R222 million.

Performance against Shareholder Compact

The performance against KPIs set out in the Shareholder Compact saw an achievement of 73%, which is an improvement on the 63% achieved in prior year. At the end of the second quarter of the period under review, the Group had made the Shareholder aware that some of the financial targets are unlikely to be met, mainly due to depressed market conditions. It was also difficult to meet the processing targets due to a number of factors, which are listed in the operational section of this report.

Operational Performance

Sustainable Forestry Management

SAFCOL continues to be a leader in forestry management in the country, as evidenced by the practices followed within the Group, with respect to managing its biological asset. During the period under review, the temporary unplanted area (TUP) - at 1.9% - exceeded the targeted 3% detailed in the Shareholder Compact. The Group subscribes to national and international norms and standards of sustainable forestry management. The South African forestry operations (KLF) achieved all targets set out in the Shareholder Compact. However, it was impossible for IFLOMA to achieve its targets, as harvesting operations were suspended during the period under review.

Processing

With respect to processing operations, the Group did not meet some of its targets due to various factors, including: excessive rain during the year, industrial action by contractor employees, as well as low plant availability.
The volume targets at IFLOMA were also unattainable due to the suspension of processing operations during the financial year.

Socio-Economic Transformation

The Group exceeded all its Shareholder Compact targets with respect to skills development, employment equity contribution as well as procurement. The targets with respect to corporate social investment were achieved, bearing testimony to SAFCOL's commitment to the State's development agenda.

Human Capital Management

SAFCOL commenced with the implementation of a three-year strategic plan that is focused on HR service delivery that will enable the Group to meet its strategic objectives and achieve business success.

During the year under review, the Group had a number of notable achievements, such as the implementation of the new Performance Management System and the Talent Management and Succession Planning strategies. In addition, steps were taken in terms of Leadership and Management pipeline development, job profiling and the implementation of an integrated Health and Wellness programme.

SAFCOL has also successfully recruited several key positions, including that of the Group Chief Financial Officer. This appointment has ensured a full complement Executive Committee, to drive the Group's performance and deliver on its strategic objectives.

A shortage of skilled talent in critical positions will continue to have a medium to long-term impact on production and the resultant performance of business units. SAFCOL is therefore looking at innovative ways to acquire these skills and to strengthen the internal talent pipeline.

SAFCOL has partnered with Productivity SA to promote a culture of productivity and improve business efficiency.

Forestry Stewardship Council (FSC)

SAFCOL prides itself on being mindful of the environment at all times and all the Group's South African plantations remain fully FSC certified. IFLOMA had undergone a pre-assessment audit, which is a precursor to full FSC certification, as the intention remains to get the operations fully certified over time.

Health, Safety, Environment and Quality (SHEQ)

The Group continued its efforts to improve safety management across operations and the current Disabling Injury Frequency Rate (DIFR) is at 2.9, against an annual target of 1.8. It was with great sadness that we recorded five fatalities during the year under review. These included two visitors to our recreational facilities, two contractors and an employee. All fatalities were reported to the relevant authorities and duly investigated. Internal investigations recommended remedial action to reduce the risk of re-occurrence. Furthermore, emphasis has been placed on re-training and orientation of management in terms of legal compliance and NOSA certification requirements. The safety system was strengthened by the re-appointment of managers and supervisors in terms of sections 16(2), 8(2) and 8(2) (i) of the Occupational Health & Safety Act.

The Group remains committed to a safe working environment and introducing continuous safety improvements, while striving towards a 100% safety record.

ICT Governance

As part of its drive to further embed good governance in the Group, the SAFCOL is in the process of defining and implementing an ICT governance framework, as prescribed by the DPSA ICT Governance Policy Framework. Implementation using a phased approach, commenced in March 2014, and will run over the next 3 years. Progress with implementation will be monitored by the ICT Steering Committee, and will be reported on periodically to the Audit and Risk Committee. The first set of requirements, which were due on 31 March 2014 were met.

Enterprise Resource Planning (ERP)

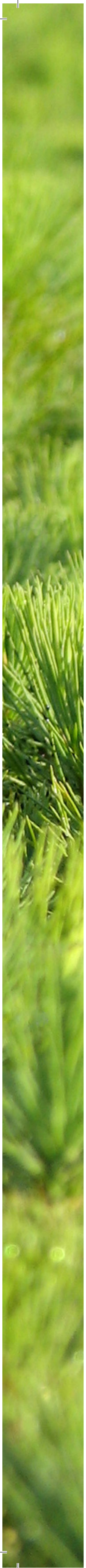
The Group embarked on ERP implementation in late 2010, because of the increasing risks associated with the old financial system (JDE XE) as well as numerous outdated legacy systems. The system went live on 1 November 2012, but was aborted a month later due to significant problems with migrating historical data, as well as with inadequate reports. During the 2013/2014 financial year, SAFCOL, in collaboration with the implementation and support partners, developed a new approach to data migration, which led to a successful trial migration of 10 years of historical data in October 2013. The focus was also on further optimisation and essential report development. After the successful migration, a parallel run commenced. ERP was activated during the second quarter of the 2014/2015 financial year. The Group is looking forward to the benefits of an integrated system, as opposed to the multitude of separate legacy systems used historically.

Thanks and Acknowledgements

I wish to thank the members of the SAFCOL Board for their tough stance on issues of standards and compliance. Further, the Board is thanked for its valued support and counsel. A special word of appreciation goes to the Interim Chairperson of the Board, Professor Somadoda Fikeni, for his support.

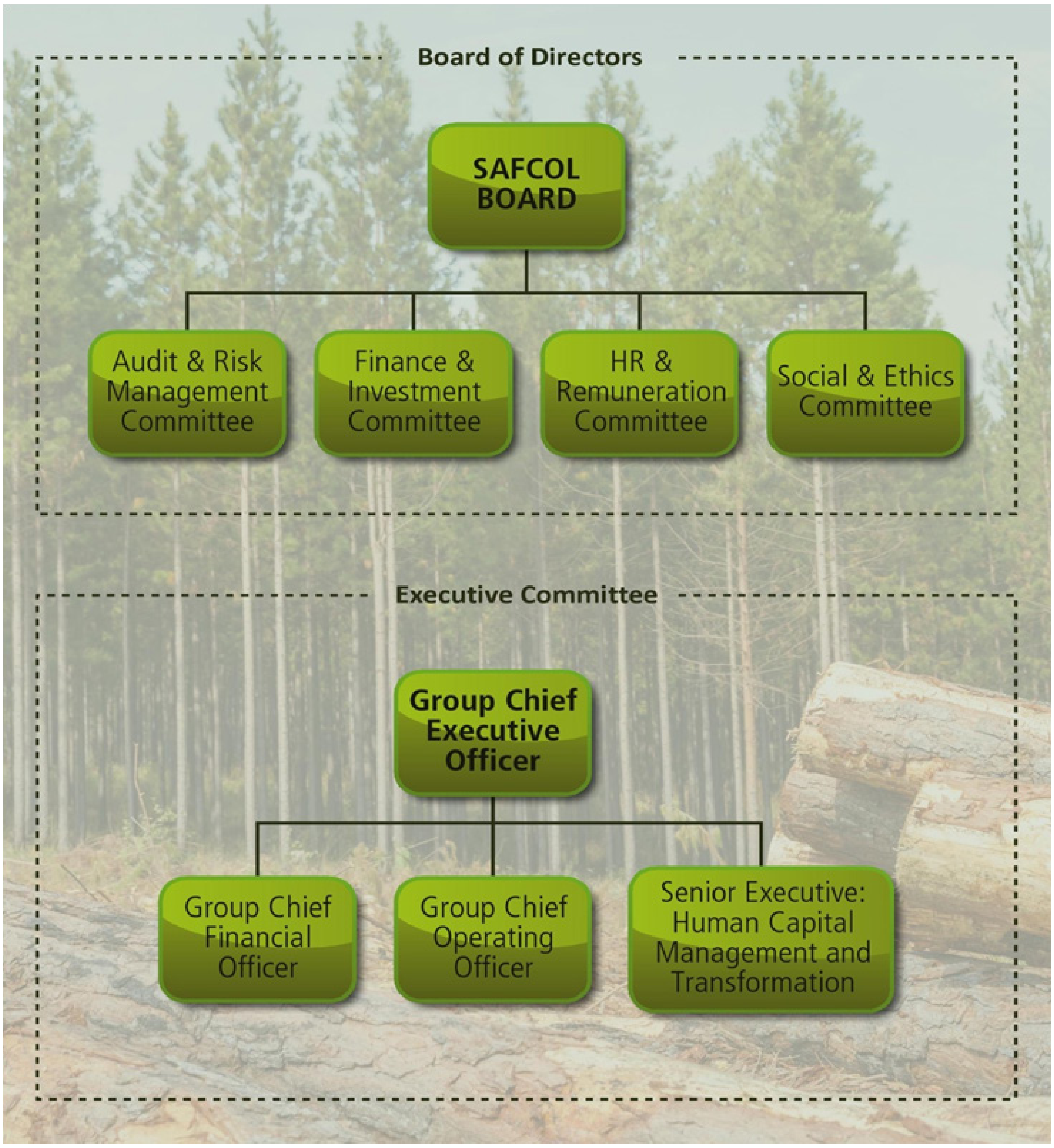
I extend my sincerest and immense gratitude to the members of the Executive Management Team and the entire SAFCOL family for their hard work and commitment to the success of the Group during a very challenging financial year.

Ms Nomkhita Mona
Group Chief Executive Officer



SAFCOL GOVERNANCE STRUCTURES

SAFCOL GOVERNANCE STRUCTURES



2013/2014 PERFORMANCE

GROUP CHIEF FINANCIAL OFFICER'S REPORT

Set out below is an overview of the Group's financial performance during the year, together with the key drivers behind this performance.

Financial Overview

The results

The Group reported a net loss before tax and fair value adjustments of R24.5 million for the year ending 31 March 2014, compared to the prior year's R46 million profit, which was obtained mainly due to the sale of the Shannon Property. A net profit of R511 million was obtained during the year under review, compared to a net profit of R74 million in the prior year. Net asset value increased from R3.1 billion to R3.6 billion against the prior year, while cash and cash equivalents grew from R153 million to R222 million.

The Group met its contracted shareholder targets for working capital management, as well as the current ratio, while it fell short on financial return targets and the cash ratio.

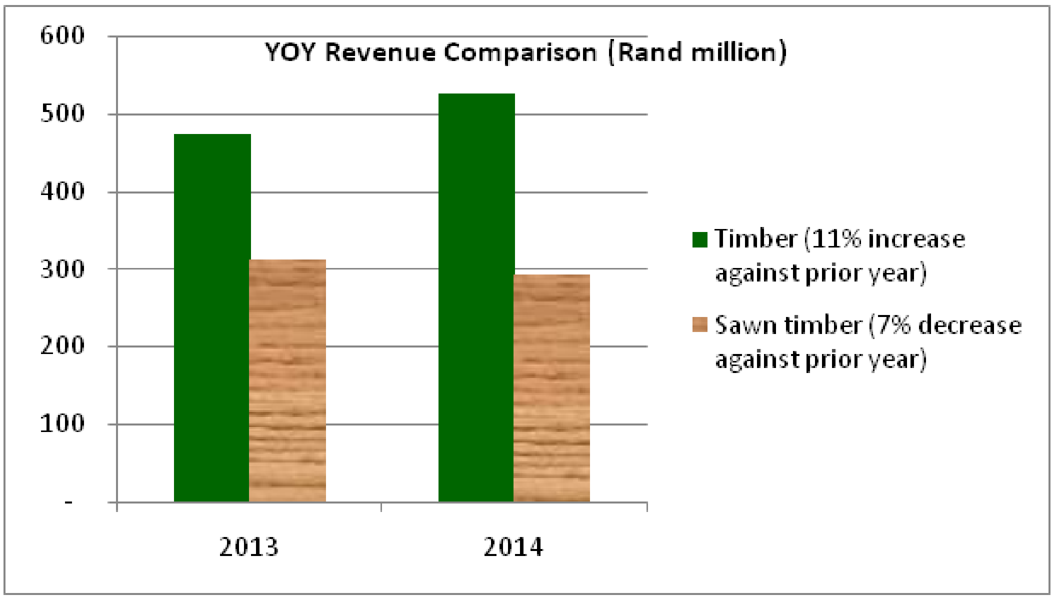
Impact of the economic environment on key financial ratios

Despite the external economic environment influencing the lower operational performance for the Group, it still demonstrated strength and resilience in achieving higher revenue than in the prior year. The Group continues its efforts to investigate different financing options, so as to ensure that appropriate funding is obtained for significant projects that will be approved by the Shareholder and the Board during the 2015 financial year.

Five-year financial overview

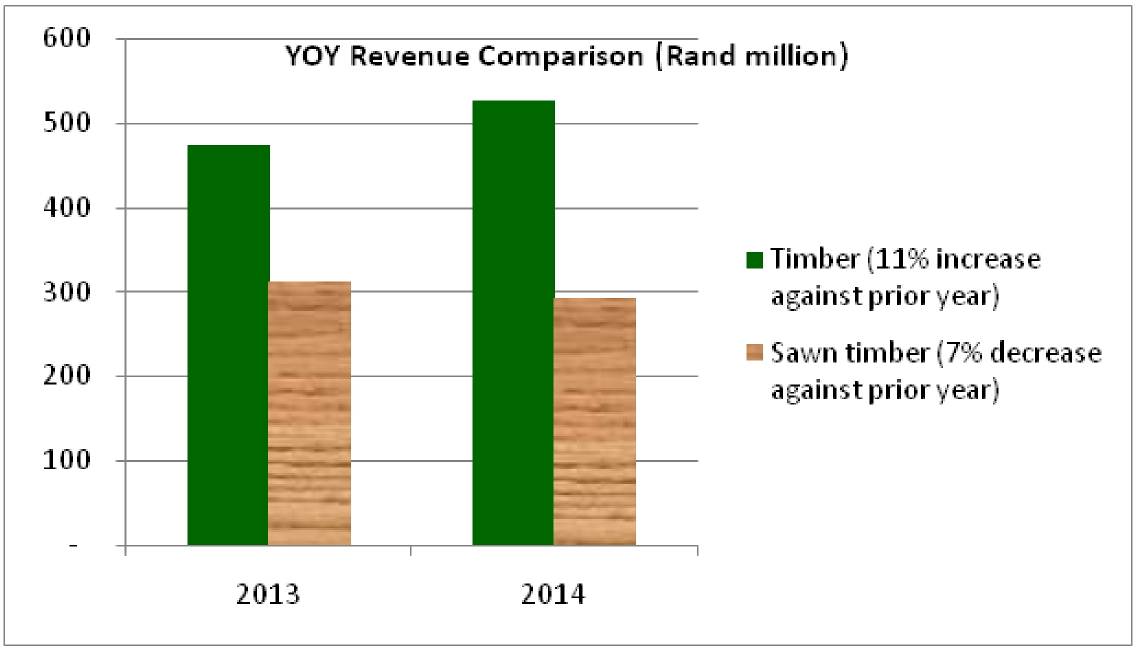
Growth in revenue

The trend for revenue over the past five years has been upward, except for in the 2010 and 2011 financial years due to the recession. During the year under review, revenue reached its highest level in the last five years, which is indicative of improved performance by the Group. Profitability has, however, not returned to 2008/2009 levels. The 2014 financial year saw 4% growth in revenue, against the prior year and above average revenue earned over the past five financial years. This was mainly due to an increase in selling prices, which was influenced by product mix and an increase in log volumes sold.



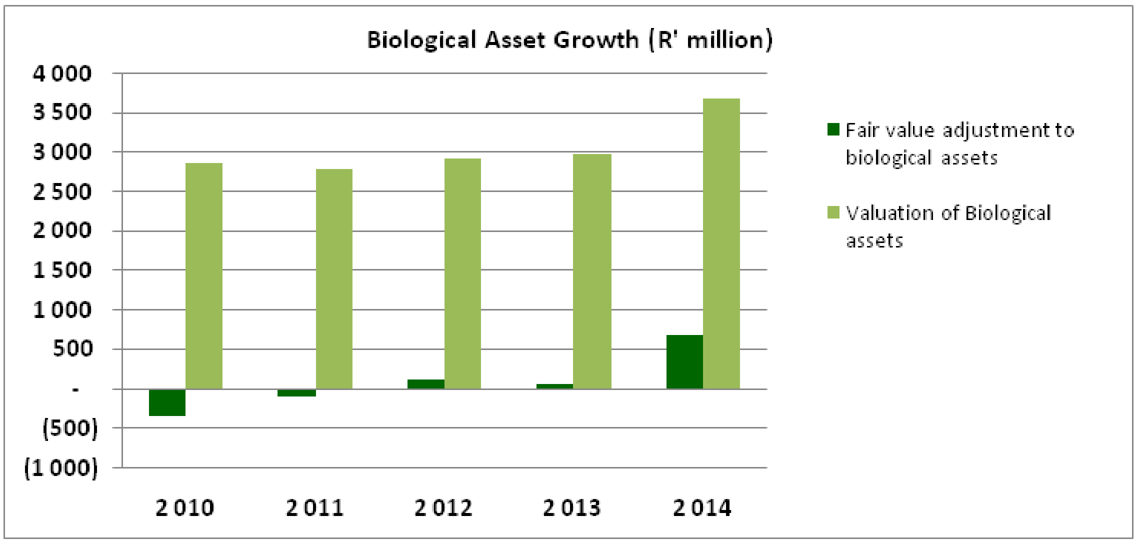
Key trends over the five-year period to 31 March 2014 are as follows:

Revenue and operating profit/(loss) before fair value adjustments



Biological asset growth

Biological assets, which are the plantations within forest operations, represent the largest asset class on the Group's balance sheet. This asset class provides the Group with its biggest source of revenue. Biological asset value has grown from R2.9 billion (2010) to R3.7 billion (2014). The five-year trend for fair value adjustments and biological asset value is as follows:



During 2014, the value increased due to a positive impact of prices, a lower discount rate and volume growth. Factors that had a negative effect on value were increased costs and specifically an increase in overheads due to the inclusion of full land rental fees.

Capital expenditure (CAPEX)

The Group's capital expenditure approach over the past five years has been focused on additions and the replacement of critical operational assets – with an average yearly spend of R55 million.

GROUP VALUE ADDED STATEMENT

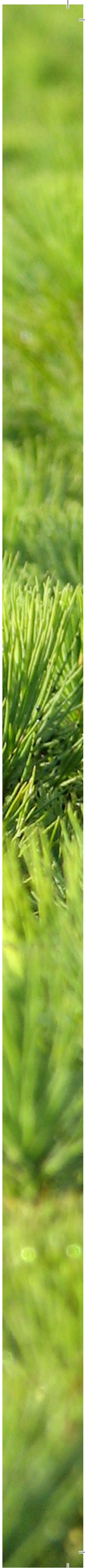
The statement below details how the value added is applied to meet certain obligations, reward those responsible for its creation and the portion that is re-invested in the business for the continued operation and expansion of the Group.

	2014 R'000	%	2013 R'000	%	2010 R'000	%
TURNOVER	894 374		855 608		862 263	
LESS: DIRECT COST (excluding labour cost)	606 297		524 787		651 633	
VALUE ADDED BY OPERATIONS	288 077		330 821		210 630	
ADD: FAIR VALUE ADJUSTMENTS	731 445		63 028		155 066	
	1 019 522		**393 849**		**365 696**	
ADD: INVESTMENT INCOME	14 139		13 504		-	
TOTAL VALUE ADDED	**1 033 661**		**407 353**		**365 696**	
DISTRIBUTED AS FOLLOWS:						
EMPLOYEES (remuneration, benefits, social welfare and training)	273 761	26.9	251 143	63.8	231 330	63.3
PROVIDERS OF FINANCE	2 853	0.3	1 516	0.4	327	0.1
SOCIO ECONOMIC DEVELOPMENT	6 747	0.7	7 643	1.9	6 569	1.8
GOVERNMENT FOR TAXATION	196 174	19.2	35 470	9.0	(120 122)	(32.8)
CURRENT TAX	126	-	457	0.1	(1 517)	(0.4)
DEFERRED TAX	196 048	19.2	35 013	8.9	(118 605)	(32.4)
SUB TOTAL	**479 535**	**47.0**	**295 773**	**75.1**	**118 104**	**32.4**
VALUE REINVESTED	**554 126**	**54.4**	**111 580**	**29.2**	**247 592**	**67.7**
DEPRECIATION AND AMORTISATION	43 346	4.3	41 496	10.5	41 624	11.4
RETAINED INCOME / (LOSS) FOR THE YEAR	510 780	50.1	73 819	18.7	205 968	56.3
TOTAL VALUE DISTRIBUTED	**1 033 661**	**101.4**	**407 353**	**104.3**	**365 696**	**100.1**

Operations

The Group reported a net profit of R511 million. The Group's performance was influenced by the following:

- A 4% increase in revenue.
- A R33 million positive fair value adjustment of non-current assets held for sale (2013: R3 million).
- A write-off of penalties and fines accrued by the Mozambican subsidiary.
- A R699 million positive fair value adjustment of biological assets (2013: R60 million positive adjustment).
- A R4 million (2013: R4 million) dividend received from Siyaqhubeka Forests (Pty) Ltd.
- A R47.7 million land-lease cost (2013: R17 million).
- The key expenditure drivers for the Group have continued to be: employment costs (29%); forestry contractors (24%); material management (14%); asset management (17%); and administration expenses (10%). Employment costs for the year (including directors' fees) amounted to R279 million, which represents a 9% increase against the previous financial period. Forestry contractors' spending amounted to R226 million, which represents a 19% year-on-year increase. Asset management increased by 26% to R157 million. Administration costs of R94 million increased by 3% against the prior year.
- R6.7 million (2013: R7.6 million) was spent on socio-economic development initiatives, which constitute 1% of total operating expenditure of the Group.



Working capital management

Optimising working capital remains a key focus area for the Group. This is evident in progress made as indicated below:

DESCRIPTION (RAND MILLION)	2 014	2 013
Trade and other receivables	180	203
Inventory	70	86
Current liabilities	(169)	(126)
Net working Capital	81	163

Inventory decreased by 19% year-on-year, and the Group is continuously increasing its efforts to maximise sales, whilst reducing stockholding levels.

Trade and other receivables (R180 million) improved by 11% as a result of the controls put in place to continuously monitor credit risk. The provision for impairment on trade and other receivables is at 7% of total trade and other receivables, and has increased by 1% compared to the 6% reported during the previous financial year. Other receivables decreased by 19%, with a closing balance of R11.6 million.

Current liabilities increased by 33% compared to the previous financial year. This was significantly influenced by provisions, which have increased by more than 100%, and which consist mainly of the land-lease.

Debt and maturity profile

The Group had outstanding debt of R42 million as at 31 March 2014. This is mainly related to the asset-based facility utilised on the operational assets acquired.

Cash flow management

The positive net cash flow from operating activities of R94 million, increased compared to the R15 million for the 2013 financial period. Although the results indicate that the Group generates sufficient cash from operations, this will be negatively impacted by the payment of land lease rentals.

Investing activities were influenced by cost-savings initiatives and the timing of expenditure in respect of operational CAPEX. This resulted in a year-on-year decrease of 36% in the investment made in CAPEX.

All activities have resulted in a R222 million cash and cash equivalents balance, which is a 45% (R69 million) increase from the prior period.

The Group will continue to focus on generating revenue and profit, which will be underpinned by increased productivity and a drive on cost efficiencies.

Ms Z Mashinini
Group Chief Financial Officer

HOW WE PERFORMED AGAINST THE SHAREHOLDER’S COMPACT

HOW SAFCOL PERFORMED AGAINST THE SHAREHOLDER COMPACT

The table below indicates SAFCOL's actual performance against the targets in the Shareholder Compact:

PROGRESS AGAINST SHAREHOLDER COMPACT TARGETS FOR 2013/14				
KPA	**KPI**	**Actual**	**Target**	**Reason for variance**
	FINANCIAL AND COMMERCIAL SUSTAINABILITY			
Financial Returns	EBITDA/Revenue	2%	8%	Performance is below target as a result of depressed markets.
	ROE (excluding FV movements & translation gains/losses)	-1%	3%	Negative variance is due to losses incurred as a result of lower revenue than budgeted and depressed markets.
Creditworthiness	Gearing ratio	1%	≤50%	Lower capital expenditure, resulting in lower than anticipated utilisation of asset-based financing.
	Cash interest cover	12	2	This is due to positive cash flow generated from operations. The net interest to date is a positive R7m, due to more interest being earned than paid.
Working Capital Management	Current ratio (excl. NCAHFS)	3	≤4	In line with target.
	Cash ratio	1.3	1.5	This is slightly below target, due to a higher than anticipated increase in current liabilities.
	SUSTAINABLE FORESTRY MANAGEMENT			
Plantable area of forest under management	Total gross stocked area			
	SA	121 667 ha	121 100 ha	Target exceeded. This includes the provision of 500ha for delineation and excisions, as agreed with the shareholder.
	IFLOMA	16 178 ha	16 411 ha	Target achieved. This includes the provision of 500ha for delineation and excisions, as agreed with the shareholder.
	Temporarily unplanted area			
	SA	1.9%	≤3.0%	Target exceeded: focussed management & conducive conditions.
	IFLOMA	10.2%	≤18%	Target exceeded: focussed management & conducive conditions.
	Area to be planted			
	IFLOMA 1	672 ha	1,500 ha	Project suspended during the financial year.
	IFLOMA 2	0 ha	2,000 ha	
Area of forest under management that is certified in terms of FSC	% total forest area in South Africa	100%	100%	Target maintained.
	% total forest area in Mozambique		Application to the certification body	Project suspended during the financial year.

PROGRESS AGAINST SHAREHOLDER COMPACT TARGETS FOR 2013/14				
KPA	KPI	Actual	Target	Reason for variance
Processing	South African operations			
	Timbadola (volume)	119 645 m3	130 000 m3	Low plant availability. Excessive rain during the year. Industrial action by contractor employees.
	Custom cut operations (volume)	114 796 m3	150 000 m3	Cut back on production due to poor lumber markets. Excessive rain in 3rd quarter
	Recovery rate	49%	49%	Target achieved.
	Upgrade of Timbadola	Completed Feasibility Study	Submission of a Feasibility Study	Target not achieved.
	Mozambican operations			
	Volume	6 491 m3	30 000 m3	Project suspended during the financial year.
	Recovery rate*	43%	52%	
SOCIO-ECONOMIC TRANSFORMATION				
Skills development (scarce and critical skills)	Number of Management Trainees (Internship) in the programme	34	15	Target exceeded: intake of forestry graduate trainees through the External SAFCOL bursary scheme + additional ERP.
	Number of Artisan Trainees in the programme	10	6	Target exceeded: more funding received from the SETA.
	Number of sector specific trainees, such as Foresters and Forestry, workers in the programme	120	20	Target exceeded: more funding received from the SETA.
	Training spend:% of total training spend against personnel costs, inclusive of 1% skills levy.	3.5%	3%	Target exceeded: more funds became available from the SETA.

Employment creation	Employment Equity Contribution:				
	Number of Black management personnel	84	70		Target exceeded: qualifying applicants in management positions are mostly Black.
	Number of Black management females	21	21		Target achieved.
	Number of Black People with a disability	20	7		Target exceeded: following an awareness campaign several employees declared their disability
PROGRESS AGAINST SHAREHOLDER COMPACT TARGETS FOR 2013/14					
KPA	**KPI**	**Actual**	**Target**		**Reason for variance**
Procurement	BBBEE contributor level	2	2		Target achieved.
	BBBEE total procurement spend	R676 853 977	R607 302 586		Target exceeded: the entity embarked on a conscious effort to source BBBEE suppliers over and above what was anticipated.
	SMME procurement spend				
	% local content	96.22%	75%		Target exceeded: services required by SAF-COL can be sourced locally.
	Total % BBBEE contribution (of local content)	85.66%	50%		Target exceeded: service providers on the database are BBBEE compliant.
	Procurement spend on marginalised groups	% Black Women owned % Youth owned % PWD owned	12.46%	6%	Target exceeded: increase in women service providers.
			Achieved as part of the above	3% 1%	Information not specified and not available on the B-BBEE scorecards of suppliers. This will be calculated manually going forward.
	Number of enterprises developed	21%	1% NPAT – budget allocation		
	Socio-economic development - SED	13	Jobs created Infrastructure Total spend on Group CSI		Target exceeded: NPAT for 2013/2014 was lower than budgeted, whilst already committed to projects based on budgeted allocations.
Corporate social investment (Including Social Compact)	Implementation of the development charters	13	Jobs created Infrastructure Total spend on Group CSI		Target achieved.

OPERATIONAL PERFORMANCE– KOMATILAND FORESTS

Forestry Operations

Forestry operations have experienced consistent improvement over prior years in timber sales, operating revenues, profits and operational efficiencies. As a result, operating expenses were kept under control, despite above-inflation increases in input costs such as labour and fuel, as well as a constrained timber market due to the global economic recession.

Total log revenue increased by 11.4% compared to the previous period however the company did not sell all harvested volumes in 2014. Productivity in harvesting operations was 1% higher than planned. More focus and concerted effort was put into improving productivity, efficiency and cost savings.

With regard to sustainable forest management, KLF has surpassed its TUP target of 3% stipulated in the shareholder's compact. The actual TUP was 1.9%, which is exceptional when compared to the target.

Value adding operations were satisfactorily achieved, such as planting (99.2 %), pruning (93%) and thinnings by volume (82%). Thinning operations were largely affected by difficult market conditions.

Salvage operations due to fire (789 ha), wind (103 ha) and hail (367 ha) damage partially affected thinnings and led to an increased annual clearfelling programme. Most of the timber salvage operations were prioritised and completed during the 2014 financial year.

The mechanised harvesting system was implemented successfully and the system has produced more than 210 000 m^3 of timber to date. This initiative has brought about general skills development and improvement in operational efficiencies.

The volume of sawlogs delivered to processing plants was increased in an effort to decrease the risk of timber theft and to provide better service to customers.

All the open FSC CARs were closed and all NOSA audits were successfully concluded.

Eco-tourism

Various possible solutions to improve revenue were implemented. New reservation and marketing systems were identified, with the aim of streamlining areas of concern and increasing revenue.

Land Claims Management

SAFCOL's operations in all three provinces in which it operates are affected by land claims. As most of the land is leased from the State, SAFCOL does not have the mandate to resolve and settle land claims. However, the Group has reinforced its commitment to contribute positively towards the resolution of all land claims affecting its operations.

The Group continues to participate in various forums, in an endeavour to facilitate the timeous resolution of land claims. Operational specific meetings are held with the regional offices to give specific attention to individual claims. High level meetings are held between SAFCOL, the Land Claims Commission, DPE and land claimants to review progress and develop action plans aimed at speeding up the process.

The Department of Rural Development and Land Reform has taken a pro-active role in fast-tracking the settlement of the Ngome/ Ntendeka Land Claim. The Department is also facilitating the social development of the Ngome claimant community, so as to improve access to services.

The following challenges have been an impediment to the land claim process:

The unlawful occupation of KLF operated land, with communities building structures within the plantation areas.

- Intra-community disputes have been identified as a major cause of delay in the finalisation of claims. The disputes are mainly on boundaries, overlapping land rights and the legitimacy of some members of the claimant group.
- Lack of communication by the responsible Departments with claimant groups regarding the progress of their claims has led to problems such as threats by claimants against SAFCOL's operations.

Status of land claims per province:

Status	Mpumalanga	Limpopo	KwaZulu-Natal	Total
Researched	13	1	-	14
Gazetted	3	10	1	14
Approved	-	3	-	3
Transferred	-	-	-	-
	16	14	1	31

Processing Operations

Timbadola Sawmill

The Timbadola structure became leaner as a result of combining sections to create a flatter management structure.

Timbadola achieved a lower than budgeted intake volume. Contributing factors for not achieving the budgeted intake were:

- Log mix deviation, due to external customers not taking their volumes.
- Low plant availability, due to aging equipment, which hampered throughput.
- Industrial action by contract workers.
- Excessive rain during the fourth quarter of the financial year.

Increasing production costs (due to above-inflation increases in fuel, labour and electricity costs) were inevitable and further contributed to margin squeeze.

Stock levels came down by 2 600m^3 during the period under review. Selling prices remained under pressure, forcing sawmilling operations to find other solutions to reduce costs and increase the value of their products.

The sawmill operations are currently under review, the intention being to upgrade and expand the mill and increase intake and production volumes, thereby ensuring sustainability of the mill, plantations and employment.

Custom Cut Operations

Ringkink Sawmill: Ringkink's processing operations were hampered by the collapse of the wet-off-saw market.

The operation also faced serious challenges in converting its processes and output to new product requirements whilst maintaining sales consistency and committed log off-take, as per Forest's allocation.

The conversion of an exclusively wet-off-saw operation to a conventional high quality kiln-dried structural lumber producing facility was completed and is already showing results.

John Wright Veneer Sawmill: The operation maintained its record of achieving budgeted profitability for the fifth year running.

The operation remains KLF's largest consumer of pruned logs at premium pruned saw log prices (internal transfer).

Sales and Marketing

For a number of years, since the start of the global financial crisis, SAFCOL was unable to sell its annual sustainable yield of logs. This was compounded by the diminishing market for softwood pulp logs.

The South African lumber market remained under severe pressure. The anticipated resurgence of the house-building industry did not materialise, exerting further strain on the sawmilling industry as a whole. During the period under review, the Rand reached record low levels against the major currencies and increased export of sawn products did not materialise. Due to inefficiencies at local mills, the accompanying high conversion costs and lack of investment in the processing industry, sales did not return to pre-recession levels.

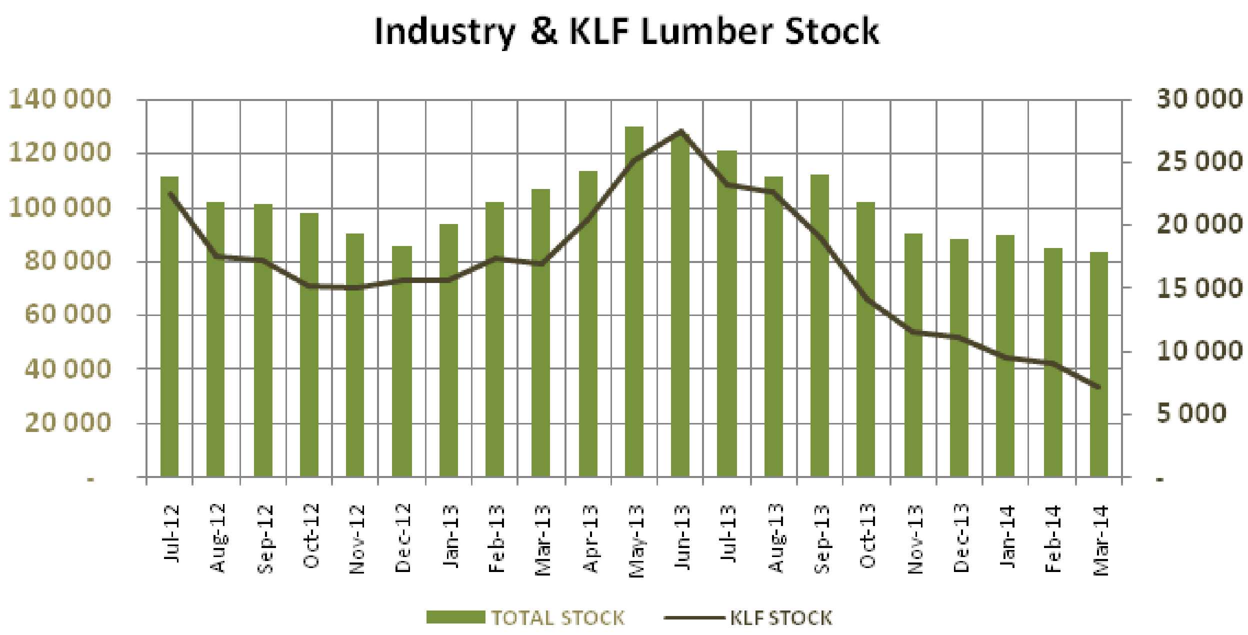
The excessive stock build-up during the past number of years required additional storage facilities. During the second and third quarters, the lumber market improved, resulting in overall Group finished goods stock levels reducing by over 46% from March 2013. Despite difficult times, KLF remained focussed on converting trees into cash, while external customers did not honour their commitments to purchase logs from the company.

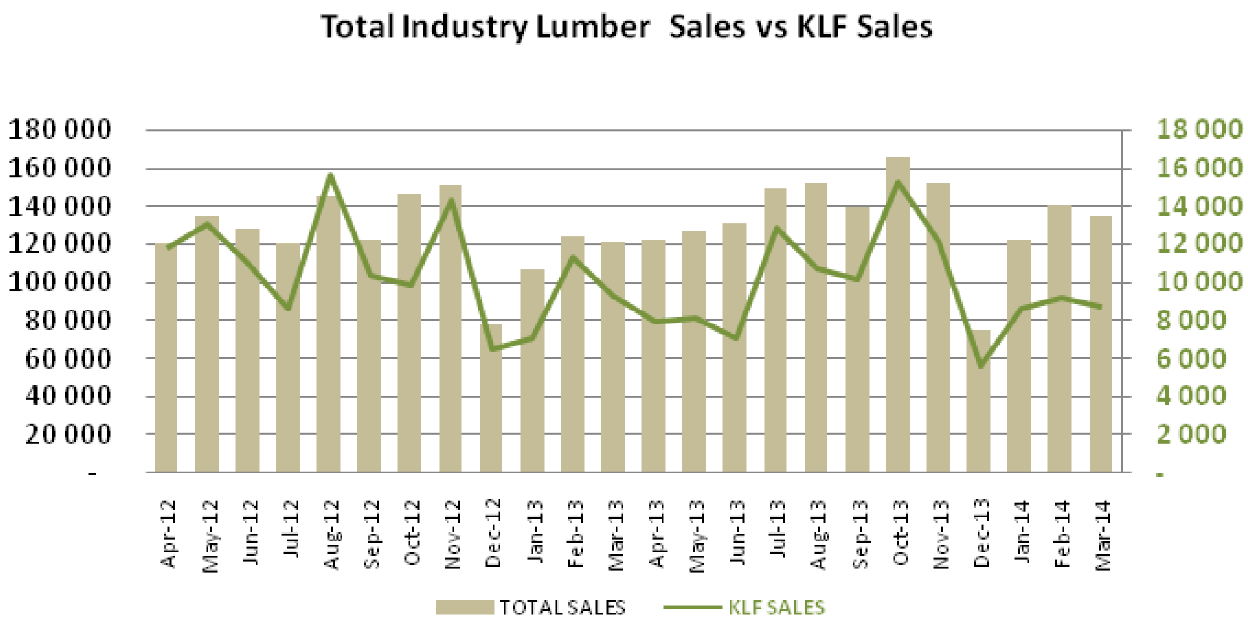
Despite a reduction in overall mill production volumes from the previous year, KLF's market share remained consistent,at between 7% and 9%, due to increased lumber sales from stock.

The consignment stock agreements that were introduced post-recession are being phased out. This is due to KLF's normalised stock levels and pricing arrangements on these contracts that proved difficult to manage.

A lumber price increase of 6%, effective 1 April 2014, was communicated to the market.

The traditional system of selling through agents and paying commission of between 3.75% and 5.00% has been terminated, effective 1 April 2014.





RESEARCH AND DEVELOPMENT

KLF operates in an environment with an increasing global demand for high quality timber products that are grown according to sustainable practices. This challenge inspires the company's forestry scientists to implement modern technologies to ensure that the best genetic material available is planted, that it is correctly matched to site and that it is managed according to the most appropriate silviculture practices. The result is maximised volume growth and the production of wood that is predictable in terms of both volume and quality.

The team at Sabie Research Centre in Mpumalanga comprises a diverse group of dedicated scientists and research technicians. The centre concentrates on tree improvement, with a focus on increased volume growth, improved stem form and branching characteristics, disease tolerance, and improved wood properties. Further research aspects include seed production, storage and testing of seed, distribution of improved seeds for internal use, as well as research into somatic embryogenesis, new nursery practices and growth and yield modelling.

The research centre's hybrid programme has become a crucial focus for future growth material for forestry. A dedicated, controlled pollination team ensures that hybrid seeds are produced for the various hybrids being evaluated. The *P. patula x P. tecunumanii* high and low elevation hybrid is being deployed at a commercial level in the field from the Tweefontein Nursery. The advantages of this hybrid over *P.patula* are tolerance to *Fusarium circinatum*, increased growth (volume) and improved wood quality. Aspects that are being evaluated in new hybrid species, through the CAMCORE and own in-house hybrid development programmes, are tolerance to extreme weather (such as cold and drought), diseases, and improved volume growth and wood quality.

The following are the Group's key research and developent achievements for the year under review:

A total of 1 250 kg of seed was harvested and cleaned during the period, and put into cold storage; while a total of 969 kg was sold.

- Breeding plans were developed for *P. Maximinio, P.pat x ooc* and *P.taeda* to ensure that only the best genetic material is used for future breeding. A strategic plan for future use of the genetic gains trials was developed.
- A total of 12 research trials were planted: 4 trials were from CAMCORE and 8 were in-house hybrid and progeny trials. The hybrid trials are important for future site species matching, while the CAMCORE trials will help KLF to introduce new species into the breeding programme. All progeny trials were planted to ensure the generation turn-over in that specific species.

The Research and Development Centre also manages Palm Ridge Research Farm in KwaZulu-Natal. The 127 ha farm accommodates pine-seed orchards, clone banks for gene conservation and controlled pollination (CP) orchards. Besides the Palm Ridge Farm, the Research Centre also manages the 90ha research trials left on the Kwambonambi and Dukuduku plantations.

Pests and Diseases

Pests such as *Fusarium, Sirex, Leptocybe* and baboons are current threats to the forestry industry. Research is being done to determine how to manage or overcome these threats. There has been evidence of Sirex and Leptocybe damage in our plantations. Although not quantified, the effect is still very small, but could increase in the future. In the Sirex programme, a total of 1 000 trees were inoculated with a nematode last year - an increase of about 300 trees since 2012.

The very serious threat to *Eucalyptus* trees in South Africa from *Leptocybe invasa* (a gall-inducing wasp) is spreading rapidly throughout the country, and the wasp has also recently become active in Mozambique. The best available option to deal with the growing *L. invasa* invasion is biological control. A team from the Tree Protection Cooperative Programme (TPCP) recently collected a very promising parasitoid (Selitrichodes) from Australia and started with the process of inoculation in damaged areas.

Leptocybe has been found to occur only on our very young *Eucalyptus* trees in the field, with tip damage on the trees restricting annual growth. This bio-control insect, *Selitrichodes neseri*, was released on Wilgeboom in 2012 and results on control are evident.

The Sirex control programme is managed by a steering committee consisting of members appointed by the forestry companies, DAFF, representatives from Forestry and Agricultural Biotechnology Institute (FABI) and the Institute for Commercial Forestry Research (ICFR). This committee is focused on co-ordinating four main activities that are aimed at ensuring that appropriate measures are developed and implemented to minimise the threat of Sirex. These are:

- Operational control of Sirex through the deployment of biological control agents
- Monitoring the extent and spread of Sirex in South Africa
- Communication to all stakeholders
- Research

Pitch cancer caused by the fungus *Fusaruim circinatum*, which resulted in high mortalities in *P. patula* compartments, were minimised in the previous year by deploying the resistant hybrid *P. patula x tecunumanii* and *P.patula x oocarpa*. This was made possible through our membership and participation with CAMCORE, FABI and the ICFR.

Damage caused by baboons to pine trees on the Mpumalanga escarpment run into of millions of Rands. The problem has consequences for all wood producers right down the value chain to the final product. Baboon damage has been reported for quite some time, but this type of damage seems to be increasing in frequency and severity. Some of the research trials have also been damaged by these animals. Wild-life routers have been erected in an attempt to scare off the animals from the trials, but this was not successful.

The Baboon Damage Working Group (BDWG) was established to serve as an inter-company forum where management of the problem could be discussed and action plans devised. Members of BDWG include industry representatives and representatives from various NGOs and from government (central and provincial).

In 2007 KLF launched a research project to develop a better understanding of the reasons for the damage and to investigate probable solutions. This was done within the guidelines of current legal requirements and in cooperation with provincial conservation authorities.

After recent discussions between the ICFR and the University of Cape Town (UCT), a research programme was launched, which will be funded through Forestry South Africa (FSA). The aim of the research initiative (a joint programme being run by the industry, ICFR and UCT) will be to finalise a set of guidelines for the management of damage-causing baboons, which could be used by FSC certified companies - with possible wider implications for baboon damage relating to other agricultural crops. Details of the project are still under discussion and a close relationship between the interested parties will be required for its success.

Socio-Economic Development (SED)

The Group has implemented Socio-Economic and Enterprise Development programmes that include job creation and community infrastructure development, to support social compacts.

A budget of R6.7 million was allocated to SED in the year under review. A needs analysis and project identification study, based on budget guidelines, were finalised in collaboration with the Joint Community Forums (JCFs); these are local forums that represent communities living adjacent to the Group's business operations.

SED objectives are:

a) Sustaining mutually beneficial relationships between SAFCOL and the communities we serve, as preferred partners.
b) Signing Social Compacts and MOUs with target communities living adjacent to our plantations and within the Group's footprint areas.
c) Compliance with the requirements of the Forestry Charter.
d) Attaining and maintaining the status of the preferred partner for successful land claimants.

SED Projects for the 2013/2014 Financial Year

SIHLENGENI ICT CENTRE KWAZULU-NATAL:	Sihlengeni Combined School was supplied with 20 new computers, table tops and a classroom - all secured with burglar bars and a lockable gate.
SINETHEMBA AND DAVIDALE ECD CENTRES:	Ablution blocks were built for Sinethemba and Davidale ECD centres in Mpumalanga.
NORDENE PRIMARY SCHOOL:	SAFCOL partnered with Eskom to provide electricity to Nordene Primary School.
LERORO DISABILITY CENTRE:	The Group installed burglar bars to safeguard sewing machines donated to the project by the Department of Social Development. The service, completed in February 2014, was provided by a local community member.
DESK MANUFACTURING PROJECT:	A desk manufacturing project was initiated in March 2014, with 20 young semi-skilled community members being mentored and coached on various technical and business skills.
NTABAMHLOPHE ABLUTION BLOCKS:	Ablution blocks were built at Ntabamhlophe Primary School.
MAYFLOWER DISABILITY CENTRE:	Jointly with the Department of Social Development, the Group donated a refrigerator and stove and installed burglar bars. They were handed over in February 2014.The security bars were installed by a local community member.
TSHITAVHADULU COMMUNITY HALL:	The construction of a community hall for the community of Tshakuma (which is under the leadership of Chief Madzivhandila) was completed in March 2014. The hall will serve as a multi-purpose centre.
THATHE-VONDO GUEST HOUSE:	As part of the drive for job creation and income generation, the Group refurbished and converted an old dilapidated plantation house into a guest house for the Tshivhase Community. The project was completed during March 2014.
MANTJOLO MARKET AND STALL:	A timber-framed stall and ablution block were erected on the R38 for use by the women of Mantjolo (who have been trained in vegetable gardening, sewing and garment making) to sell their products.

Since the implementation of social compacts, the Group's relationships with its communities have improved. The partnership between the communities and the Group ensures that real and critical needs are addressed to reduce poverty, improve living conditions and develop skills in rural communities living adjacent to or within the Group's areas of operation.

HOW SAFCOL MANAGES PEOPLE AND REMUNERATES STAFF

The Group's human capital mission is driven by its continuous focus on achieving the business strategy through high performing teams, and attraction, development and retention strategies that ensure the Group has the best talent in order to achieve value-added performance.

Workforce

SAFCOL has over 1 736 permanent and fixed-term employees in South Africa, 540 employees in Mozambique and approximately 2 900 contractors.

Challenges

The following challenges were identified within the Group and have informed the most recent deliverables of the HCM 2013 – 2016 strategy:

- Performance management is not sufficiently used to advance SAFCOL's strategic objectives.
- There is a lack of workforce planning to align current and future workforce requirements with business needs.
- There has been insufficient focus on management and leadership development in order to build the capabilities required for the realisation of strategic objectives.
- Due to a high HIV prevalence, the need for an integrated wellness and health programme has been identified.
- The relationship between management and organised labour has to be improved to ensure a productive and conducive working environment.

Achievements for 2013/14

The Group's strategy is focused on creating human resource service offerings to meet SAFCOL's strategic objectives. Focus areas include implementation of the new Performance Management System, Talent Management and Succession Planning strategies, development of the Leadership and Management pipeline, the Integrated Health and Wellness Programme and Workforce Planning.

The shortage of scarce and critical skills has medium to long-term implications that can adversely impact production and shareholder value. Alternative measures need to be devised to ensure a steady supply of the required skills through the talent pipeline.

SAFCOL successfully implemented the following programmes in 2013/14:

a. A job profiling, grading and evaluation exercise
b. Succession planning for females and core positions
c. Performance Management System
d. Management of Health and Wellness
e. Policy development
f. Learning and development
g. Governance, risk and compliance
h. Socio and Economic Development programmes
i. Enterprise Development Programmes
j. Transformation and Forestry Charter
k. Shareholder Compact

Job Profiling & Grading

In 2013, the Group initiated job profiling for all management and administrator positions. A total of 192 positions were profiled, graded and benchmarked to determine each position's correct grade in line with industry standards. The benchmarking of positions was conducted to compare the SAFCOL Total Guaranteed Package with both the forestry industry and SOCs. The next step will be to ensure approval of the new remuneration philosophy and implementation of the new grading system across the Group.

Succession Planning for Plantation Managers

Forty-seven (47) employees were identified for participation in management development assessment, which is intended to facilitate accelerated development and succession planning. The assessment results have been communicated to management and the employees who participated in the assessments. All employees have received development plans that will assist in closing their competency gaps. These employees will be placed on an accelerated development plan to fast-track their advancement into leadership positions.

Female Accelerated Development Programme

Twenty-eight (28) female employees were identified, including senior foresters in core business areas such as Forests, Processing, Planning and Research. The plan is to fast-track female employees into management roles at all levels. This project will ensure that SAFCOL develops its female employees for competency in management roles and will guarantee their placement in such positions.

Performance Management

The Group's new performance management policy was approved in 2013. In September 2013, an audit was conducted of all performance contracts to establish if all contracts had been submitted by employees and whether or not KPAs reflected SMART principles. Challenges are still present in the management of the Performance Management System, however progress has been made in a number of areas in order to improve the system's functioning.

Policy Development

Efficient and sound policies reflect the Group's culture and direction, guide the actions of managers, administrators and employees, and are fundamental to the success of the business. More than 15 new policies were developed during the year under review - a milestone since no new policies were implemented in the Group in the past 10 years.

Learning and Development

During the 2013 fiscal year, learning and development achieved 100% training delivery against target.

SAFCOL is officially affiliated with the Fibre Processing and Manufacturing Sector Education and Training Authority SETA. The Workplace Skills Plan (WSP) and Annual Training Report were submitted for implementation by 30 June 2014. The Group received back 50% of levies paid (R368 048) for implementing the WSP.

The SETA granted the Group about R12 million for all community skills development programmes, which will address the scarce and critical skills shortage, with a special focus on artisan development.

Summary of number of employees who attended training during the year:

	Males				Females				Total
	A	I	C	W	A	I	C	W	
Total	870	3	8	55	347	11	26	48	1368

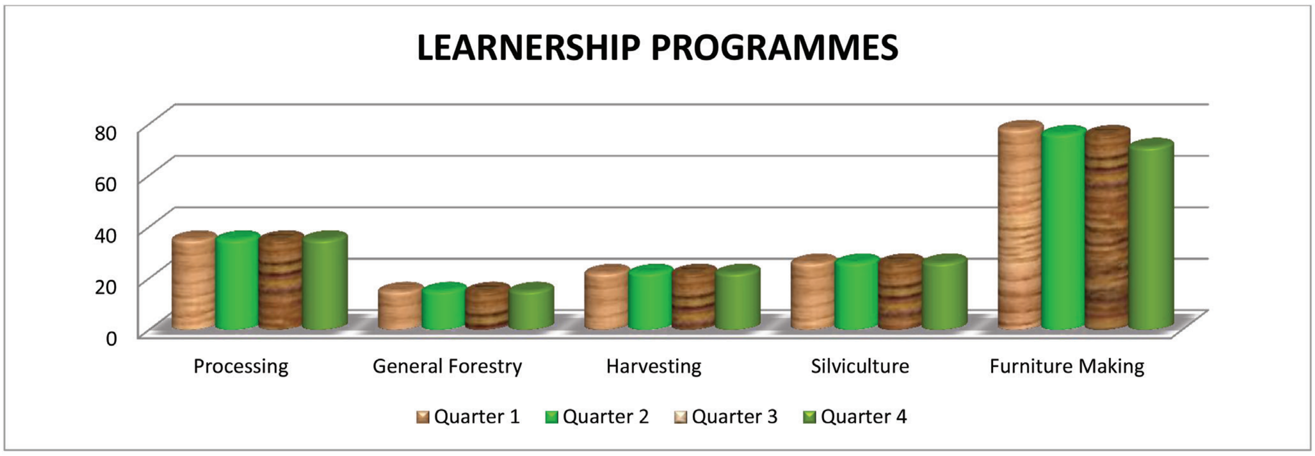
Adult Education and Training (AET)

In keeping with the mandate to establish SAFCOL as a learning organisation, the Group implemented and maintained a functional AET programme. This was done in collaboration with the Department of Education (DoE), in order to eradicate illiteracy amongst Group employees and among communities adjacent to business operations. AET caters for people who have not had access to formal schooling, including higher education. A 66% pass rate was achieved in the AET programme for communities - a positive reflection on the Group's and the communities' commitment to improve literacy levels.

The R456 000 allocated by the SETA for AET was used to train 366 beneficiaries during the year under review.

Learnership Programmes and Skills Programmes

SAFCOL offers learnership opportunities (for further development of skills) to employees within the silviculture, harvesting and wood processing fields. A forestry bridging course and learnership is offered to external learners.



The Forestry Bridging Learnership is targeted at newly matriculated learners who aspire to study towards a Forestry diploma or degree. The course runs over a year and is designed to equip students with the necessary general forestry knowledge and skills required for studying towards a formal forestry qualification, such as a National Diploma in Forestry/Wood Technology or BSc Forestry Degree. Upon successful completion of the programme, students are awarded bursaries to study towards either a BSc degree in Forestry at Stellenbosch University or a National Diploma at the Nelson Mandela Metropolitan University.

Timber training programmes

Seventy-eight (78) unemployed youth were registered for the 12-month Furniture-Making Learnership, which focusses on carpentry and upholstery skills, and equipping them to start their own businesses. Thirteen (13) apprentices (comprising employees and youth from local communities) have been enrolled for apprenticeship training at Timbadola. The training is offered through privately registered Further Education and Training (FET) colleges. The programme is fully funded by the SETA, with learners employed at the sawmill as trainee artisans, in order to gain practical skills in the different trades.

Internship programme

Internship is aimed at providing workplace exposure and experience through skills transfer to new graduates who have a valid tertiary qualification. The programme accommodates unemployed graduates in different divisions in the Group, providing them with relevant work experience in their respective field of qualification. A total of thirty-four (34) interns were placed within the Group for the one-year programme in this financial year, exceeding the target in the Shareholder Compact.

Bursaries

During the 2013/14 financial year, SAFCOL awarded bursaries to employees and non-employees to study in various learning areas that relate to the Group's business. Bursaries are awarded to study at the Nelson Mandela Metropolitan University and the University of Stellenbosch to students who wish to pursue a career in Forestry and Wood Technology . The Group also offers employees study assistance for further education at various national academic institutions on a part-time and correspondence basis. The following allocations were made during the year under review:

- R 1 289 279 for external bursaries (non-employees)
- R 718 152 was allocated for internal bursaries (employees)

Community Skills Development Programmes

SAFCOL's skills development interventions are aimed at benefitting communities living adjacent to our business operations.

The following is a list of some of the skills interventions implemented and the number of learners who participated in the training:

- Business Skills: New Venture Creation (31 learners)
- Carpentry (26 learners)
- Career Exhibitions (15 career exhibitions = 1 500 - 3 000 attendees each)
- Computer Training Course (115 learners)
- Sewing Short Skills Course (35 learners)
- School Desk Manufacturing (20 learners)
- Trainee Artisans (13 learners)
- Upholstery (52 learners)

Personnel records and benefits

Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	3 695 000	2	2	1 847 500
Senior Management	7 996 633	4	6	1 332 772
Professional qualified	58 252 374	28	83	701 835
Skilled	43 356 373	21	141	307 492
Semi-skilled	60 191 826	29	827	72 783
Unskilled	33 189 439	16	677	49 024
TOTAL	206 681 646	100	**1736**	119 044

***The numbers exclude allowances and IFLOMA**

Employment and vacancies

Programme	2012/2013 No. of Employees	2013/2014 Approved Posts	2013/2014 No. of Employees	2013/2014 Vacancies	% of vacancies
Top Management	1	2	2	0	0
Senior Management	5	6	6	0	0
Professional qualified	84	98	83	15	8
Skilled	134	169	141	28	15
Semi-skilled	764	897	827	70	36
Unskilled	685	756	677	79	41
TOTAL	**1673**	**1928**	**1736**	**192**	**100**

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	1	1	0	2
Senior Management	5	1	0	6
Professional qualified	84	26	27	83
Skilled	134	28	21	141
Semi-skilled	764	196	133	827
Unskilled	685	240	248	677
TOTAL	**1673**	**492**	**429**	**1736**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	21	11
Resignation	49	29
Dismissal	29	8
Retirement	39	26
Ill health	2	1
Expiry of contract	249	23
Other: Retrenchment	0	0
Total	389	100

Attracting top talent remained a key driver of the human resources agenda in 2013/14 and significant progress was made in attracting employees from designated groups. Great strides were made in senior management appointments in finance and other business areas; a blend of external appointments and internal promotions was used to ensure a well-balanced management team.

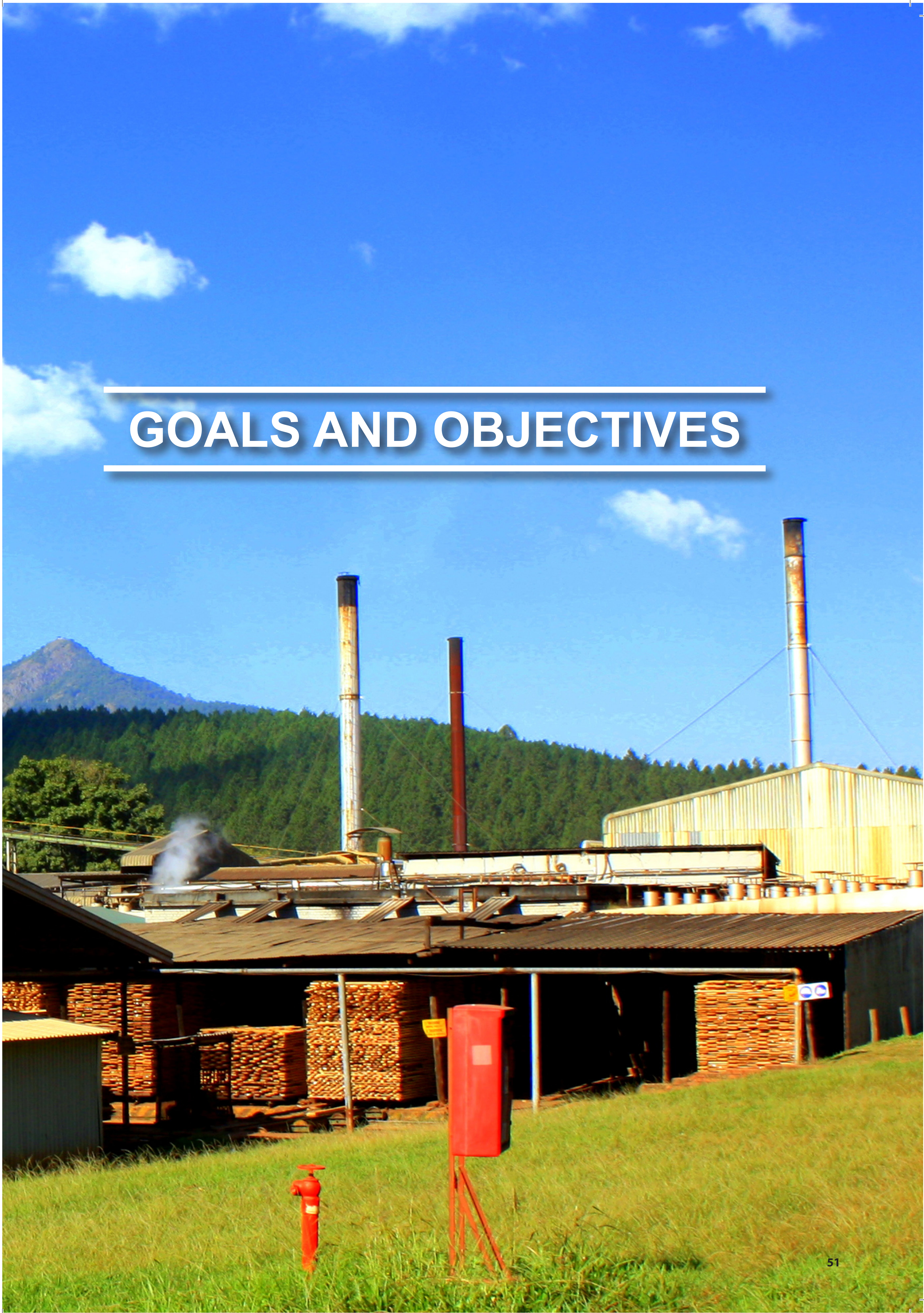
Equity Target and Employment Equity Status

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	3	2	0	0	0	0	1	1
Professional qualified	25	26	2	3	1	2	32	33
Skilled	59	59	1	1	0	2	15	14
Semi-skilled	683	640	1	1	1	1	4	4
Unskilled	494	487	0	1	0	1	0	1
TOTAL	**1264**	**1214**	**4**	**6**	**2**	**6**	**52**	**53**

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	1	0	0	0	0	0	0
Senior Management	1	3	0	0	0	0	1	1
Professional qualified	14	9	1	3	3	3	5	4
Skilled	45	43	5	5	0	1	16	16
Semi-skilled	118	66	7	8	2	3	11	14
Unskilled	182	173	1	2	0	1	0	0
TOTAL	**362**	**295**	**14**	**18**	**5**	**8**	**33**	**35**

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	1	2	1	3
Skilled	2	4	1	3
Semi-skilled	8	7	6	4
Unskilled	5	4	**1**	1
TOTAL	**16**	**17**	**9**	**11**

GOALS AND OBJECTIVES



GOALS AND OBJECTIVES

Mandate

The mandate of SAFCOL remains, as determined by the Management of State Forests Act, the founding documents, other prevailing legislation, as well as the Shareholder Compact, as follows: “To conduct forestry business, which includes timber harvesting, timber processing and related activities, both domestically and internationally”.

DPE, as the shareholder, ensures that SAFCOL is in compliance with the shareholder’s goals through the achievement of KPIs, as per the Shareholder Compact. SAFCOL’s mandate also defines areas of legislative governance and policy compliance that should be taken into account in identifying its strategic direction and initiatives.

Shift in strategic focus

Currently, SAFCOL generates revenue from the sale of forest products, sawn timber (lumber) and other revenue streams, such as rental income and access rights to the land managed by the Group. Sales of both logs and lumber are geared towards the housing construction market, limiting expansion and growth within the current business model.

The biggest challenge for SAFCOL is that it is currently unable to capture the value that its resources should create. SAFCOL’s log prices rose rapidly from 2003-2009, then dropped during the global economic recession and remained flat thereafter. While the initial increase in price was substantial, it is important to recognise that it was consistent with global trends in log prices. In current market conditions, SAFCOL is unable to realise the value it has invested for 30 years into larger diameter pruned logs. This is a valuable resource that gives SAFCOL a competitive advantage to develop products that are of superior quality compared to those of its competitors.

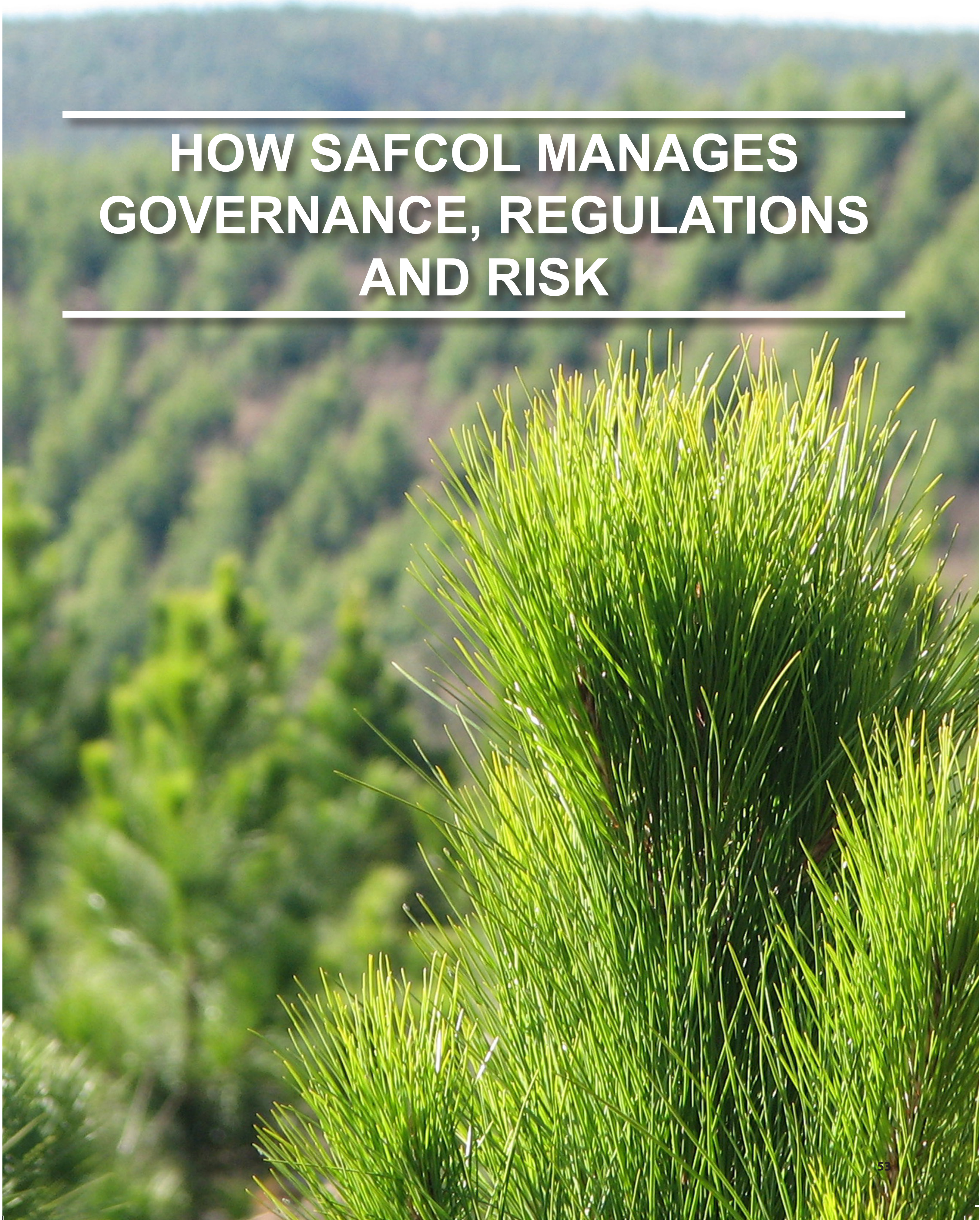
Several key challenges have been identified that necessitate SAFCOL relooking its business model and strategic focus. In response to global trends, strategic challenges and government’s strategic direction imperatives (Shareholder Compact), SAFCOL has identified and developed strategic goals to achieve financial and commercial sustainability. Some of these are to leverage government as a key strategic partner for growth and to extract maximum value from high quality raw material and utilise the whole tree. Rural economic development remains a strategic focus area.

IFLOMA turnaround strategy

IFLOMA is a Mozambique based public limited liability company, which was originally established in the 1980s as a government initiative. As part of the programme of privatisation of state-owned enterprises in Mozambique, 80% of the share capital of IFLOMA was sold to KLF in 2004; the remaining 20% shares is held by IGEPE, Mozambique’s State Shareholding Management Institute. Over the years, IFLOMA has presented some challenges, however SAFCOL will continue to implement a turnaround plan with strict internal controls and prudent cash management. During the 2014/2015 financial year, SAFCOL will follow a strategy of care and maintenance, focusing on the preservation and growth of the biological asset. During the same period, the IFLOMA II bankable feasibility study will be completed.

Land claims

Processing of land claims that affect the land on which SAFCOL operates has remained a challenge, mostly due to the slow and protracted restitution process. Disputes among land claimant communities with respect to boundaries, have been a hindrance to the settlement of claims affecting SAFCOL operations. SAFCOL has continued to engage all affected parties in order to expedite the resolution of all claims in Mpumalanga, Limpopo and KwaZulu-Natal. This remains a key strategic focus area and SAFCOL will continue to engage all relevant communities.



HOW SAFCOL MANAGES GOVERNANCE, REGULATIONS AND RISK

HOW SAFCOL MANAGES GOVERNANCE, REGULATIONS AND RISK

Health and Safety Management

SAFCOL is moving towards a comprehensive approach to create a healthier workplace. To this end, the company is committed to improving and managing wellness initiatives throughout the Group.

Emphasis was placed on re-training and orientation of management in terms of legal compliance and NOSA certification requirements. This was done through a series of safety work sessions for the various levels of management. The safety system was strengthened by the re-appointment of managers and supervisors in terms of the Occupational Health & Safety Act.

Procurement Committee

Procurement transactions are executed in such a way that SAFCOL maintains its reputation of fair and unbiased dealings with suppliers. It is SAFCOL's policy to make procurement opportunities readily available to all suppliers and to award business on the basis of merit.

The Procurement Committee meets regularly to consider procurement matters. The main purpose of the Committee is to ensure that the following objectives of procurement are achieved:

- Broad-Based Black Economic Empowerment (B-BBEE)
- Value for money
- Open and effective competition
- Ethical and fair dealings
- Accountability and reporting

B-BBEE and preferential procurement

The Public Finance Management Act (PFMA), Preferential Procurement Policy Framework Act, as well as the Broad-Based Black Economic Empowerment Act provide for preference being given to historically-disadvantaged individuals (HDIs) when procuring goods and services.

SAFCOL is committed to the country's social and economic transformation. This is achieved through the application of several strategic interventions, including the development of forestry service providers and SMMEs through the Group's enterprise development programme.

Risk Management

Risk Management Philosophy

SAFCOL is committed to the implementation of Enterprise Risk Management (ERM). The policy and framework of ERM provide processes for risk management that allow the Group to identify, prioritise and effectively manage its material risks. By identifying and proactively addressing these risks and opportunities, the Group is able to protect its assets and create value for its stakeholders.

SAFCOL's risk management plan for the 2013-2014 financial year (which is the second year of the three-year risk management plan) details the ERM objectives, associated activities and initiatives.

The themes for the 2012-2015 risk management plan are to:

- Embed ERM to lead to a higher level of maturity as per the expected maturity curve;
- Embed the standardisation of risk terminology, framework and methodology and approaches;
- Introduce the use of ERP as the Risk Management Information System;
- Be consistent in the application of risk management principles;
- Focus on emerging risks and opportunities in terms of strategic risk initiatives across the business.

The risk management system is a principal factor facilitating discharge of the Board's responsibility for ensuring that the extensive risks associated with SAFCOL's operations are effectively managed and the interests of stakeholders safeguarded.

Risk Appetite

SAFCOL has positioned itself as an intermediate risk taker with a risk appetite of between R100 million and R480 million.

The table below illustrates the range limits approved by the board.

		Risk appetite range limits
No	**Range**	**Risk Stance or Risk Positioning**
1	Greater than R480 million	Risk aggressive
2	R100 million to R480 million range	Intermediate Risk taker
3	Less than < R100 million	More conservative - Risk Averse

This means that the residual risk profile accepted by SAFCOL over the next 3 years should be in the range of R100 million to R480 million.

The Group is in the process of updating its residual risk profile. This is in line with its new strategic direction.

Risk Policies, Procedures and Guidelines

The SAFCOL risk management policy sets the tone for risk management within the company. To ensure the achievement of this objective, the Group progressively drives the adoption of risk management policies, processes and compliance with the SAFCOL ERM Standards.

The current SAFCOL ERM framework and guidelines are used to direct the SAFCOL Risk Management Plan. ERM focus areas with the planned deliverables were all implemented, however, improvements are needed on the risk management information system, the reporting on compliance universe, as well as training on the business continuity management.

The table below indicates progress achieved during the 2013/14 financial year with implementing the plan, as per the ERM plan adopted by SAFCOL:

Focus Area	Planned Deliverables	Comments
Embed ERM	Review Strategic Business Risk Registers	Completed
	Continuous sensitisation about the top risk	Completed
	Combined assurance conducted	Completed
	Report on risk profiles	Completed
Fraud Risk	Develop or review Fraud Prevention and Management procedure	Completed
	Review Fraud Prevention Plan	Completed
	Conduct awareness and training on Fraud Prevention and Management	Completed
	Report finalised fraud investigations	Completed
Compliance	Develop compliance framework	In progress
	Report on compliance universe	In progress
	Update and communicate the regulatory universe	In progress
Business Continuity Management (BCM)	Develop BCM System (Business Continuity Policy (BCP)	Completed
	Conduct training and awareness on BCM processes	Not started
Risk Management Information Systems	Effective utilisation of Risk Management Information Systems: Risk Register captured on the system	Still to migrate from Excel spreadsheet
	Incidents captured on the system	In progress
Risk Insurance	Provide Cost of Risk Information that is analysed	Completed
	Improve insurance awareness of all stakeholders in terms of all insurance policies	Completed
	Timeous and effective claims management	Completed

Key Strategic Risks

In compliance with the legislation, corporate governance and standards of the risk management process, SAFCOL has identified the following strategic risks and has put in place mitigating actions to address these risks and to report on the respective controls regularly.

Risk name	Treatment plans
Agility and flexibility to react to changes in the external environment	• Monthly meeting with stakeholders and standing agenda Post-implementation review of the BPR project through formal reports from Senior Management (EXCO) and a climate survey with responses from all employees in the Group • Re-align Shareholder Compact with targets that take into account the current business environment • Engage DPE prior to submitting reports and requests for approval to ensure that a discussion is held with the relevant DPE officials to determine their requirements for making a decision

Inadequate management information at and from IFLOMA	• KLF formats to be used at IFLOMA where possible, subject to Mozambican laws & regulations • ERP implementation • SAFCOL /KLF to keep IFLOMA fully and timeously informed of all changes, e.g. to policies and procedures - Immediate implementation
Further delay or failure of ERP system	• ERP to go live in parallel to mitigate risks associated with a new system • Re-do historical data migration using a different approach than in 2012 • Include ERP as part of KPIs of the responsible employee - Include a support contract on customisations • Regular communication to business
Unresolved land claims	• Improve relationships with key stakeholders, e.g. LCC, DPE, DAFF, DPW and claimants communities and prepare an action plan for each meeting • Obtain commitment from the Commission on the resolution of KLF claims • Provision of resources to CLCC, e.g. mapping • Develop a plan for communication between SAFCOL, Government and claimants • Engage DPE on strengthening inter-governmental communication, including Provincial and Local Government • Request delegation of authority to resolve land claims on SAFCOL/KLF land • SAFCOL to facilitate the development and finalisation of the settlement model to be used
Inability to attract and retain experienced and knowledgeable skills	• Benchmark conditions of employment with industry norms (forestry & parastatals) (remuneration and conditions of service) • Develop an HR strategy • Update HR polices • Develop a succession and talent retention action plan
Labour unrest	• Wage negotiations - continuous engagement with the Union to reach a wage settlement
Loss of FSC certification	• Monitor the effectiveness of controls • Close the FSC's major CARs
Forestry related disasters	• Floods - R6m CAPEX was allocated to repair roads • Bridges damaged by floods to address Disaster Recovery • Biological controls for gall wasp were released • Conduct research and development on industry work group • Investigate biological solutions • Install baboon traps • Maintain an integrated management system and FSC certification • Conduct internal health and safety and environmental assessments
Financial and commercial unsustainability	• Functional finance and investment oversight committee (FINCO) • Continuous management of cash reserves • Working capital management • Arranging credit lines with banks and other financial institutions • Approved and implemented Credit Policy (Credit limit reports sent daily by credit controller; Regular credit meetings held) • Variance reporting against budget
Non-compliance with legislation (Own legislation, Environmental, Water, Safety and Health, Human Capital, Financial and Competition)	• Update legislative framework • Develop compliance culture survey • Monitor effectiveness of controls

Fraud Risk Management

SAFCOL's approach to the prevention of fraud is aligned to the National Treasury's Public Sector Risk Management Framework and the PFMA. SAFCOL's risk management division is a support function that applies the key fraud management framework methodology of Prevention, Detection, Investigation and Resolution. As part of this function, the risk of fraud is managed, with the aim of preventing and detecting fraud, corruption and any other irregularities that may pose a threat to SAFCOL.

With regard to Section 85 of the PFMA and Treasury Regulations 33, the Board is mandated to report to the Executive Authority, the Auditor-General and Treasury on all incidents of financial misconduct for each financial year. The report must comprehensively address the following areas:

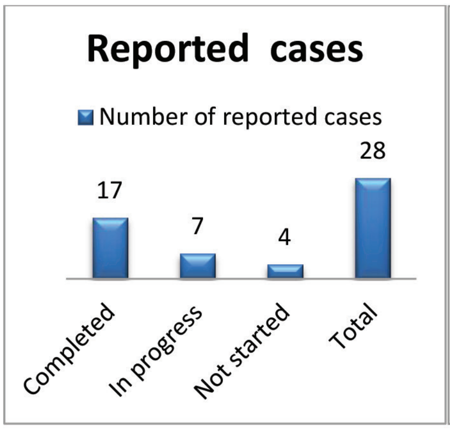
- Name and rank of employees involved
- Allegation of financial misconduct
- Investigation conducted
- Disciplinary steps taken
- Sanctions and any further actions taken against the employee
- Corrective measures to prevent the incident from recurring

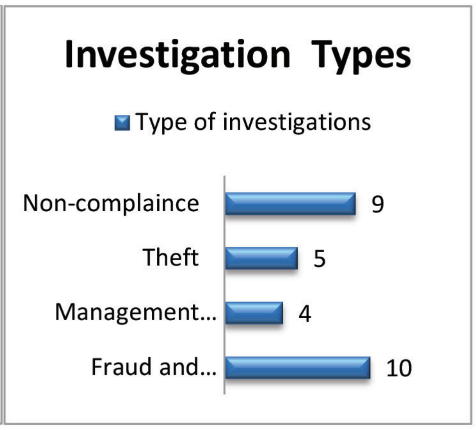
SAFCOL implemented fraud prevention as a formal process that was adopted by the organisation as part of ERM.

Investigations conducted during the year

During the 2013-14 financial year, 28 fraud investigations were recorded in the fraud register. There has been an increase in the number of reported cases in the current year compared to the previous year (up from 25 to 28). Internal controls and fraud awareness improvements are conducted on a continuous basis. A fraud investigation procedure was developed and communicated to all employees and a reminder of the existing whistle blowing policy was communicated.

The graphs below indicate the status of reported cases and the types of investigations conducted.





Effectiveness of Enterprise Risk Management

SAFCOL has evaluated the maturity of its established ERM process, which was based on King III and the COSO model. This presents SAFCOL with a significant improvement opportunity to move to an advanced state, based on its appetite to make the change.

Maturity Assessment on the Governance of Risk

The table below depicts the rating for each King III component and the total for each maturity level. Out of the total 10 components assessed, 1 was found to be "developing" and 9 were found to be "established".

ERM Element	Basic	Developing	Established	Advanced	Leading
Organisation & governance	-	-	x	-	-
Strategic planning & risk appetite	-	x		-	-
Overseeing risk governance	-	-	x	-	-
Design, implement and monitor the risk management plan	-	-	x	-	-
Risk assessment is performed on a continual basis	-	-	x	-	-
Framework and methodology	-	-	x	-	-
Risk response communication & escalation	-	-	x	-	-
Risk monitoring and reporting	-	-	x	-	-
Assurance on ERM process	-	-	x	-	-
Stakeholder disclosure	-	-	x	-	-
Total	-	1	9	-	-

HOW THE BOARD WAS PROVIDED WITH ASSURANCE

The Board is ultimately responsible for the Group's system of internal control, which is designed to identify, evaluate, manage and provide reasonable assurance against material mis-statement and loss. The Group maintains a system of internal financial control that is designed to provide assurance on the maintenance of proper accounting records and the reliability of financial information used in the business and for publication.

The system contains self-monitoring mechanisms and action is taken to correct deficiencies as they are identified. To give effect to the requirements of King III, the Group developed a Combined Assurance Framework to assist in addressing the key risks facing the Group. The Combined Assurance Framework is intended to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on risk areas affecting the Group.

Management also developed the Combined Assurance Plan during the year, which will be implemented in the next financial year. Implementation of the Combined Assurance Plan will be monitored by the Chief Risk Officer and reports will be provided to the Audit and Risk Committee and the Board.

Internal Audit

Internal Audit has a specific mandate from the Audit and Risk Committee to independently appraise the adequacy and effectiveness of the Group's risk management processes, internal controls and governance processes. It reports its findings to the Executive Committee, divisional management, the external auditors and the Audit and Risk Management Committee. The Chief Audit Executive reports administratively to the Group Chief Executive Officer and functionally to the Audit and Risk Management Committee.

The internal audit coverage plan is based on the results of the Group-wide risk assessment performed by the Group's Executive Committee and the approved business plan. The coverage plan is updated annually and takes into account risk-assessment, internal and external emerging strategic issues and the results of audits performed. This ensures that the audit coverage focusses on identified risk.

Assurance Provided By Internal Audit and Related Control Assessments

King III requires Internal Audit to provide assurance and an opinion to the Board on the adequacy and effectiveness of the ERM process, internal financial controls and the system of internal controls. During the reporting year, Internal Audit complied with these requirements and the results of these audits are presented below.

Effectiveness of ERM

The maturity of SAFCOL's established ERM process was evaluated, based on the rating scales of the COSO model and King III. This presents SAFCOL with a significant improvement opportunity to move to an advanced state, based on its appetite to make the change.

Maturity Assessment

The table below depicts the rating for each component and the total for each maturity level. Of the total 26 components assessed, 7.69% were found to be Basic, 11.54% Developing and 80.77% Established.

ERM Element	Basic	Developing	Established	Advanced	Leading
Internal Environment	-	1	4	-	-
Objective Setting	-	-	2	-	-
Event Identification	-	-	3	-	-
Risk Assessment	-	1	4	-	-
Risk Response	-	2	4	-	-
Control Activities	-	-	2	-	-
Information & Communication	-	-	2	-	-
Monitoring	2	1	-	-	-
Total	**2**	**5**	**21**	**-**	**-**

Effectiveness and Adequacy of Internal Financial Controls

Internal Audit conducted an audit to test for effectiveness and adequacy of internal financial controls. The scope of the work covered the following key areas:

- Financial Discipline Review
- Revenue Management
- Cost and Accounting Management
- VAT and Income Tax
- Credit Control Management
- Cash Flow Management
- Sundry Income
- Accounts Payable
- Accounts Receivable
- Asset Management
- Inventory Management

In our opinion, most of the controls tested were adequately designed and effectively implemented. However some areas requiring improvement were identified.

Overall Opinion of Our System of Internal Controls Based on Audits Conducted During the Year

*Control ratings	III	II	MEA	EA	HEA
Fixed Assets Management Audit			X		
Payroll Audit			X		
IFLOMA Audit				X	
Fire Prevention and Detection Audit			X		
Land Claims Audit			X		
Audit of Pre-determined Objectives			X		
Transport Management Audit		X			
Forestry Value Chain Audit			X		
Lakenvlei Lodge Audit		X			
Enterprise Development Audit		X			
Procurement Audit			X		
Human Capital Audit				X	
Inventory Management Audit			X		
Internal Financial Controls Audit			X		
Enterprise Risk Management Audit				X	
Sales and Marketing Audit			X		
Total	**0**	**3**	**10**	**3**	**0**
Percentage	**0%**	**19%**	**62%**	**19%**	**0%**

* See table on next page

Internal Audit achieved 100% coverage plan for the year. The scope of the audits was to test for effectiveness and adequacy of the system of internal controls in order to manage and mitigate risk exposure. Corrective action plans were designed by management, in order to improve control weaknesses identified by Internal Audit. The table below tabulates the Internal Audit opinion, based on the tests conducted.

Evaluation Criteria	Control Description
Highly effective and adequate (HEA)	Controls are functioning as intended and no additional action is necessary at this time.
Effective & adequate (EA)	Many of the controls are functioning as intended, however, some minor changes are necessary to make the control environment more effective and efficient.
Moderately effective & adequate (MEA)	Some controls are in place and functioning, however, several control issues were noted.
Ineffective & inadequate (II)	Material, persistent and pervasive control problems were noted that could jeopardize the accomplishment of business objectives.
Highly Ineffective & inadequate (III)	Controls are not functioning and/or fraudulent activity has been detected that could potentially or already have had a material impact on the financial statements and operations of the company.

Assurance on Forestry Stewardship Council Certification (FSC)

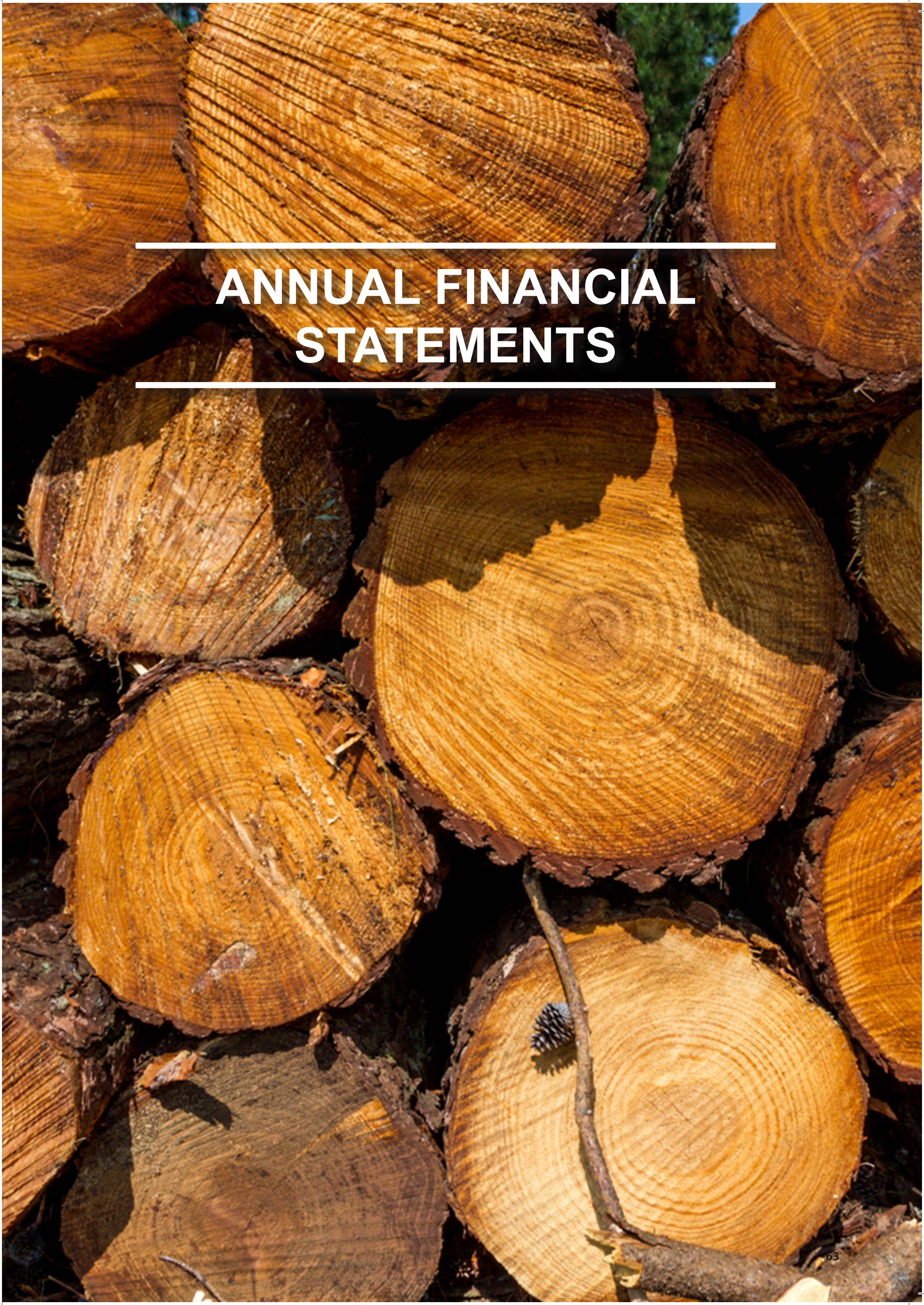
Forest management of all 15 plantations and forest management units of KLF is certified by the FSC – and the Timbadola Sawmill is certified in terms of the Chain of Custody Standards of the FSC system. During May 2012, SGS conducted a re-assessment of KLF, as the FSC certificate had come to the end of its five-year lifespan. The SGS audit team re-approved KLF and issued a new FSC certificate. Dedicated effort is made to ensure that the FSC certification for KLF is re-affirmed during the annual surveillances done by SGS. Detailed results of the FSC audit and criteria used for assessment are provided on our website.

Assurance on health and safety

Dedicated internal environmental and safety audits are conducted annually at all operational units. Deviations from IMS standards are addressed by raising Corrective Action Requests (CARs), which identify and address the root cause of the deviation and strive to prevent re-occurrence in the future.

Safety management of KLF is certified under the NOSA system and compliance with the NOSA certification system is assessed annually. On average, the Group obtained an 82.76% compliance score, which represents four NOSA stars.

ANNUAL FINANCIAL STATEMENTS



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REPORT OF THE AUDIT AND RISK COMMITTEE

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Report of the Board Audit and Risk Committee for the year ended 31 March 2014.

The Combined Audit and Risk Committee's terms of reference

The committee has conducted its affairs in compliance with the Board's approved terms of reference, and has discharged its responsibilities.

Combined Audit and Risk Management Committee members, meeting attendance and assessment

The Audit and Risk Management Committee is independent and consists of four independent, non-executive directors. It meets at least five times per year, as per its terms of reference. The Group Chief Executive Officer, Group Chief Financial Officer, Chief Audit Executive, Chief Risk Officer, the external auditors, and other assurance providers (legal, compliance, health and safety) attend meetings by invitation only. The effectiveness of the Audit and Risk Management Committee is assessed annually.

Objectives and scope

The overall objectives of the committee are:

- To assist the board in discharging its duties relating to safeguarding the assets and the operation of adequate systems and control processes
- The preparation of the Group's annual financial statements in compliance with the applicable legal and regulatory requirements and accounting standards
- To provide a forum for the governance of risk (including control issues) and developing recommendations for consideration by the Board
- To oversee internal and external audit appointments and functions
- To perform duties that are attributed to it by the South African Companies Act of 2008 (the 'Companies Act')

Roles and responsibilities

The Report of the Audit and Risk Management Committee in terms of Regulations 27(1) (10) (b) and (c) of the PFMA (as amended) and the requirements of the King III Code of Corporate Governance. In execution of its duties during the past financial year, the Board Audit and Risk Management Committee has:

- Reviewed the Group's policies and procedures for preventing, detecting and investigating fraud
- Considered the effectiveness of internal audit, approved the annual operational strategic internal audit plan and monitored adherenceof internal audit to its plan
- Reviewed Group compliance with significant legal and regulatory provisions
- Reviewed Group compliance with significant legal and regulatory provisions
- Reviewed significant reported cases of employee conflict of interest, misconduct or fraud, or any other unethical activity by employees or the Group
- Reviewed controls over significant financial and operational risks
- Reviewed and acted on any other relevant matters referred to it by the Board
- Reviewed the validity, accuracy, reliability and completeness of financial information provided by management and other users of such information
- Made recommendations to the Board of Directors regarding corrective action to be taken as a consequence of audit findings
- Received and dealt with concerns and complaints through the 'whistleblowing' mechanism, which were reported to the committee by the Group's Internal Audit function

In terms of King III requirements, the Audit and Risk Management Committee must either apply the following principles or explain non-application thereof:

- Overseeing integrated reporting.
- Ensuring that a combined assurance model is applied, in order to provide a co-ordinated approach to all assurance activities.
- Satisfying itself of the expertise, resources and experience of the company's finance function.

The Audit and Risk Management Committee has complied with all King III principles, including integrated reporting, evidenced by SAFCOL issuing its second Integrated Report for the year ended 31 March 2014.

The Board Audit and Risk Management Committee has done an assessment of the effectiveness of the control environment through the use of assurance providers such as internal audit, external auditors, and other independent assurance providers, such as NOSA, Forestry Stewardship Council, etc.

Where weaknesses were identified in internal controls, corrective action was taken to eliminate or reduce the risks. Based on the information and explanations given by management and the Internal Audit Department, and on discussions with the independent external auditors on the results of their audits, the Audit and Risk Management Committee is of the opinion that the internal controls of the Group operated effectively throughout the year under review. Where internal controls did not operate effectively, compensating controls ensured that the Group's assets were safeguarded, proper accounting records maintained and resources utilised efficiently.

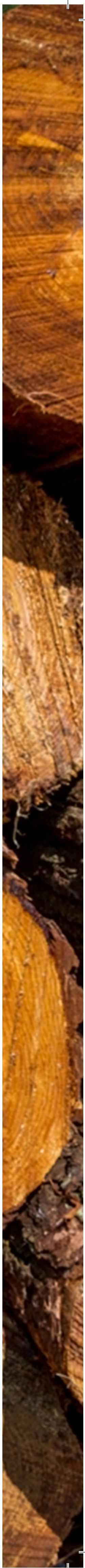
Following the review of the financial statements for the year ended 31 March 2014, the Audit and Risk Management Committee is of the opinion: that SAFCOL complies with the relevant provisions of the Public Finance Management Act, 1999 (as amended), Companies Act, 71 of 2008, and International Financial Reporting Standards; and that it presents fairly the results of the operations, cash flow and financial position of the company.

The Audit and Risk Management Committee concurs that the adoption of the going-concern premise in the preparation of the financial statements is appropriate. The Audit and Risk Management Committee therefore recommends that the financial statements submitted be approved.

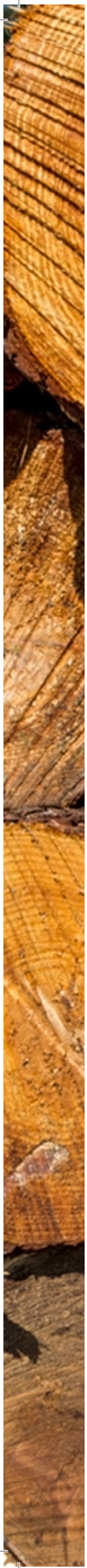
On behalf of the Board Audit and Risk Management Committee

…………………………………..

Mr M Kharva
Interim Chairperson of the Combined Audit and Risk Management Committee



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT



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

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Introduction

1. I have audited the consolidated and separate financial statements of the South African Forestry Company SOC Limited and its subsidiaries set out on pages 92 to 152, which comprise the consolidated and separate statement of financial position as at 31 March 2014, the consolidated and separate statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the consolidated and separate financial statements

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act, 1999 (Act No.1 of 1999)(PFMA) and Companies Act of South Africa, 2008 (Act No.71 of 2008), 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.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the South African Forestry Company SOC Limited and its subsidiaries as at 31 March 2014 and their financial performance and cash flows for the year then ended, in accordance with IFRS and the requirements of the PFMA and Companies Act of South Africa.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 43 to consolidated and separate financial statements certain corrections were made during the current financial year relating to the prior financial years for non-current assets, current assets, profit before tax and the retained earnings.

Material losses

9. As disclosed in note 42 to the consolidated and separate financial statements, material losses to the amount of R1 074 000.00 were incurred as a result of fraudulent activities at the Industrias Florestais de Manica (IFLOMA) subsidiary.

Additional matter

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

Other reports required by the Companies Act of South Africa

11. As part of my audit of the financial statements for the year ended 31 March 2014, I have read the directors' report, the audit and risk committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on these reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the performance against the shareholder's compact report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

Introduction

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the performance against the shareholder's compact report of the entity for the year ended 31 March 2014:

- Financial returns on page 36.
- Plantable area of forest under management on page 36.
- Area of forest under management which is certified in terms of Forest Stewardship Council (FSC)on page 36.
- Processing on page 37.
- Skill development (scarce and critical skills) on page 37.

14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

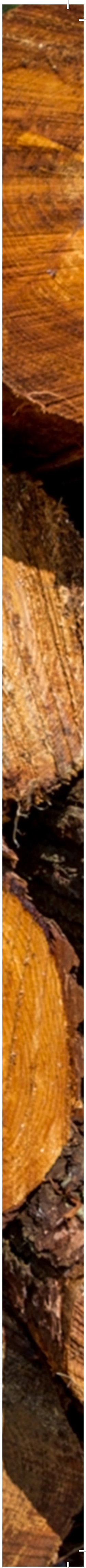
15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's

Framework for managing programme performance information (FMPPI).

16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

Financial returns

17. I did not raise any material findings on the usefulness and reliability of the reported performance information objective.



Plantable area of forest under management

18. I did not raise any material findings on the usefulness and reliability of the reported performance information objective.

Area of forest under management which is certified in terms of FSC

19. I did not raise any material findings on the usefulness and reliability of the reported performance information objective.

Processing

20. I did not raise any material findings on the usefulness and reliability of the reported performance information objective.

Skills development (scarce and critical skills)

21. I did not raise any material findings on the usefulness and reliability of the reported performance information objective.

Additional matters

22. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

Achievement of planned targets

23. Refer to the performance against the shareholder's compact report on pages 36 to 38 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

24. I identified material misstatements in the performance against the shareholder's compact report submitted for auditing on the reported performance information for the objectives, plantable area of forest under management and skills development. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

25. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Expenditure Management

26. The accounting authority did not take effective steps to detect and prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Liability Management

27. Existing credit cards that were not used for permitted purposes, as set out in Treasury Regulation 31.2.7, were not cancelled, as required by Treasury Regulation 31.2.6.

Procurement and contract management

28. Goods, works or services were not always procured through a procurement process which is fair, equitable, transparent and competitive as required by section 51(1)(a)(iii) of the PFMA.

29. The procurement processes did not always comply with the requirements of a fair supply chain management (SCM) system as per section 51(1)(a)(iii) of the PFMA, in that bid documentation did not specify the evaluation and adjudication criteria to be applied.

30. Contracts and quotations were awarded to some suppliers whose tax matters have not been declared by the South African Revenue Services to be in order as required by the Preferential Procurement Regulations 14.

Strategic planning and performance management

31. The corporate plan did not include all the strategic objectives and outcomes agreed upon by the executive authority in the shareholder's compact or key performance measures and indicators for assessing the entity's performance in delivering the desired outcomes and objectives as required by Treasury Regulation 29.1.1(c).

Internal control

32. I considered internal control relevant to my audit of the financial statements, report on performance against key indicators and compliance with legislation. The matter reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report.

Financial and performance management

33. The entity's senior management did not ensure the implementation of certain requirements of the PFMA, Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and the internal procurement policy in its procurement processes. The control over daily and monthly processing and reconciling of procurement processes and strategic planning did not include sufficient review and monitoring of compliance with the relevant legislation.

OTHER REPORTS

Investigations

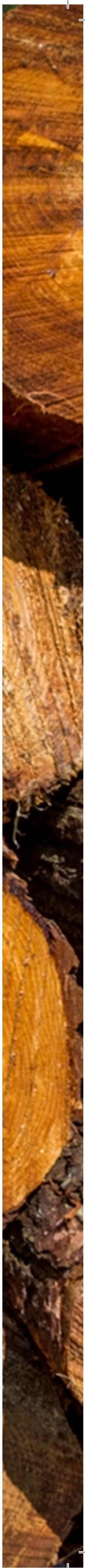
34. As disclosed on page 79 of the director's report, two investigations at the request of the board of directors of the entity are currently in progress, through two independent consulting firms. The outcomes of the investigations are expected during the next financial year ending 31 March 2015.

Auditor-General.

Pretoria
02 August 2014

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors hereby present their report for the year ended 31 March 2014.

The South African Forestry Company SOC Limited (SAFCOL) was established in 1992, as per the Management of State Forests Act 1992. It is a registered public company in terms of the Companies Act of 1973, and a Schedule 2 listed entity in terms of the PFMA. The report presented is in accordance with the provisions of the prescribed legislation and related regulations and addresses both performance and statutory information requirements. The Board is the accounting authority, as prescribed by the PFMA.

Corporate governance and PFMA

Shareholding

The Government of the Republic of South Africa – through the Minister of Public Enterprises – is the sole shareholder of SAFCOL.

Nature of business

The main business of SAFCOL is the development – in the long-term – of the South African forestry industry and optimising its assets according to accepted commercial management practices and conservation principles. The Group operates mainly in the forestry and forest products industry.

The Group mainly conducts its business through its subsidiaries, which are:

- Komatiland Forests SOC Ltd (KLF); and
- Indústrias Florestais de Manica, SARL (IFLOMA)

The Group employs 1 736 people in South Africa and 540 people in Mozambique.

Code of Corporate Practices and Conduct (the Code)
The directors embrace the Code set out in the King III report and have implemented it as far as possible. By supporting the Code, the Directors confirm the need to conduct the business with integrity and in accordance with generally-accepted corporate practice. This ethos is further supported by the Group's code of ethics, which sets out the obligations of Directors and employees in terms of ethical standards applicable within the Group.

Public Finance Management Act, 1999 (PFMA)
The PFMA became effective on 1 April 2000, and SAFCOL and its subsidiaries are listed as public entities in terms of Schedule 2 of the Act. As part of the implementation of the PFMA, there is an on-going process of awareness, education, instruction and advice to the Board and employees.

SAFCOL complies with the PFMA and Treasury Regulations in all material respects in terms of the provisions applicable to public entities.

Board Functions

The Board provides strategic oversight and leadership, and formally delegates duties to management through various structures. This includes responsibility and accountability for operations to the: Executive Committee, Combined Audit and Risk Management Committee, Remuneration Committee, Finance and Investment Committee and Social and Ethics Committee. Members of Board committees are selected according to the skills sets required, so that they can fulfil their functions and obligations.

With the guidance of the Company Secretary, the Board also has the duty to ensure that the Group complies with all the relevant laws, regulations and codes of good business practice. The Board approves the mission, strategy, goals, operating policies and priorities of the Group, and monitors compliance with policies and achievement against objectives.

The directors comply with their fiduciary duties, which include:

- Exercising their duties with utmost care and skill to ensure reasonable protection of the assets and records of SAFCOL and its subsidiaries; and
- Managing the financial affairs of SAFCOL with fidelity, honesty, integrity and in the best interests of SAFCOL and its stakeholders.

It should be noted that since inception in 1992, SAFCOL has followed a policy of good corporate governance, sound accounting principles and internal control. As a result, comprehensive accounting policies, accounting procedures, internal control procedures, conditions of employment and disciplinary procedures - including a code of conduct - have been prepared and documented, and are well entrenched in the operations of the Group.

Directors

The following directors were in office as at 31 March 2014:

Director's Name		Committees
S Fikeni	(Interim Chairperson w.e.f. 20 June 2014)	F, S (Chairperson)
VN Magwentshu	(Chairperson until 20 June 2014)	R (until 1 August 2013)
N Medupe		F, C (Chairperson)
N Mona	(Group Chief Executive Officer)	--
Z Mashinini	(Group Chief Financial Officer)	--
M Kharva		C, F (Chairperson)
FC Blakeway		F, R
K Njobe		C, R (Chairperson)
S Moephuli		F, S
M Gilbert		C, R

C = Audit and Risk Management Committee
F = Finance and Investment Committee
R = Human Resources and Remuneration Committee
S = Social and Ethics Committee

*With the exception of the Group Chief Executive Officer and Group Chief Financial Officer, all Board members are independent non-executive directors.

Changes to the Board during the year under review:

The following were appointed to the board during the reporting period:

1 June 2013
Prof S Fikeni (Non-Executive)
Dr S Moephuli (Non-Executive)
Ms M Gilbert (Non-Executive)

1 October 2013
Ms Z Mashinini (Executive)

Board Committees

Board committees assist the Board in discharging its responsibilities. This assistance is rendered in the form of recommendations and reports submitted to Board meetings, ensuring transparency and full disclosure of Board committees' activities. Each committee operates within the ambit of its defined terms of reference, which sets out the composition, roles, responsibilities, delegated authority and requirements for convening meetings. The various committees are:

Human Resources and Remuneration Committee

This Committee is mandated to provide oversight and ensure that:

- The Group remunerates directors and executives fairly and responsibly;
- Disclosure of the remuneration of directors and executives is accurate, complete and transparent; and
- Human capital and related matters are properly attended to, in accordance with legislation, standards and policies of the Group.

Social and Ethics Committee

This Committee was established on 1 May 2012. In line with the Companies Act of 2008, and King III, this committee oversees and monitors SAFCOL's activities in relation to:

- Social and economic development, including the principles of the UN Global Compact, Broad-Based Black Economic Empowerment (B-BBEE), employment equity and the OECD's recommendations on corruption
- Good corporate citizenship, including the promotion of equality, the prevention of unfair discrimination, corporate social responsibility, ethical behaviour, and managing environmental impact
- Consumer relations
- Labour and employment, including:

(i) International Labour Organisation Discrimination Convention on employment and occupation;
(ii) The Company's employment relationships and its contribution towards the educational development of its employees;
(iii) and all other relevant legislation

The Committee's brief is to assist the Board to monitor and promote the Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

Social and economic development, including the Group's standing in terms of the goals and purposes of:

- The OECD recommendations of 1999 regarding corruption
- The Employment Equality Act
- The Broad Based Black Economic Empowerment Act of 2003

Good corporate citizenship, including:

- Promoting equality, preventing unfair discrimination and reducing corruption
- Contributing to the development of communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; contributing to the resolution of land claims; and engagement with land claimants
- Recording of sponsorship, donations and charitable giving

The environment, health and public safety, including the impact of theGroup's activities and of its products or services.

Consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws.

Labour and employment, including:

- International Labour Organisation Discrimination Convention on employment and occupation;
- The Group's employment relationships and its contribution towards the educational development of its employees

Finance and Investment Committee

The Committee executes its mandate without derogating from the provisions of the PFMA. All its decisions are recommended to the Board for approval. Its brief is to:

- Consider and recommend to the Board an appropriate delegation of authority framework, enabling the Group to operate efficiently;
- Procure and review long-term and short-term funding plans for consideration by the Board;
- Monitor the current funding plan of the Group;
- Monitor the financial performance of the Group on a quarterly basis;
- Consider and recommend the annual capital and operating budget to the Board;
- Consider and recommend the Treasury mandate to the Board;
- Review the capital investment process and monitor total group capital expenditure;
- Review and recommend to the Board any capital project or the procurement of any capital item, or the commencement of any capital project where the cost exceeds the limit of approval delegated to the Chief Executive;
- Review and recommend to the Board any sale or disposal of assets not provided for under the CEO delegation;
- Review and recommend to the Board new projects not included in the approved annual budget, as well as suggestions on funding thereof;

- Review and recommend to the Board an increase in estimated total cost of projects included in the approved budget;
- Consider and recommend to the Board the write-off of bad debt or settlement or abandonment of legal action that is not accommodated within the CEO delegation;
- Consider and recommend to the Board any write-off resulting from the impairment of assets not within the CEO delegation;
- Consider and recommend to the Board the disposal or closure of any business;
- Consider and approve the quarterly report to DPE, as per the Board's delegation;
- Consider and recommend to the Board any matter to be dealt with in terms of section 54 of the PFMA;
- Investigate and make recommendations to the Board on any subject that could have a financial impact on the business of the Group, as requested by the Board or a Board committee;
- Consider all contractual matters relating to the Group's relationship with the shareholder and make recommendation to the Board regarding action

Combined Audit and Risk Management Committee

This Committee has the responsibility to oversee the Group's monitoring and control systems. Its brief is to assist the Board to ensure:

- The Group has implemented an effective policy and plan for risk management that will enhance the Group's ability to achieve its strategic objectives;
- Disclosure regarding risk is comprehensive, timely and relevant;
- Internal-control systems are operating effectively;
- The effectiveness of internal audit;
- The risk areas of the entity's operations are covered via the combined-assurance model;
- The adequacy, reliability and accuracy of financial information provided to management and other users of such information, is reviewed by the committee;
- There is a review of any accounting and auditing concerns identified as a result of internal and external audits;
- The entity complies with legal and regulatory provisions;
- The activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations, are reviewed;
- Where relevant, the independence and objectivity of the external auditors is reviewed;
- The entity has a fraud prevention function, IT Governance and that financial controls are in place and adhered to.

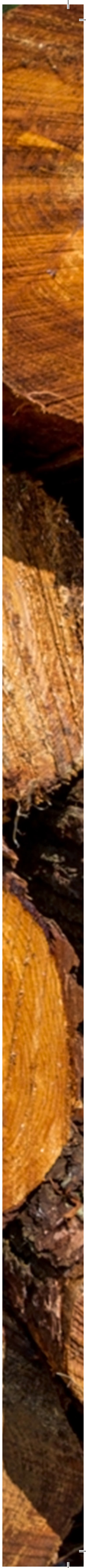
In addition, this committee considers the Group's risk management policy and strategy, and reviews the integrity of the risk management process as well as significant risks facing the Group. It monitors the integrity of the annual and interim statutory accounting reports (including operating and financial reviews, and corporate governance statements relating to audit and risk management) before submission to the Board. Following review, it reports to the Board, if the committee is not satisfied with any aspect of the proposed financial reporting by the Group.

The Committee monitors compliance with relevant legislation and ensures that an appropriate system of internal control is maintained in order to protect the Group's interests and assets. It reviews the activities and effectiveness of the internal audit function. It is also responsible for evaluating the independence, objectivity and effectiveness of the external auditors, as well as reviewing accounting and auditing concerns identified by internal and external audits. The head of the Internal Audit Department and the external auditors have unrestricted access to the Chairperson of this committee and Chairperson of the Board.

Forensic Investigations

As a result of fraudulent activity uncovered at IFLOMA, forensic investigations were conducted. The employees were found guilty of a range of transgressions, in properly constituted disciplinary hearings, and have since been dismissed. The company managed to recover most of the losses incurred through the fraudulent activity and has since strengthened internal controls to prevent any possibility of a recurrence.

Independent investigations were also conducted into possible irregular expenditure being incurred with regard to compliance with Supply Chain Management (SCM) prescripts in the implementation of two Group ICT projects that commenced in 2010 and 2011. The outcomes of the investigations are expected during the 2014/2015 financial year.



Corporate governance

Board performance

The following Board committees were scheduledfor the period under review and were attended by directors and sub-committee members:

NON-EXECUTIVE DIRECTORS (NEDs)										EXECUTIVE DIRECTORS (EDs)	
SAFCOL Board of Directors		Prof S Fikeni w.e.f. 1.08.2013 (Interim Chairperson w.e.f. 20.08.2014)	VN Magwentshu (Chairperson until 20 .06.2014)	M Kharva	F Blakeway	K Njobe	N Medupe	M Gilbert w.e.f. 1.08.2013	Dr S Moephuli w.e.f. 1.08.2013	N Mona Group Chief Executive Officer	Z Mashinini Group Chief Financial Officer
23 May 2013	Scheduled	N/A	Y	Y	Y	Y	Y	N/A	N/A	Y	N/A
2 September 2013	Special meeting	Y	Y	Y	Y	Y	Y	N	N	Y	N/A
19 September 2013	Scheduled	N	Y	Y	N	N	Y	Y	Y	Y	N/A
19 November 2013	Scheduled	Y	Y	Y	Y	Y	N	Y	Y	Y	Y
20 November 2013	Strategy Session	Y	Y	Y	Y	Y	Y	N	Y	Y	Y
6 February 2014	Scheduled	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
28 February 2014	Special meeting: Continuation of 6 February 2014	N	Y	Y	Y	Y	Y	N	N	Y	Y
7 March 2014	Special Meeting	Y	Y	N	Y	Y	Y	Y	Y	N	Y
Attendance		71%	100%	88%	88%	88%	88%	57%	71%	88%	100%

Audit and Risk Management Committee		N Medupe (Chair)	M Kharva	K Njobe	M Gilbert w.e.f. 1.08.2013
9 May 2013	Scheduled	Y	Y	Y	N/A
23 May 2013	Special meeting	Y	Y	Y	N/A
8 August 2013	Scheduled	Y	N	Y	N/A
2 September 2013	Special meeting	Y	Y	Y	N/A
7 November 2013	Scheduled	N	Y	Y	Y
23 January 2014	Scheduled	Y	Y	Y	Y
Attendance		83%	83%	100%	100%

Finance and Investment Committee		MKharva (Chair) w.e.f. 1.06.2013	N Medupe	FBlakeway	Dr S Moephuli w.e.f. 1.08.2013	Prof S Fikeni w.e.f. 1.08.2013
9 May 2013	Scheduled	Y	Y	N	N/A	N/A
8 August 2013	Scheduled	N	Y	Y	Y	N
7 November 2013	Scheduled	Y	N	Y	Y	N
23 January 2014	Scheduled	Y	Y	Y	Y	Y
Attendance		75%	75%	75%	100%	33.3%

Remuneration Committee		K Njobe (Chair)	F Blakeway	M Gilbert w.e.f. 1.08.2013
9 May 2013	Scheduled	Y	Y	N/A
8 August 2013	Scheduled	Y	Y	Y
7 November 2013	Scheduled	Y	Y	Y
28 January 2014	Scheduled 23.01.14 Postponed to 28.01.14	Y	Y	Y
Attendance		100%	100%	100%

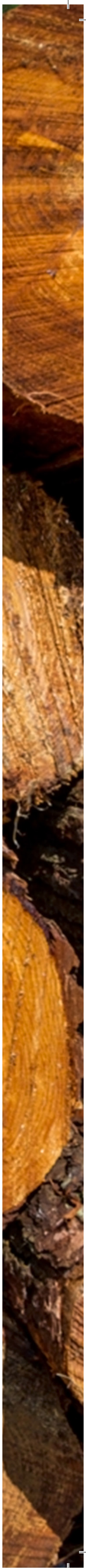
Social and Ethics Committee		Prof S Fikeni (Chair) w.e.f. 1.08.2013	Dr S Moephuli w.e.f. 1.08.2013	M Kharva	N Mona	J Mphafudi
9 May 2013	Scheduled	N/A	N/A	Y	Y	Y
16 September 2013	Scheduled 8.08.14 Postponed to 16.09.14	Y	Y	Y	Y	Y
Attendance		100%	100%	100%	100%	100%

Company Secretary

The Company Secretary is responsible to the Board for, inter alia, ensuring compliance with procedures and applicable statutes and regulations. To enable the Board to function effectively, all Directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, investor communications, agenda items for Board meetings, and other developments that may affect them and the Group's operations. This includes access to management, where required.

Going Concern

The Directors have reviewed the Group's financial position and believe that the Group will be a going concern in the year ahead, as it has adequate resources to continue in operation and existence for the foreseeable future. For this reason, the Group's annual financial statements have been prepared and adopted on a going concern basis.



Directors' and Executive Committee Members' Remuneration

	Fees for services as Directors R	Managerial Services		2014	2013
		Salary R	Retirement Fund & Medical aid contributions R	Total R	Total R
Executive Directors of SAFCOL		2 707 259	180 546	2 887 805	2 715 271
N Mona A,B Chief Executive Officer		1 903 830	121 046	2 024 875	1 150 518
M Manyama-Matome A,E,F Chief Financial Officer			-	-	1 564 753
Z Mashinini A,J Chief Financial Officer		803 430	59 500	862 930	-
Non-executive Directors of SAFCOL			-	2 556 233	1 747 193
VN Magwentshu Chairperson of the Board of Directors	733 211			733 211	685 739
A Abdo B,C,K Member of the Board of Directors				-	118 205
M Kharva Member of the Board of Directors	317 848			317 848	266 159
R Hassan B,C, K Member of the Board of Directors				-	79 783
SR Moephuli G,J Member of the Board of Directors	204 262			204 262	-
N Medupe Member of the Board of Directors	317 170			317 170	306 065
FC Blakeway H Member of the Board of Directors	238 293			238 293	-
K Njobe Member of the Board of Directors	311 423			311 423	291 243

	Fees for services as Directors R	Managerial services		2014	2013
		Salary R	Retirement Fund & Medical aid contributions R	Total R	Total R
SMP Fikeni G,J Member of the Board of Directors	204 919			204 919	-
MS Gilbert G,J Member of the Board of Directors	229 107			229 107	-
Executive Committee		3 202 886	279 315	3 482 201	1 844 054
F de Villiers A,B Group Chief Operations Officer		1 536 120	194 815	1 730 935	114 244
J Mphafudi B Executive: Human Capital Management and Transformation		1 338 069	84 501	1 422 570	1 102 333
L Africa D,I,J Interim Chief Financial Officer		328 696	-	328 696	-
Total	1 810 784	5 910 145	459 861	8 926 240	6 306 518

Notes:

A Member of the Board of Directors of one or more SAFCOL subsidiaries

B Remuneration for part of the year (2013)

C Resigned / Retired in the prior year

D Fixed-term contract

E Acting CEO for part of the year (2013)

F Salary includes acting allowance for part of the year (2013)

G Appointed during 2014 financial year

H Fees payable to employer (no fees payable for 2013 as per appointment letter)

I Executive management for part of the year

J Remuneration for part of the year (2014)

K Resigned 23 August 2012

GENERAL OVERVIEW

Performance management

The Group's performance indicators are reflected in the corporate plan and other regulatory frameworks, such as the Shareholder Compact. The focus for the year under review has been:

- To ensure that the Group is financially and commercially sustainable;
- To ensure the sustainable management of forests and other assets within the Group;
- To play the role of catalyst in the realisation of the state's afforestation, rural development, and economic transformation goals (including socio-economic development infrastructure and skills development). This required:
    - o Active support in the finalisation of land claims on the operating land;
    - o Pro-active engagement with rural communities, with the aim of enabling multi-function forestry activities; and
    - o The pursuit of leadership in implementing the Forestry Charter and contributing to economic transformation, as per the B-BBEE scorecard

The Group has performed as per the Key Performance Indicators (KPIs) outlined in the Shareholder Compact, in the following areas:

- Sustainable forest management KPIs dealing with the "Area of forests under management" and "Area under management, which is fully certified, to FSC or PEFC standard"; and
- Enhanced developmental contribution KPIs dealing with the "achievement of charter transformation objectives, social compact implementation and skills development"

A notable improvement has been made in the financial and commercial sustainability KPI, following the implementation of the business-turnaround strategy. However, in the year under review, the Group's performance still lagged behind on the financial KPIs, with regard to: financial returns; creditworthiness - cash interest cover; and working-capital management. The financial performance is reviewed in detail below.

Financial performance review

The annual financial statements set out on pages 91 to 152 of the report reflect the financial performance, position and cash-flow results of the Group and company's operations, for the year ended 31 March 2014.

Land Lease

KLF currently operates on the land on which its plantations were situated in terms of arrangements entered into with the then Minister of Water Affairs and Forestry as part of the establishment of SAFCOL as a SOC.

The SAFCOL Head Office moved from HB Forum Building, 13 Stamvrug Street, Val de Grace, Pretoria to Podium at Menlyn, 43 Ingersol Road, Lynnwood Glen, Pretoria. The building is situated in an area that is developing into a corporate centre in Pretoria East.

Land Claims

Various communities, families and individuals have lodged claims against the state in terms of the provisions of the Restitution of Land Rights Act of 1994, as amended, with respect to forestry land on which the SAFCOL Group conducts its business. These claims are in different stages of the restitution process, as indicated in the review of operations.

SAFCOL is mandated to facilitate and be actively involved in the processing of all the claims that affect the land on which it operates.

Risk Management

Nature of risk management

The Board has committed to a process that maintains an effective, efficient and transparent system of risk management. The process is aligned with the PFMA, as amended by Act 29 of 1999, ISO 31000:2009, generally accepted good practice, as well as the principles of King III (issued by The Institute of Directors in Southern Africa). The realisation of SAFCOL's business strategy depends on its management being able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders. Sound management of risk will enable the company to anticipate and respond to changes in the company's business environment, as well as to make informed decisions under conditions of uncertainty.

The current SAFCOL risk framework is applied on a strategic and operational level in a consistent manner. Strategic and operational risk assessments have been conducted per core division, with progress on treatment plans being monitored continuously. The continuous monitoring of treatment plans and review of all risk registers ensures context specific risk management, as stated in ISO 31000. SAFCOL continues to work towards embedding the principles of good governance through active risk management.

Fraud

SAFCOL's approach to the prevention of fraud is aligned to the National Treasury's Public Sector Risk Management Framework, and the PFMA. SAFCOL's risk-management function is a support function that applies the key fraud management framework methodology of Prevention, Detection, Investigation and Resolution. As part of this function, the risk of fraud is managed with the aim of preventing and detecting fraud, corruption and any other irregularities that may pose a threat to SAFCOL.

Audit

Internal audit has a specific mandate from the Audit Committee to independently appraise the adequacy and effectiveness of the Group's risk management process, internal controls and governance processes, and report its findings to the Executive Committee, divisional management, the external auditors, and the Audit and Risk Management Committee. The Chief Audit Executive reports administratively to the Group Chief Executive Officer and to the Audit and Risk Management Committee on a functional basis.

The internal audit coverage plan is based on the results of both the Group-wide risk assessment performed by the Group's Executive Committee, and the approved business plan. The coverage plan is updated annually, based on the risk assessment, emerging internal and external strategic issues and the results of audits performed. This ensures that the audit coverage focuses on identified risk.

The internal audit function manages the Group's anonymous tip-off line and the investigation of all reported fraudulent acts and other acts regarded as unethical behaviour. In addition to the above, Internal Audit compiles a fraud prevention plan annually, based on an assessment of fraud vulnerability of the Group. The internal audit function reports on a quarterly basis to the Audit and Risk Committee and the Executive Committee, on activities undertaken with regard to fraud prevention and detection activities. Internal Audit also reports on identified trends regarding fraudulent acts and other acts regarded as unethical behaviour – and on the impact of these on the Group's overall risk profile.

Remuneration philosophy

The Group recognises that remuneration is a business issue – as it has a direct impact on operational expenditure, company culture, employee behaviour and ultimately the sustainability of the organisation. As such, the reward strategies are consistent with the organisation's business objectives and strategic-value drivers. The philosophy fits in with the employee-value model, as part of a holistic and integrated approach.

The objective of the remuneration strategy is to assist the Group to achieve the following:

- Compete for talent in an increasingly competitive labour market;
- Attract and retain competent employees who enhance business performance;
- Motivate and reward individual and team performance that drives stakeholder value;
- Manage the total cost of employment;
- Achieve the most effective returns (employee productivity) for total employee cost;
- Be sensitive to diverse employee needs;
- Promote employment equity; and
- Ensure both internal and external equity and fairness

To achieve this, employees are rewarded in a way that reflects the dynamics of the relevant target markets and the context in which they operate. All five components of an integrated-remuneration strategy (guaranteed pay portion, variable pay, performance management, learning and personal growth, as well as the work environment) are at all times aligned to the strategic direction, business objectives and specific value drivers of the Group. The remuneration strategy is therefore not a stand-alone process, but is integrated into other management processes. In this context, the Group is committed to maintaining the following:

- A remuneration policy that is aligned to the Group's business strategy, performance objectives and results;
- Pay practices that encourage individuals to consistently and effectively apply their skills to enhance business performance;
- Pay levels, preferably on a total-guaranteed-package basis that are linked to incentive payments (referred to as total potential remuneration) and which reflect an individual's worth to the Group;
- A performance management system that serves both to differentiate individual and team performance, as well as provide a link to the training and development of employees;
- Incentive (variable pay) systems that consider both the diverse needs of different categories of employees (e.g. management versus production employees), as well as ensuring alignment with strategic goals and value drivers, as part of a fully-integrated approach;
- Internal equity that eliminates all forms of unfair discrimination. Differentiation is based on fair and defendable criteria, such as (a) performance ratings derived from a proper performance management process and (b) critical-segment analysis;
- External equity through periodic salary surveys, revising gradings and updating structures (for approval by the Board); and
- A structured and open communication approach regarding the Group's reward practices and operational performance. This enables any employee to have an informed opinion and equips line management to deal adequately with the vast majority of remuneration questions and issues arising in the workplace.

Appointments and Resignations

Ms VN Magwentshu resigned as Chairperson of the Board with effect from 20 June 2014. Ms M Manyama-Matome resigned as the Group's Chief Financial Officer and a Director with effect from 31 March 2013.

Mr F de Villiers was appointed as Group Chief Operations Officer with effect from 1 May 2013.

Mr R Shirinda and Ms P Zwane resigned as Company Secretary and Chief Risk Officer with effect from 29 August 2013 and 6 June 2013 respectively.

Ms Z Mashinini (Group Chief Financial Officer), Bridget Laka (Company Secretary) and Zinhle Thupana (Chief Risk and Compliance Officer) were all appointed with effect from 1 October 2013.

Fruitless and wasteful expenditure

The Group incurred R1.5 million fruitless and wasteful expenditure during the year ended 31 March 2014, compared to R14.1 million reported in March 2013. The Group has implemented controls to ensure the deviations are reduced or do not re-occur.

Irregular Expenditure

Irregular expenditure amounting to R16.4 million for the year ended 31 March 2014 was reported, compared to R1.5 million in the prior year. The irregular expenditure was due to non-compliance with procurement processes. As a result of this, management has embarked on an exercise to review all procurement processes.

DIRECTORS’ APPROVAL

Directors' Approval

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

The financial statements are prepared in accordance with IFRS and are based on appropriate accounting policies that are consistently applied and which are supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and they place considerable importance on maintaining a strong control environment. To enable the Directors to meet their responsibilities, the Board sets standards for internal control, which are aimed at reducing the risk of error or loss in a cost-effective manner.

The standards include proper delegation of responsibilities within a clearly-defined framework, effective accounting procedures, and adequate segregation of duties, so as 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 that 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 eliminated fully, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within pre-determined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management and based on reports provided by the internal auditors on the results of their audits, that the system of internal control provides reasonable assurance that the financial records may be relied upon for preparation of the financial statements. However, any system of internal financial control can only provide reasonable, and not absolute, assurance against material mis-statement or loss.

The directors believe that assets are adequately protected in a cost-effective way and that they are used as intended and with the appropriate authorisation. They also consider that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements for the year ended 31 March 2014 and the reports by the Chairperson and the Group Chief Executive were approved by the Board of Directors on 2 August 2014, and are signed on its behalf by:

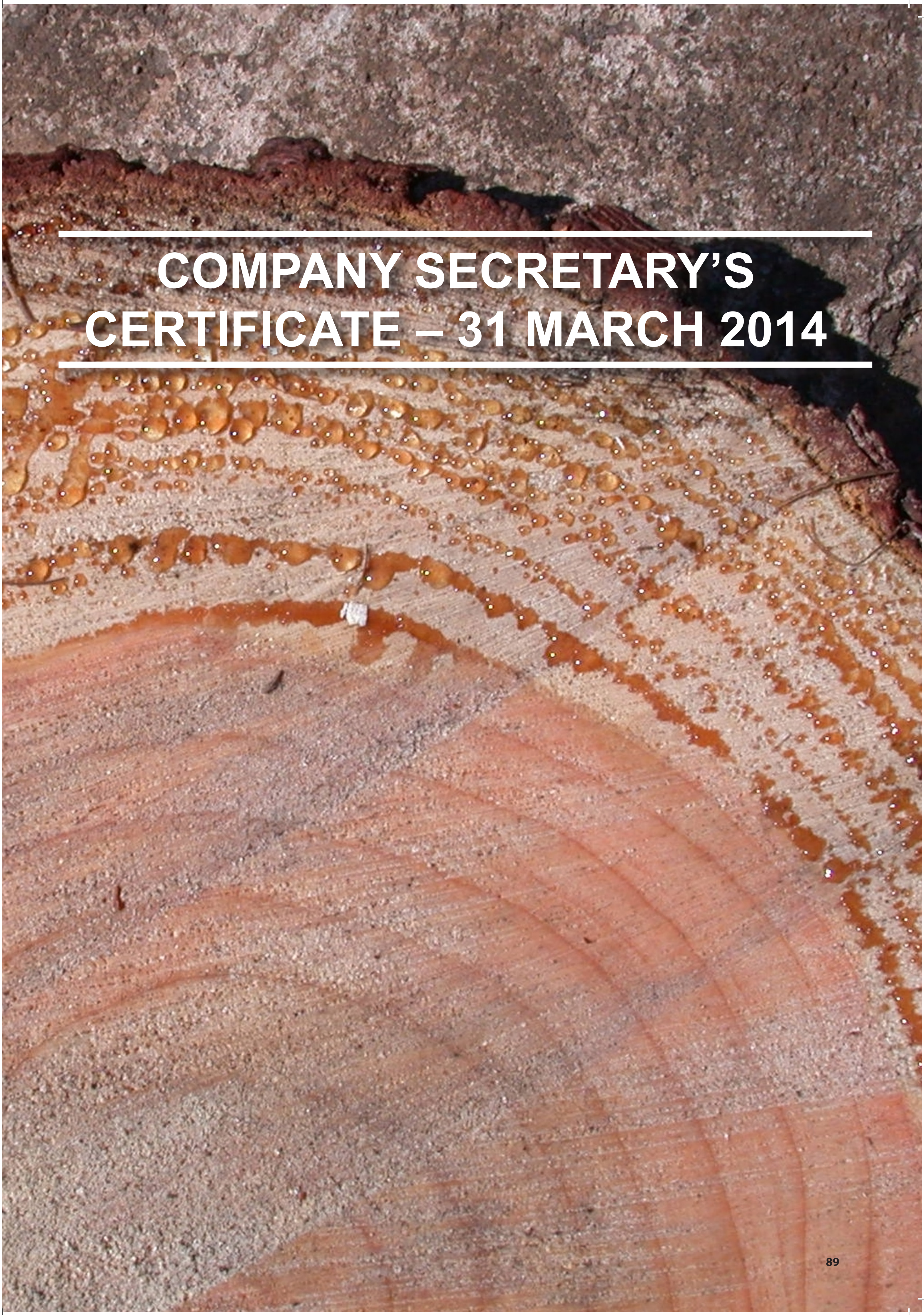
Prof Somadoda Fikeni

Interim Chairperson

Ms Nomkhita Mona

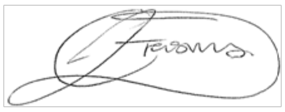
Group Chief Executive Officer

COMPANY SECRETARY'S CERTIFICATE – 31 MARCH 2014



COMPANY SECRETARY'S CERTIFICATE – 31 MARCH 2014

I certify that: the Group has lodged all returns required of a public company in terms of the Companies Act 71 of 2008 in respect of the financial year ended 31 March 2014 with the Companies and Intellectual Property Commission (previously the Companies and Intellectual Property Registration Office); and that all such returns are true, correct and up-to-date.



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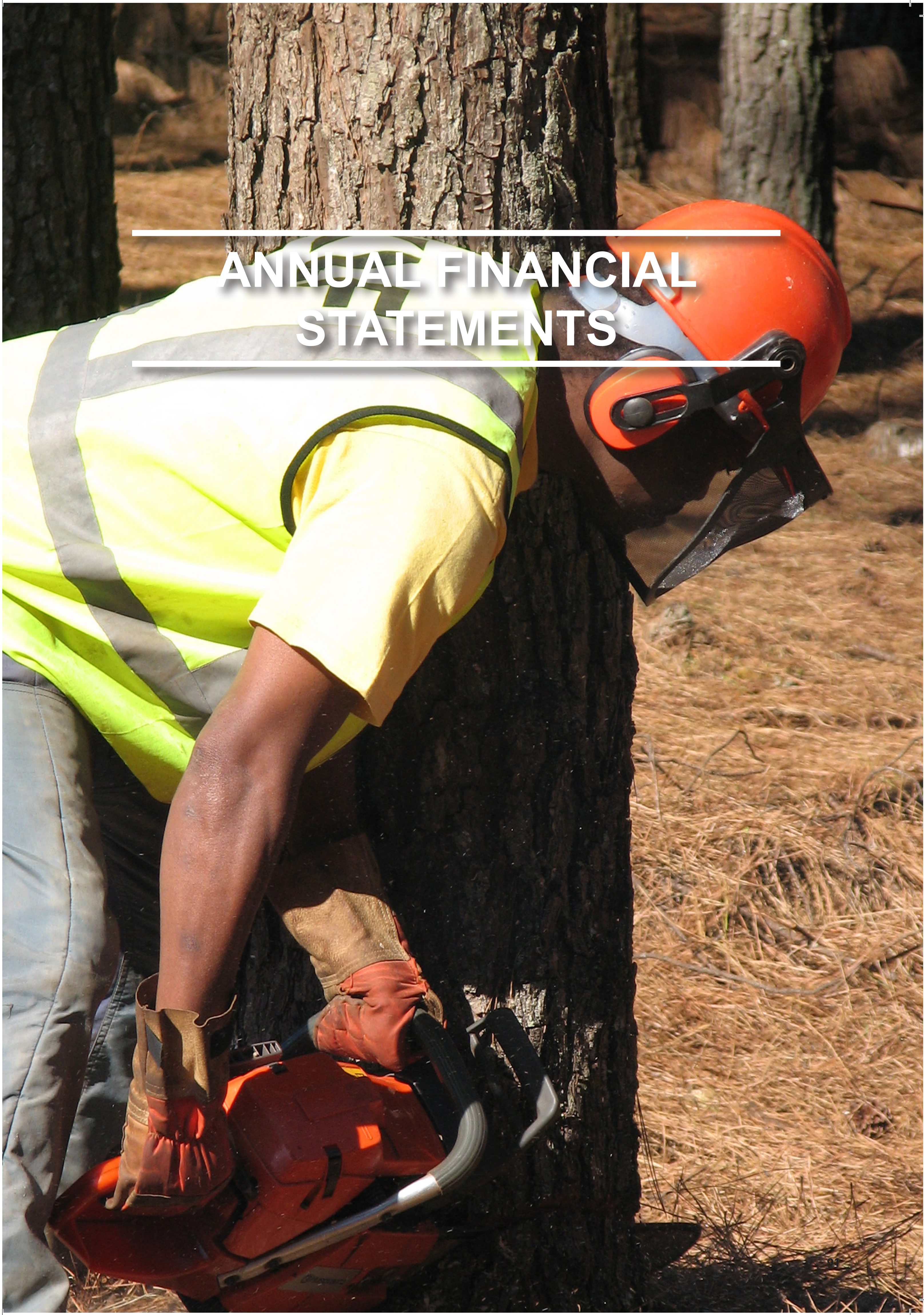
Statucor
Group Company Secretariat

ANNUAL FINANCIAL STATEMENTS

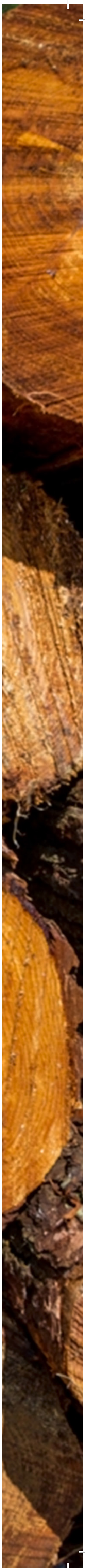


Statement of Financial Position as at 31 March 2014

		Group		Company	
	Note(s)	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000
Assets					
Non-Current Assets					
Biological assets	10	3 427 962	2 713 488	-	-
Property, plant and equipment	11&43	251 191	268 571	5 944	7 778
Intangible assets	12&43	62 103	50 977	61 910	50 509
Other financial assets	13	543	3 037	291	2 787
Deferred tax	14&43	16 241	3 770	14 363	2 829
Finance lease receivables	15	-	353	-	353
Retirement benefit asset	16	2 257	2 129	474	213
		3 760 297	**3 042 325**	**82 982**	**64 469**
Current Assets					
Inventories	17	69 584	86 031	187	144
Loans to group companies	18	-	-	392 769	508 013
Current tax receivable	43	641	642	642	642
Finance lease receivables	15	-	340	-	340
Trade and other receivables	19&43	180 273	203 270	26 632	31 893
Biological Assets	10	251 951	267 667	-	-
Cash and cash equivalents	20	222 162	152 730	178 127	137 133
		724 611	**710 680**	**598 357**	**678 165**
Non-current assets held for sale	21	372 755	337 813	37 526	35 272
Total Assets		**4 857 663**	**4 090 818**	**718 865**	**777 906**
Equity and Liabilities					
Equity					
Share capital	23	318 013	318 013	318 013	318 013
Reserves		99 568	103 323	128 374	126 822
Retained income	43	3 190 994	2 681 766	258 752	304 174
		3 608 575	**3 103 102**	**705 139**	**749 009**
Liabilities					
Non-Current Liabilities					
Finance lease obligation	29	31 443	20 940	-	-
Deferred tax	14	1 048 796	840 280	-	-
		1 080 239	**861 220**	**-**	**-**
Current Liabilities					
Other financial liabilities	28	-	4 565	-	4 565
Current tax payable		10	-	-	-
Finance lease obligation	29	10 390	5 989	-	-
Trade and other payables	30&43	93 466	103 155	13 726	24 332
Provisions	31	64 983	12 787	-	-
		168 849	**126 496**	**13 726**	**28 897**
Total Liabilities		**1 249 088**	**987 716**	**13 726**	**28 897**
Total Equity and Liabilities		**4 857 663**	**4 090 818**	**718 865**	**777 906**

Statement of Profit and Loss and Other Comprehensive Income

		Group		Company	
	Note(s)	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000
Revenue	3	894 374	855 608	45 760	21 805
Cost of sales	4	(699 491)	(635 006)	-	-
Gross profit		**194 883**	**220 602**	**45 760**	**21 805**
Other income		8 615	64 878	62	64 878
Operating expenses		(239 275)	(251 207)	(127 766)	(91 379)
Operating (loss) profit	5	**(35 777)**	**34 273**	**(81 944)**	**(4 696)**
Investment revenue	6	14 139	13 504	26 596	32 372
Fair value adjustments	7	731 445	63 028	-	-
Finance costs	8	(2 853)	(1 516)	(56)	(66)
Profit (loss) before taxation		**706 954**	**109 289**	**(55 404)**	**27 610**
Taxation	9	(196 174)	(35 470)	11 534	325
Profit (loss) for the year		**510 780**	**73 819**	**(43 870)**	**27 935**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(5 307)	6 856	-	-
Other comprehensive income for the year net of taxation		**(5 307)**	**6 856**	**-**	**-**
Total comprehensive income (loss) for the year		**505 473**	**80 675**	**(43 870)**	**27 935**



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/06)
Consolidated Annual Financial Statements for the year ended 31 March 2014

Statement of Changes in Equity

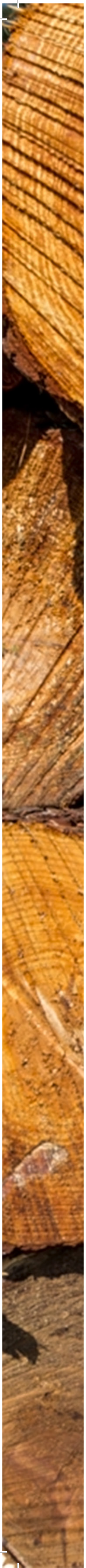
	Share capital	Foreign currency translation reserve	Retirement fund reserve	Revaluation reserve	Capital profit reserve	Total reserves	Retained income	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Group								
Opening balance as previously reported	318 013	(31 303)	64 000	(604)	64 374	96 467	2 605 218	3 019 698
Adjustments								
Prior period error (refer to note 43)	-	-	-	-	-	-	2 729	2 729
Balance at 01 April 2012 as restated	**318 013**	**(31 303)**	**64 000**	**(604)**	**64 374**	**96 467**	**2 607 947**	**3 022 427**
Profit for the year	-	-	-	-	-	-	73 819	73 819
Other comprehensive income	-	6 856	-	-	-	6 856	-	6 856
Total comprehensive income for the year	**-**	**6 856**	**-**	**-**	**-**	**6 856**	**73 819**	**80 675**
Opening balance as previously reported	318 013	(24 447)	64 000	(604)	64 374	103 323	2 681 766	3 103 102
Adjustments								
Prior period error (refer to note 43)	-	-	-	1 552	-	1 552	(1 552)	-
Balance at 01 April 2013 as restated	**318 013**	**(24 447)**	**64 000**	**948**	**64 374**	**104 875**	**2 680 214**	**3 103 102**
Profit for the year	-	-	-	-	-	-	510 780	510 780
Other comprehensive income	-	(5 307)	-	-	-	(5 307)	-	(5 307)
Total comprehensive income for the year	**-**	**(5 307)**	**-**	**-**	**-**	**(5 307)**	**510 780**	**505 473**
Balance at 31 March 2014	**318 013**	**(29 754)**	**64 000**	**948**	**64 374**	**99 568**	**3 190 994**	**3 608 575**
Note(s)	23	24	25	26	27			

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/06)
Consolidated Annual Financial Statements for the year ended 31 March 2014

Statement of Changes in Equity

	Share capital	Foreign currency translation reserve	Retirement fund reserve	Revaluation reserve	Capital profit reserve	Total reserves	Retained income	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Company								
Opening balance as previously reported	318 013	-	64 000	(1 552)	64 374	126 822	273 510	718 345
Adjustments								
Prior period error (refer to note 43)	-	-	-	-	-	-	2 729	2 729
Balance at 01 April 2012 as restated	**318 013**	**-**	**64 000**	**(1 552)**	**64 374**	**126 822**	**276 239**	**721 074**
Profit for the year	-	-	-	-	-	-	27 935	27 935
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**27 935**	**27 935**
Opening balance as previously reported	318 013	-	64 000	(1 552)	64 374	126 822	304 174	749 009
Adjustments								
Prior period error (refer to note 43)	-	-	-	1 552	-	1 552	(1 552)	-
Balance at 01 April 2013 as restated	**318 013**	**-**	**64 000**	**-**	**64 374**	**128 374**	**302 622**	**749 009**
Loss for the year	-	-	-	-	-	-	(43 870)	(43 870)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(43 870)**	**(43 870)**
Balance at 31 March 2014	**318 013**	**-**	**64 000**	**-**	**64 374**	**128 374**	**258 752**	**705 139**
Note(s)	23	24	25	26	27			



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/06)
Consolidated Annual Financial Statements for the year ended 31 March 2014

Statement of Cash Flows

		Group		Company	
	Note(s)	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000
Cash flows from operating activities					
Cash generated / (used) in operations	33	82 574	4 058	(87 714)	(78 129)
Interest income	6	10 014	9 941	22 471	28 809
Dividends received	6	4 125	3 563	4 125	3 563
Finance costs	8	(2 853)	(1 516)	(56)	(66)
Tax paid	34	(115)	(855)	-	(742)
Net cash from operating activities		**93 745**	**15 191**	**(61 174)**	**(46 565)**
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(34 259)	(75 243)	(29)	(7 425)
Proceeds / (loss) on disposal of property, plant and equipment	5&11	13 145	25 342	77	13
Purchase of intangible assets	12	(11 418)	(20 647)	(11 418)	(20 647)
Proceeds on disposal of non-current assets held for sale	21	-	69 263	-	69 263
Other loans and receivables	15	693	232	693	232
Loans advanced to group companies	18	-	-	114 914	59 094
Proceeds on sale of financial assets	13	2 494	921	2 496	920
Foreign currency translation reserve (non-cash movement)		(5 307)	6 856	-	-
Net cash from investing activities		**(34 652)**	**6 724**	**106 733**	**101 450**
Cash flows from financing activities					
Repayment of other financial liabilities	28	(4 565)	(4 615)	(4 565)	(4 615)
Movement in finance leases	29	14 904	16 885	-	-
Net cash from financing activities		**10 339**	**12 270**	**(4 565)**	**(4 615)**
Total cash movement for the year		**69 432**	**34 185**	**40 994**	**50 270**
Cash at the beginning of the year		152 730	118 545	137 133	86 863
Total cash at end of the year	20	**222 162**	**152 730**	**178 127**	**137 133**

Accounting Policies

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 is a horizontally integrated operation whose main business is the conduct of forestry, timber processing and related activities in Southern Africa.

1. Presentation of Consolidated Annual Financial Statements

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.

The financial statements have been prepared under the historical cost basis, except for the revaluation of land and buildings, available for sale financial assets, and financial assets and liabilities at fair value through profit or loss, and incorporate the following principal accounting policies.

The preparation of the annual financial statements in conformity with International Financial Reporting Standards, 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 level rounding used in presenting amounts in the financial statements is thousands.

1.1 Statement of compliance

The Annual Group Financial Statements of SAFCOL are prepared in accordance with International Financial Reporting Standards, the South African Companies Act No. 71 of 2008 and the Public Finance Management Act No. 1 of 1999.

The Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for annual reporting periods commencing on 1 April 2013.

Accounting Policies

1.2 Consolidation

Basis of consolidation

Subsidiaries
The consolidated annual financial statements incorporate the financial statements of the company and its subsidiaries. Subsidiaries are those entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The Group uses the acquisition method of accounting to account for all the business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed in the period incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date on an acquisition-by-acquisition basis; the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and consolidation ceases from the date of disposal or the date on which control ceases. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group entities are eliminated.

The accounting policies of subsidiaries have been changed where necessary to ensure alignment with the policies adopted by the Group.

Investments in subsidiaries are shown at cost less impairment in the Company's separate financial statements, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5 'Non-current Assets Held-for-Sale and Discontinued Operations'. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

Provision for impairment of trade receivables

The Group assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. At each statement of financial position date, the Group assesses whether there is any objective evidence that debtors are impaired. If evidence of impairment exists, the provision is calculated as the carrying value of the debtor less the present value of the estimated recoverable amount.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimate of biological 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 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 that is measured regularly. A merchandising model, using the modelled tree shape at various ages, 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, as well as 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 manages its plantation crop mainly on a 30-year 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.

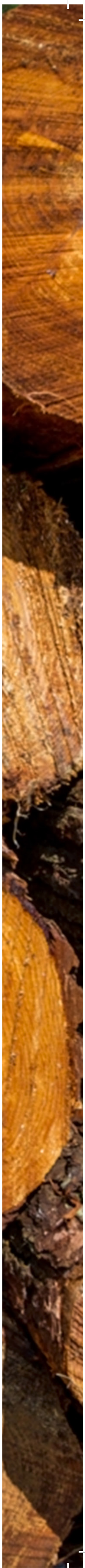
- **Discount rate:**
  The current market-determined discount rate is based on the Weighted Average Cost of Capital model as calculated by an independent professional service provider, using the following:
  - Risk free rate which is updated with the market rates applicable at the valuation dates.
  - 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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 31 - Provisions.

Taxation

The Group is subject to income taxes in South Africa and Mozambique 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 amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.



1.4 Biological assets

Biological assets are measured at fair value less costs to sell. Fair value of plantations and sugar cane is estimated based on the present value of the net future cash flows from the asset, discounted at a current market-based rate. 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. Increases or decreases in value are recognised in the statement of financial performance.

All expenses incurred in maintaining and protecting the assets are recognised in the statement of financial performance. All costs incurred in acquiring additional planted areas are capitalised.

1.5 Investment property

Investment properties 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. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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 stated at cost less accumulated depreciation less any accumulated impairment losses.

Depreciation is charged to the statement of financial performance on a straight-line basis over the estimated useful lives of each item of investment property from when it is available to operate as intended by management. Land is not depreciated

Investment property has been reclassified as non-current asset held for sale per IFRS 5, as the asset meets the requirements of the standard.

1.6 Property, plant and equipment

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.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and are depreciated separately.

The cost of 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 company; and
- the cost of the item can be measured reliably.

Accounting Policies

1.6 Property, plant and equipment (continued)

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:

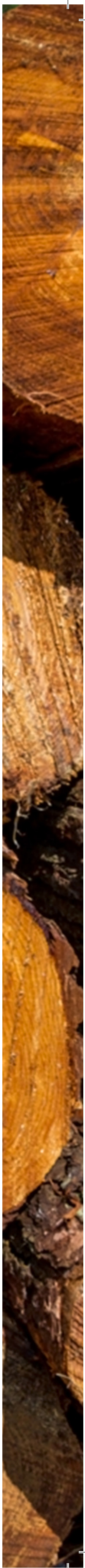
The carrying amount of an item of property, plant and equipment is derecognised at the earlier of the date of disposal or the date when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition of items of property, plant and equipment are included in the statement of 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 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 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	**Average useful life**
Buildings and Utilities	20 - 50 years
Leasehold improvements - buildings and utilities	25 years
Plant and machinery	4 - 15 years
Furniture and fixtures	5 - 10 years
Motor vehicles	4 - 12 years
Computer equipment	3 - 10 years
Leasehold improvements - telephone lines and fences	10 years
Leasehold improvements - roads	25 years



Accounting Policies

1.7 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

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.

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.

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

The useful lives of intangible assets are assessed as definite. Amortisation is charged to the statement of financial performance 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 - 5 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 financial performance. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

1.8 Financial instruments

Classification

The Group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category, or are not classified in any of the other categories. They are included in non-current assets unless the directors intend to dispose of the investment within 12 months of the statement of financial position date. Available for sale financial assets are recognised initially at fair value plus transaction costs, and carried subsequently at fair value.

Financial liabilities

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

Initial recognition and measurement

Regular purchases of financial assets are accounted for at trade date i.e. the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the right to receive cash flows from the investments has expired, or has been transferred and the company has transferred substantially all risks and rewards of ownership.

Fair value is the market value (listed investments) or quoted prices in active markets for identical assets/liabilities that an entity can access at the market date, or the present value of expected future cash flows of the net asset base (unlisted investments). If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of the market approach which uses prices and other relevant information generated by market transactions involving identical or comparable liabilities, income approach which includes discounted cash flow analysis and option pricing models, maximizing observable inputs and minimizing unobservable inputs as far as possible. The fair value of the liability reflects non-performance risk of the Group.

1.8 Financial instruments (continued)

Non-performance risk includes, but may not be limited to, an entity’s own credit risk. Non-performance risk is assumed to be the same before and after the transfer of the liability.

Investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be measured reliably are measured at cost. Gains or losses on available for sale investments are recognised in other comprehensive income, as a separate component of the Group’s equity until the investments are sold, collected or otherwise disposed of, or until the investments are determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the statement of financial performance. Impairment losses on available for sale equity instruments that are recognised in the statement of financial performance are not subsequently reversed.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of financial performance. Impairment losses recognised in the statement of financial performance on equity instruments are not reversed through the statement of financial performance. In the case of assets carried at amortised cost, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s carrying amount is reduced and the amount of the loss is recognised in the statement of financial performance. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment based on an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of financial performance.

Interest on available for sale securities calculated using the effective interest method is recognised in the statement of financial performance as part of investment revenue. Dividends on available-for-sale equity instruments are recognised in the statement of financial performance as part of investment revenue when the Group’s right to receive payment is established.

Offsetting

A financial asset and a financial liability is offset and the net amount reported when the Group has a legally enforceable right to set off the amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Other receivables constitute sundry debtors. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, financial re-organisation, and default, or delinquency in payments, are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced using an allowance account, and the amount of the loss is recognised in income. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of financial performance.

Accounting Policies

1.8 Financial instruments (continued)

Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts (if applicable) are shown within borrowings in current liabilities on statement of financial position.

Cash and cash equivalents are initially recorded at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank overdraft and borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are stated subsequently at amortised cost. Any difference between the proceeds (net of transaction costs), and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

1.9 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 (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 (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

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.

Accounting Policies

1.9 Tax (continued)

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 to equity.

1.10 Leases

Finance leases – lessee

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases. Leased assets are measured at the lower of its fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the shorter of the useful life of the asset and the lease term. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Finance charges are charged to the statement of financial performance over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the underlying assets are classified as operating leases. Payments made under operating leases are recognised in the statement of financial performance on a straight-line basis over the period of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.11 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 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 is 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 are recognised as an expense 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

1.11 Inventories (continued)

Cost is determined on the following bases:

- Finished goods and work-in-progress comprises 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.

1.12 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 group) 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 group) 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.

1.13 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.

1.14 Share capital and equity

Ordinary shares are classified as equity.

1.15 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), are 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 or, in the case of non-accumulating absences, when the absence occurs.

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.

Pension plans

The Group operates various pension schemes, which include both defined benefit and defined contribution plans.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The SAFCOL Provident Fund and Forestry Workers Pension Fund are defined contribution plans. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods.

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.

Defined benefit plans

The defined benefit schemes are funded generally through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The SAFCOL Pension Fund and the SAFCOL Pension-Linked Provident Fund are defined benefit schemes. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date, less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of financial performance in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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

Accounting Policies

1.15 Employee benefits (continued)

Bonus plans

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.

1.16 Provisions and contingencies

A provision is recognised when the Group has a present legal or constructive obligation as a result 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.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or announced publicly. Costs relating to ongoing activities are not provided for.

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.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

1.17 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax and elimination of Group internal sales.

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

Dividends are recognised, in profit or loss, when the Group’s right to receive payment has been established.

Accounting Policies

1.17 Revenue (continued)

Sales of Goods

The Group harvests, processes, and sells a range of timber and logs. Sales of goods are recognised when a Group entity has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Sales of logs are recognised when the title is considered to have passed to the customer either when logs are delivered at roadside or when logs are delivered to the customers. All other sales of goods are recognised when goods are delivered and title has passed.

Sales are recorded based on the price specified in the sales contracts. The provision for claims is based on actual returns by customers and includes volume, quality and price disputes.

Sales of Services

Where the Company charges management services to its subsidiaries, the fees are eliminated on consolidation level. Any billed services are provided as a fixed-price contract, with annual contract terms.

1.18 Translation of foreign currencies

Functional and presentation currency

Items included in the consolidated annual financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated consolidated annual financial statements are presented in Rand which is the Group functional and presentation currency.

Foreign currency transactions

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction or valuation date where items are re-measured. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the exchange rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined. Foreign exchange gains and losses are recognised in the statement of comprehensive income.

At the end of the reporting period, foreign currency monetary items are translated using the closing rate.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Investments in subsidiaries

The results and financial position of all the Group entities that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that statement of financial position
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income as a separate component of equity.

Accounting Policies

1.18 Translation of foreign currencies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings, are taken to other comprehensive income and accumulated in the separate component of equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recognised in the statement of financial performance as part of the gain or loss on sale.

1.19 Research and development

Expenditure on research and development is charged against operating income when incurred.

1.20 Reserves

Non-distributable reserves

Foreign Currency 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. Items are translated at the Group's financial year-end in accordance with section 1.18 Translation of foreign currencies.

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 financial performance.

Distributable reserves

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.

Capital Profit Reserve

Where profits made on disposal of assets and the proceeds from insurance claims are deemed exceptional, these profits are classified as distributable reserve.

1.21 Post balance sheet events

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 Comparative figures

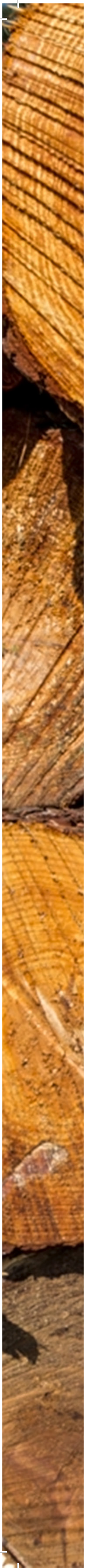
Comparative figures are re-stated in the event of a change in accounting policy or prior period error. Two comparative statements of financial position are presented in the event of a retrospective change in accounting policy, a retrospective restatement or reclassification of items in the financial statements.

1.23 Related Party

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)

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



Accounting Policies

1.24 Irregular, fruitless and wasteful expenditure

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

Section 1 of the Public Finance Management Act, No. 1 of 1999, 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 irregular, fruitless and wasteful expenditure is accounted for in profit/loss in the period in which they are identified.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	2013 R '000	2014 R '000	2013 R '000

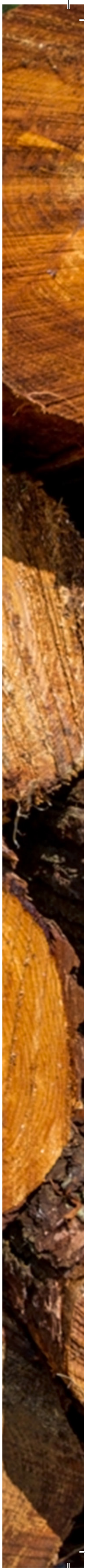
2. New Standards and Interpretations

Standards, amendments and interpretations effective in 2014 and relevant to the Group's operations

- Amendments to IFRS 7, 'Financial instruments: Disclosure' (Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.) (effective from 1 January 2013)
- Amendments to IAS 1, 'Presentation of financial statements' on presentation of the items in Other Comprehensive Income (OCI) (New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity) (effective from 1 July 2012)
- Amendments to IAS 1, 'Presentation of financial statements' (Amendments clarifying the requirements for comparative information including minimum and additional comparative information required by IAS 8) (effective from 1 January 2013)
- Amendments to IAS 16, 'Property, plant and equipment' (Clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory) (effective from 1 January 2013)
- IFRS 12, 'Disclosure of interest in other entities' (Disclosure requirements for all forms of interest in other entities) (effective from 1 January 2013)
- IFRS 12, 'Disclosure of interest in other entities' (Amendments to the transition guidance of IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities', thus limiting the requirements to provide adjusted comparative information.) (effective from 1 January 2013)
- IFRS 12, 'Disclosure of interest in other entities' New disclosures required for Investment Entities (as defined in IFRS 10). (effective from 1 January 2013)
- IAS 27 (revised 2011), 'Separate financial statements' (Provisions on separate financial statements after control provisions of IAS 27 have been included in IFRS 10) (effective from 1 January 2013)
- Amendments to IAS 32, 'Financial instruments: Presentation' (Clarifies the treatment of income tax relating to distributions and transactions costs) (effective from 1 January 2013)
- IAS 28 (revised 2011), 'Associates and joint ventures' (Requirements for joint ventures and associates to be equity accounted) (effective from 1 January 2013)
- Amendments to IAS 32, 'Financial instruments: Presentation' (Clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position) (effective from 1 January 2013)
- IFRS 10, 'Consolidated financial statements' (Identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements) (effective from 1 January 2013)
- IFRS 10, 'Consolidated financial statements' (Amendments to the transition guidance of IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities', thus limiting the requirements to provide adjusted comparative information) (effective from 1 January 2013)
- IFRS 13, 'Fair value measurement' (Providing a precise definition of fair value measurement and disclosure requirements for use across IFRS's) (effective from 1 January 2013)

Standards, amendments and interpretations effective in 2014, but not relevant to the Group's operations

- IAS 19, 'Employee benefits' (Recognition and measurement of defined benefit pension expense) (effective from 1 January 2013)
- IFRIC 20, 'Stripping costs in the production phase of surface mining' (Clarifies to account for the benefit of usable ore gained to produce inventory and the improved access separately and how to measure these benefits initially and subsequently) (effective from 1 January 2013)
- IFRS 11, 'Joint arrangements' (Focus on the rights and obligations of arrangement, rather than legal form)(effective from 1 January 2013)
- Amendments to IFRS 1, 'First time adoption of IFRS' (Clarifies that an entity may apply IFRS 1 more than once under certain circumstances, and entity can choose to adopt IAS 23 'Borrowing costs' from either date of transition or earlier date, first time adopter should provide supporting notes for all statements presented) (effective 1 January 2013)
- Amendments to IFRS 1, 'First time adoption on government loans' (Addresses how a first time adopter would account for government loans with below market rate of interest) (effective 1 January 2013)
- Amendments to IAS 34, 'Interim financial reporting' (Brings IAS 34 into line with the requirements of IFRS 8 'Operating segments') (effective 1 January 2013)



	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

2. New Standards and Interpretations (continued)

Standards, amendments and interpretations applicable to the Group's operations, but not yet effective and have not been early adopted by the Group

- Amendments to IFRS 9 (2011), 'Financial instruments' (Extension of timeline for completing the remaining phases to replace IAS 39, 'Financial Instruments: Recognition and Measurement') (effective from 1 January 2015)
- IAS 27 'Separate financial statements' (Requirement to account for interests in ‘Investment Entities’ at fair value under IFRS 9, 'Financial Instruments', or IAS 39, 'Financial Instruments: Recognition and Measurement', in the separate financial statements of a parent.) (effective from 1 January 2014)
- Amendments to IAS 16, ‘Property, plant and equipment’ resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation). (Effective 1 July 2014)
- Amendments to IAS 24, ‘Related Party Disclosure’ resulting from Annual Improvements 2010-2012 Cycle (management entities) (Effective 1 July 2014)
- Amendments to IAS 36, ‘Impairment of Assets’ arising from Recoverable Amount Disclosures for Non-Financial Assets (Effective 1 January 2014)
- IFRS 9 'Financial Instruments' New standard arising from a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. Phase 1: Classification and measurement (completed), Phase 2: Impairment methodology (outstanding), Phase 3: Hedge accounting (completed) (The mandatory effective date for IFRS 9 will be announced when the IASB has completed all outstanding parts of IFRS 9) (Effective 1 January 2018)
- Amendments to IFRS 10, ‘Consolidated Financial Statements’ for investment entities. Entities meeting the definition of ‘Investment Entities’ must account for investments in subsidiaries at fair value under IFRS 9, 'Financial Instruments', or IAS 39, 'Financial Instruments: Recognition and Measurement'. (Effective 1 January 2014)
- Amendments to IFRS 12, ‘Disclosure of interest in other entities’ for investment entities (Effective 1 January 2014)
- Amendments to IAS 19, ‘Employee Benefits’ to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service (Effective 1 July 2014)

Amendments and Interpretations issued, but not yet effective and not relevant to the Group’s operations

- Amendments to IFRS 2, ‘Share – based payments’ resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition'), (Effective 1 July 2014)
- Amendment to IAS 39, ‘Financial Instruments: Recognition and Measurement’, on derivatives and hedge accounting (effective 1 January 2014)

South African Forestry Company SOC Limited and its subsidiaries
(Registration number 1992/005427/06)
Consolidated Annual Financial Statements for the year ended 31 March 2014

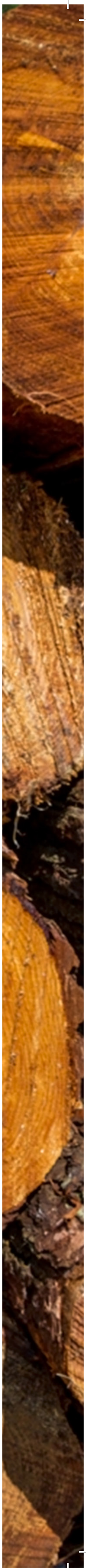
Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000
3. Revenue				
Timber sales	526 642	474 487	-	-
Sawn timber sales	292 125	312 877	-	-
Other	75 607	68 244	45 760	21 805
	894 374	**855 608**	**45 760**	**21 805**
4. Cost of sales				
Sale of goods				
Transport	(57 071)	(44 219)	-	-
Harvesting	(123 890)	(116 718)	-	-
Establishment	(25 960)	(21 379)	-	-
Tending	(24 964)	(25 475)	-	-
Protection	(93 285)	(87 452)	-	-
Overheads	(197 700)	(157 817)	-	-
Processing cost of sales	(172 464)	(179 766)	-	-
Other	(4 157)	(2 180)	-	-
	(699 491)	**(635 006)**	**-**	**-**

5. Operating (loss) profit

Operating (loss) profit for the year is stated after accounting for the following:

	Group 2014 R '000	Group Restated 2013 R '000	Company 2014 R '000	Company Restated 2013 R '000
Auditors remuneration				
Audit Fees	(1 189)	(3 067)	(62)	(1 727)
Over / Under provisions - prior year	(483)	104	-	-
	(1 672)	**(2 963)**	**(62)**	**(1 727)**
Fees for services				
Administrative and legal	(5 323)	(5 634)	(5 097)	(5 874)
Managerial	(1 107)	(1 336)	(5 214)	(18 019)
Technical	(31 070)	(27 994)	(18 772)	(8 263)
	(37 500)	**(34 964)**	**(29 083)**	**(32 156)**
Operating lease charges				
• Contractual amounts	(7 991)	(8 219)	(4 709)	(4 416)
Loss on disposal of property, plant and equipment	-	(368)	-	-
Amortisation on intangible assets	(292)	(367)	(17)	(37)
Depreciation on property, plant and equipment	(43 054)	(41 119)	(2 178)	(1 464)



Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000
5. Operating (loss) profit (continued)				
Staff Costs				
Salaries and wages	(231 401)	(220 602)	(47 443)	(32 515)
Benefits and other costs	(26 636)	(16 054)	(15 427)	(2 808)
Employer contribution - Defined contribution plan	(15 724)	(14 569)	(3 159)	(713)
	(273 761)	**(251 225)**	**(66 029)**	**(36 036)**
Staff costs are included in operating expenses and cost of sales as follows :				
Cost of sales	162 015	-	-	-
Operating expenses	111 746	-	-	-
	273 761	**-**	**-**	**-**
Foreign exchange gains (loss)				
Realised	1 267	-	(3)	5
Other items contributing to operating profit (loss)				
Internal charges and recoveries	4 647	4 526	(1 114)	(114)
Settlement discount received	2 834	2 685	1	5
Travel and accommodation	(5 178)	(3 111)	(2 406)	(1 005)
Material management	(13 838)	(21 511)	(228)	(144)
Forestry contractors	(9 286)	(6 407)	(325)	(35)
Other asset management	(8 723)	(11 719)	(708)	(198)
Risk management	(10 863)	(20 403)	(1 187)	(1 140)
Selling expenses	(6 209)	(4 191)	(534)	(414)
Amounts written off and provided for	(6 190)	(5 531)	(2 368)	(984)
Other administrative costs	(17 619)	(17 036)	(6 917)	(4 240)
Socio and economic development	(8 226)	(7 643)	(6 643)	(281)
Other expenses	-	(587)	(55)	(587)
	(78 651)	**(90 928)**	**(22 484)**	**(9 137)**
Directors remuneration				
For services as directors	(2 556)	(1 747)	(2 556)	(1 747)
Managerial services	(2 888)	(2 715)	(2 888)	(2 715)
	(5 444)	**(4 462)**	**(5 444)**	**(4 462)**
Other income				
Profit on sale of assets	3 145	64 468	62	64 878
Write off - fines and penalities relating to withholding tax	5 470	-	-	-
Other	-	410	-	-
	8 615	**64 878**	**62**	**64 878**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000
6. Investment revenue				
Dividend revenue				
Associates - local	4 125	3 563	4 125	3 563
Interest revenue				
Subsidiaries	-	-	13 415	19 387
Bank	8 685	8 757	8 685	8 966
Other interest	1 329	1 184	370	456
	10 014	**9 941**	**22 470**	**28 809**
	14 139	**13 504**	**26 595**	**32 372**
7. Fair value adjustments				
Biological assets - (Fair value model)	698 757	60 400	-	-
Investments classified as non current assets held for sale	32 688	2 628	-	-
	731 445	**63 028**	**-**	**-**

Refer to change in estimate note 44

	Group		Company	
8. Finance costs				
Finance leases	(2 739)	(1 409)	-	-
Bank	(50)	(69)	(50)	(69)
Other interest	(64)	(38)	(6)	3
	(2 853)	**(1 516)**	**(56)**	**(66)**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000
9. Taxation				
Major components of the tax expense (income)				
Current				
Local income tax - current period	126	121	-	342
Local income tax - prior period adjustments	-	336	-	-
	126	**457**	**-**	**342**
Deferred				
Originating and reversing temporary differences	196 048	64 152	(11 534)	4 017
Arising on the increase in assessed loss	-	(29 139)	-	(4 685)
	196 048	**35 013**	**(11 534)**	**(668)**
	196 174	**35 470**	**(11 534)**	**(326)**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	Group 2014	Group Restated 2013	Company 2014	Company Restated 2013
Accounting profit / loss	706 954	109 289	(55 404)	27 610
Tax at the applicable tax rate of 28% (2013: 28%)	197 947	30 601	(15 513)	7 730
Tax effect of adjustments on taxable income				
Net effect of (income) / expenses that are not (taxable) / deductible in determining taxable profit	2 500	(22 193)	(1 331)	(10 214)
Effect of different tax rates of subsidiaries operating in different jurisdictions	(3 747)	347	-	-
Adjustments recognised in the current year in relation to the current year tax of prior years	(4 200)	(2 424)	(7 575)	-
Adjustment recognised in the current year in relation to the assets transferred to the group company	(94)	-	-	-
Tax losses (utilised)/ carried forward	12 886	29 139	12 885	4 685
Tax effects on restated net profit	34	-	-	(2 527)
Effect of fair value adjustments to investments classfied as non-current assets held for sale	(9 152)	-	-	-
	196 174	**35 470**	**(11 534)**	**(326)**

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

10. Biological assets

Group	2014			2013		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Plantations and sugar cane	3 679 913	-	3 679 913	2 981 155	-	2 981 155

Fair value hierarchy of biological assets

Due to biological assets being recognised at fair value, disclosure is required of the fair value hierarchy which reflects the significance of the inputs used to make the measurements.

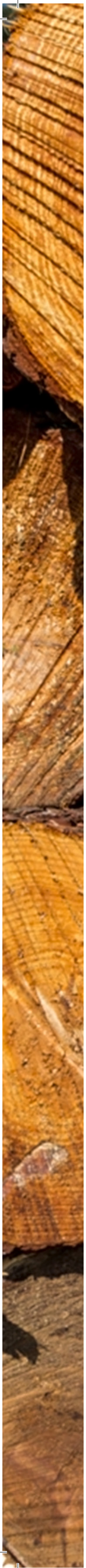
Biological assets are categorised as level 3 as the inputs are not based on observable market data.

Reconciliation of biological assets measured at level 3

Biological assets		
Carrying value at the beginning of the period	2 981 155	2 920 755
Volumes - Growth	274 693	136 863
Volumes - Harvested volumes	(167 222)	(116 719)
Prices	1 184 732	113 661
Discount rate	206 380	(3 913)
Costs	(791 165)	(89 373)
Write back of negative asset	11 221	19 881
Reversal of opening balance negative assets	(19 881)	-
Carrying value at the end of the period	**3 679 913**	**2 981 155**

The fair value of the biological assets is calculated by using the present value of projected future cash flows after taking into consideration the following assumptions:

- The market prices per cubic metre based on market expectations per log class
- Activity costs from the operating statements of plantations for the past period
- Plantation areas of 138,328 ha (2013: 137,736 ha) for the Group and 0 ha (2013: 0 ha) for the Company. The plantation areas include 38 hectares of Kamhlabane Timber SOC Limited
- During the year the Group harvested approximately 1,421,714 m3 (2013:1,295,526 m3), which had a fair value less cost to sell of R 463 (2013: R 463) per cubic metre at the date of harvest
- Physical statistics in accordance with the plantation management system. These statistics are affected by the impact of fires, enumeration updates and product optimisation
- Discount rate determined based on a current market-based rate, which is pre-tax real discount rate. Rate used: Komatiland Forests SOC Limited: 10.4 % (2013: 11.4%), IFLOMA: 14.6 % (2013: 16.4%), Kamhlabane Timber SOC Limited 10.4% (2013: 11.4%)
- The valuations were performed by an independent external forestry economist



Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

The following sensitivity analysis shows how the valuation would be affected if the key valuation parameters are changed, keeping all other variables constant:

Sensitivity Analysis	**Valuation R'000**	**Effect of % change R'000**
Valuation as at 31 March 2014	3 679 913	-
10% increase in log prices	4 440 489	760 576
10% increase in overhead costs	3 509 572	(170 341)
10% increase in the discount rate	3 347 585	(332 328)
10% increase in volumes	4 310 349	630 436
	-	**-**

Split between current and non-current portion				
Non-current assets	3 427 962	2 713 488	-	-
Current assets	251 951	267 667	-	-
	3 679 913	**2 981 155**	**-**	**-**

11. Property, plant and equipment

Group		2014			2013	
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Land	4 030	-	4 030	4 030	-	4 030
Buildings and utilities	100 791	(59 746)	41 045	99 475	(53 577)	45 898
Leasehold improvements: Buildings and utilities	47 216	(12 756)	34 460	44 516	(10 277)	34 239
Plant and machinery	315 609	(239 924)	75 685	316 476	(225 908)	90 568
Furniture and fixtures	14 083	(10 718)	3 365	12 305	(7 878)	4 427
Motor vehicles	154 440	(108 293)	46 147	149 757	(101 200)	48 557
Computer equipment	29 192	(25 551)	3 641	28 606	(22 995)	5 611
Leasehold improvements: Telephone lines and fences	1 686	(814)	872	1 686	(654)	1 032
Leasehold improvements: Roads	30 846	(7 297)	23 549	25 187	(5 913)	19 274
Capital work in progress	18 397	-	18 397	14 935	-	14 935
Total	**716 290**	**(465 099)**	**251 191**	**696 973**	**(428 402)**	**268 571**

Company		2014			2013	
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Leasehold improvements: Buildings and utilities	3 672	(1 066)	2 606	3 483	(341)	3 142
Plant and machinery	285	(197)	88	150	(29)	121
Furniture and fixtures	4 310	(1 889)	2 421	4 129	(1 017)	3 112
Motor vehicles	2 679	(2 163)	516	499	(211)	288
Computer equipment	2 531	(2 218)	313	1 901	(1 129)	772
Leasehold improvements: Telephone lines and fences	4	(4)	-	-	-	-
Capital work in progress	-	-	-	343	-	343
Total	**13 481**	**(7 537)**	**5 944**	**10 505**	**(2 727)**	**7 778**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

Reconciliation of property, plant and equipment - Group - 2014

	Opening balance	**Additions**	**Disposals**	**Foreign exchange movements**	**Depreciation**	**Total**
Land	4 030	-	-	-	-	4 030
Buildings	45 898	741	-	390	(5 984)	41 045
Leasehold improvements: Buildings and utilities	34 239	2 712	-	-	(2 491)	34 460
Plant and machinery	90 568	2 970	(627)	825	(18 051)	75 685
Furniture and fixtures	4 427	42	-	72	(1 176)	3 365
Motor vehicles	48 557	17 731	(9 320)	98	(10 919)	46 147
Computer equipment	5 611	953	(52)	18	(2 889)	3 641
Leasehold improvements: Telephone lines and fences	1 032	-	-	-	(160)	872
Leasehold improvements: Roads	19 274	5 659	-	-	(1 384)	23 549
Capital work in progress	14 935	3 451	-	11	-	18 397
	268 571	**34 259**	**(9 999)**	**1 414**	**(43 054)**	**251 191**

Reconciliation of property, plant and equipment - Group - 2013

	Opening balance	**Additions**	**Disposals**	**Foreign exchange movements**	**Depreciation**	**Total**
Land	4 030	-	-	-	-	4 030
Buildings and utilities	30 300	21 574	-	324	(6 300)	45 898
Leasehold improvements: Buildings and utilities	31 066	5 573	-	-	(2 400)	34 239
Plant and machinery	75 988	30 733	(232)	83	(16 004)	90 568
Furniture and fixtures	1 884	3 298	(15)	68	(808)	4 427
Motor vehicles	50 667	7 673	(50)	165	(9 898)	48 557
Computer equipment	6 438	3 291	(33)	-	(4 085)	5 611
Leasehold improvements: Telephone lines and fences	658	607	(87)	-	(146)	1 032
Leasehold improvements: Roads	18 258	2 494	-	-	(1 478)	19 274
Capital work in progress	39 070	-	(24 925)	790	-	14 935
	258 359	**75 243**	**(25 342)**	**1 430**	**(41 119)**	**268 571**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

Reconciliation of property, plant and equipment - Company - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Leasehold improvements: Buildings and utilities	3 142	29	-	129	(694)	2 606
Plant and machinery	121	-	-	-	(33)	88
Furniture and fixtures	3 112	-	-	12	(703)	2 421
Motor vehicles	288	-	(15)	428	(185)	516
Computer equipment	772	-	-	104	(563)	313
Capital work in progress	343	-	-	(343)	-	-
	7 778	**29**	**(15)**	**330**	**(2 178)**	**5 944**

Reconciliation of property, plant and equipment - Company - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	1 050	-	-	(1 006)	(44)	-
Leasehold improvements: Buildings and utilities	2 650	3 460	-	(2 568)	(400)	3 142
Plant and machinery	231	138	-	(161)	(87)	121
Furniture and fixtures	335	3 166	(13)	(33)	(343)	3 112
Motor vehicles	159	219	-	(48)	(42)	288
Computer equipment	967	99	-	184	(478)	772
Leasehold improvements: Roads	1 430	-	-	(1 360)	(70)	-
Capital work in progress	-	343	-	-	-	343
	6 822	**7 425**	**(13)**	**(4 992)**	**(1 464)**	**7 778**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

12. Intangible assets

Group	2014			2013		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	7 136	(6 896)	240	7 136	(6 604)	532
Capital work in progress	61 863	-	61 863	50 445	-	50 445
Total	**68 999**	**(6 896)**	**62 103**	**57 581**	**(6 604)**	**50 977**

Company	2014			2013		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	180	(133)	47	180	(116)	64
Capital work in progress	61 863	-	61 863	50 445	-	50 445
Total	**62 043**	**(133)**	**61 910**	**50 625**	**(116)**	**50 509**

Reconciliation of intangible assets - Group - 2014

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	532	-	(292)	240
Capital work in progress	50 445	11 418	-	61 863
	50 977	**11 418**	**(292)**	**62 103**

Reconciliation of intangible assets - Group - 2013

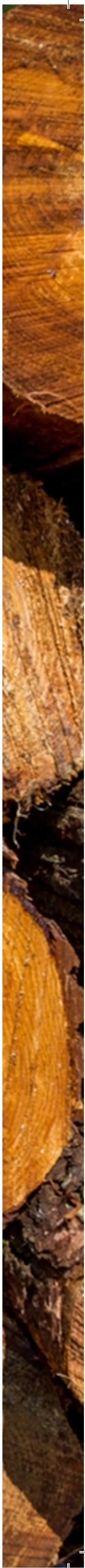
	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	899	-	(367)	532
Capital work in progress	29 798	20 647	-	50 445
	30 697	**20 647**	**(367)**	**50 977**

Reconciliation of intangible assets - Company - 2014

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	64	-	(17)	47
Capital work in progress	50 445	11 418	-	61 863
	50 509	**11 418**	**(17)**	**61 910**

Reconciliation of intangible assets - Company - 2013

	Opening balance	**Additions**	**Transfers**	**Amortisation**	**Total**
Computer software	132	-	(31)	(37)	64
Capital work in progress	29 798	20 647	-	-	50 445
	29 930	**20 647**	**(31)**	**(37)**	**50 509**



	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

13. Other financial assets

Available-for-sale				
Investments	543	3 037	291	2 787
Non-current assets				
Available-for-sale	543	3 037	291	2 787

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.

Level 1				
Risk finance policy - Guardian National	290	3 705	289	2 785
Level 3				
Transvaal Wattle Growers Co-Op Agriculture Company Limited	1	1	1	1
KAAP Agri	1	1	1	1
NTE Investments	251	251	-	-
	253	**253**	**2**	**2**
	543	**3 958**	**291**	**2 787**

Reconciliation of financial assets measured at level 3

Reconciliation of financial assets measured at level 3 - Group - 2014

	Opening balance	**Total**
Transvaal Wattle Growers Co-Op Agriculture Company Limited	1	1
KAAP Agri	1	1
NTE Investment	251	251
	253	**253**

Reconciliation of financial assets measured at level 3 - Group - 2013

	Opening balance	**Total**
Transvaal Wattle Growers Co-Op Agriculture Company Limited	1	1
KAAP Agri	1	1
NTE Investment	251	251
	253	**253**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

13. Other financial assets (continued)

Reconciliation of financial assets measured at level 3 - Company - 2014

	Opening balance	**Total**
Transvaal Wattle Growers Co-Op Agriculture Company Limited	1	1
KAAP Agri	1	1
	2	**2**

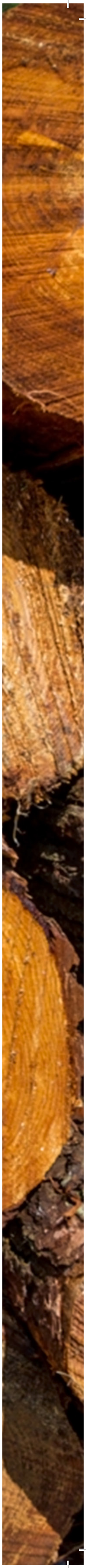
Reconciliation of financial assets measured at level 3 - 2013

	Opening balance	**Total**
Transvaal Wattle Growers Co-Op Agriculture Company Limited	1	1
KAAP Agri	1	1
	2	**2**

	Group 2014	Group Restated 2013	Company 2014	Company Restated 2013
Available for sale				
Beginning of the year	3 037	3 958	2 787	3 707
Movement for the current year	(2 494)	(921)	(2 496)	(920)
	543	**3 037**	**291**	**2 787**

The directors value all unlisted investments at cost.

None of the available for sale assets is either past due or impaired



Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

14. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(1 048 796)	(840 280)	-	-
Deferred tax asset	16 241	3 769	14 363	2 829
Total net deferred tax (liability) asset	**(1 032 555)**	**(836 511)**	**14 363**	**2 829**

Reconciliation of deferred tax asset / (liability)

At beginning of year	(836 511)	(803 033)	2 829	630
Reversing/ (Originating) temporary differences on property, plant and equipment	(26 951)	(20 986)	5 542	(5 261)
Reversing/ (Originating) temporary difference on provisions	6 339	1 490	33	867
Originating temporary differences on other allowances	(7 668)	(5 018)	446	(335)
(Originating)/ Reversing temporary differences on fair value adjustments	(201 586)	(44 206)	-	-
(Originating)/ Reversing temporary differences on retirement benefit asset	(572)	(566)	(73)	(29)
(Reversing) / Originating temporary differences on borrowings	10 629	6 093	(1 084)	741
(Reversing) / Originating temporary differences on prior year adjustments	-	576	-	1 531
Originating temporary differences on assessed loss	23 765	29 139	6 670	4 685
	(1 032 555)	**(836 511)**	**14 363**	**2 829**

15. Finance lease receivables

Gross investment in the lease due				
- within one year	-	246	-	246
- in second to fifth year inclusive	-	512	-	512
	-	758	-	758
less: Unearned finance income	-	(65)	-	(65)
	-	**693**	**-**	**693**
Present value of minimum lease payments due				
- within one year	-	340	-	340
- in second to fifth year inclusive	-	353	-	353
	-	**693**	**-**	**693**
Non-current assets	-	353	-	353
Current assets	-	340	-	340
	-	**693**	**-**	**693**

The finance leases are with BYS Harvesting and Falcon View - as these leases are long outstanding, the matters have been handed over to Legal Department. They are in the process of investigations to determine whether write off is appropriate.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

16. Retirement benefits

Retirement funds

The consolidation of membership of three funds in the South African Forestry Company SOC Limited Provident Fund was finalised during the 2010 financial year. The retirement funds transferred were the South African Forestry Company SOC Limited Pension Fund, the South African Forestry Company SOC Limited Pension-Linked Provident Fund and the Investment Solutions Executive Provident Fund, an umbrella retirement dispensation. The Group employees were members of the South African Forestry Company SOC Limited Provident Fund. All members of the Forestry Workers Pension Fund were transferred to the South African Forestry Company SOC Ltd Provident Fund during August 2013.

Alexander Forbes is the administrator of the South African Forestry Company SOC Limited Provident Fund.

	Group 2014	Group Restated 2013	Company 2014	Company Restated 2013
Non-current statement financial position				
Pension and provident fund	2 257	2 129	474	213
Statement of profit and loss and other comprehensive income				
Post retirement benefits - defined contribution	15 905	14 669	3 340	880
Post retirement benefits - defined benefit plan	-	67	-	-
	15 905	**14 736**	**3 340**	**880**

Key assumptions used

The principal actuarial assumptions used were as follows

	Group 2014	Group Restated 2013	Company 2014	Company Restated 2013
Discount rates	6.6%	5%	6.6%	5%
Inflation rates	5.2%	3%	5.2%	3%

	Group 2014	Group Restated 2013	Company 2014	Company Restated 2013
Plan assets are comprised as follows: (SAFCOL Provident Fund)				
Cash	65%	76%	65%	76%
Bonds	35%	24%	35%	24%
	100	**100**	**100**	**100**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

16. Retirement benefits (continued)

	Pension Fund		Pension Linked Provident Fund	
Opening balance	-	297	-	-
Section 15E transfers	-	(230)	-	-
Statement of comprehensive income movement	-	(67)	-	-
Retirement benefit asset / (liability)	**-**	**-**	**-**	**-**
Changes in the present value of the defined benefit obligation are as follows:				
Opening defined benefit obligation	-	(25)	-	-
Interest cost	-	(2)	-	-
Actuarial gain / (loss)	-	27	-	-
Pension surplus apportionment	**-**	**-**	**-**	**-**
Pension surplus apportionment	-	-	-	-
Settlement	-	-	-	-
Closing defined benefit obligation	**-**	**-**	**-**	**-**
Changes in the fair value of plan assets are as follows:				
Fair value of plan assets at the beginning of the year	-	322	-	-
Expected return on plan assets	-	20	-	-
Section 15E transfers	-	(230)	-	-
Actuarial gain / (loss)	-	(112)	-	-
Fair value of plan assets at the end of the year	**-**	**-**	**-**	**-**
The amounts recognised in the statement of comprehensive income are determined as follows:				
Interest cost	-	(2)	-	-
Expected return on plan assets	-	20	-	-
Actuarial (gain) / loss unrecognised	-	(85)	-	-
Statement of comprehensive income movement	**-**	**(67)**	**-**	**-**
SAFCOL Provident Fund Asset	2 257	2 129	-	213

Future contributions, statement of financial performance changes and debits.

The expected contributions to post employment benefit and contribution plans for the year ending March 2015 approximate R17 million (2013: R 15 million). The expected statement of financial performance (credit) / debit for the defined benefit and contribution schemes are estimated to be approximately R 149 000 (2013: R 111 000).

Summary of the employee benefits assets and obligations as determined actuarially each year				
Fair value of plan assets	2 257	2 129	474	213

Notes to the Consolidated Annual Financial Statements

17. Inventories

	Group 2014 R '000	Group Restated 2013 R '000	Company 2014 R '000	Company Restated 2013 R '000
At Cost				
Raw materials	5 953	10 282	-	-
Work in progress	3 860	3 225	-	-
Finished goods	24 532	40 888	-	-
Consumable Stores	18 580	18 203	187	144
At net realisable value				
Finished goods	8 030	9 400	-	-
At fair value				
Agricultural produce saw logs	12 287	4 966	-	-
	73 242	86 964	187	144
Inventories (write-downs)	(3 658)	(933)	-	-
	69 584	**86 031**	**187**	**144**

18. Loans to group companies

Subsidiaries

	Group 2014 R '000	Group Restated 2013 R '000	Company 2014 R '000	Company Restated 2013 R '000
Komatiland Forests SOC Limited	-	-	392 769	506 518
Mountains to Oceans Forestry SOC Limited	-	-	-	1 495
	-	**-**	**392 769**	**508 013**

The loans are unsecured, bear interest at prime rate and have no fixed repayment terms.

The loan to Mountains to Oceans Forestry SOC Limited has been written off due to the expected deregistration of the company as per the directors approval.

19. Trade and other receivables

	Group 2014 R '000	Group Restated 2013 R '000	Company 2014 R '000	Company Restated 2013 R '000
Trade receivables	167 581	184 524	12 181	14 535
Prepayments	6 774	7 417	2 972	4 036
VAT	7 484	8 956	7 484	8 633
Provision for impairment of trade and other receivables	(13 188)	(12 027)	(752)	(984)
Other receivables	11 622	14 400	4 747	5 673
	180 273	**203 270**	**26 632**	**31 893**

Fully performing trade and other receivables

As at 31 March 2014, trade receivables of the Group of R 94 million (2013: R 71 million) and of the Company of R 12 million (2013: R 15 million) were fully performing. Other receivables of the Group of R 3 million (2013: 6 million) and of the Company R 3 million (2013: R 3 million) were fully performing.

Trade and other receivables with no default history

Trade receivables

	Group 2014 R '000	Group Restated 2013 R '000	Company 2014 R '000	Company Restated 2013 R '000
Fully performing trade receivables	94 270	70 805	12 181	14 504
Fully performing other receivables	3 148	5 962	2 561	3 419
	97 418	**76 767**	**14 742**	**17 923**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

19. Trade and other receivables (continued)

Trade and other receivables past due but not impaired

Included in the Group's trade and other receivables are trade and other receivables with a carrying amount of R 69 million (2013: R 111 million) and for the Company R 1.4 million (2013: R 1.5 million) which are past due at the reporting date for which the Group has not provided as there has been a significant change in the credit quality and the amounts are still considered recoverable.

The ageing of amounts past due but not impaired is as follows:

	Group 2014 R '000	Group Restated 2013 R '000	Company 2014 R '000	Company Restated 2013 R '000
Total trade receivables	64 674	103 932	-	31
Total other receivables	3 924	7 153	1 435	1 465
	68 598	**111 085**	**1 435**	**1 496**
Trade receivables				
31-60 days	35 642	64 661	-	3
60-90 days	10 945	10 118	-	3
90-120 days	1 636	5 194	-	3
120-150 days	1 704	9 420	-	3
150+ days	14 747	14 539	-	19
	64 674	**103 932**	**-**	**31**
Other receivables				
31-60 days	336	673	2	9
60-90 days	129	349	2	9
90-120 days	72	211	5	9
120-150 days	135	607	2	-
150+ days	3 252	5 313	1 424	1 438
	3 924	**7 153**	**1 435**	**1 465**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

19. Trade and other receivables (continued)

Trade and other receivables impaired

Included in the Group and Company's trade and other receivables with a carrying amount of R 13 million (2013: R 12 million) and R 1 million (2013: R 1 million) which have been impaired and provided for. These relate to a number of independent customers which are in difficult economic situations.

The ageing of these loans is as follows:

	Group 2014 R '000	Group Restated 2013 R '000	Company 2014 R '000	Company Restated 2013 R '000
Total impaired trade receivables	8 638	9 787	-	-
Total impaired other receivables	4 550	2 240	752	984
	13 188	**12 027**	**752**	**984**
Trade receivables				
90-120 days	16	108	-	-
120-150 days	1 801	906	-	-
150+ days	6 821	8 773	-	-
	8 638	**9 787**	**-**	**-**
Other receivables				
90-120 days	4	-	-	-
120-150 days	6	-	-	-
150+ days	4 540	2 240	752	984
	4 550	**2 240**	**752**	**984**
Reconciliation of provision for impairment of trade and other receivables				
Opening balance	(12 027)	(6 577)	(984)	-
Impairment losses increase	(4 454)	(5 530)	(752)	(984)
Amounts written off as uncollectable	3 009	-	984	-
Amounts recovered during the year	117	291	-	-
Movement due to exchange differences	167	(211)	-	-
	(13 188)	**(12 027)**	**(752)**	**(984)**

The average credit period of the Group is 78 (2013: 82) days. Interest is charged on trade receivables in default. The Group has provided for the majority of receivables over 150 days based on past experience, which indicates that the receivables which are past due beyond 150 days are generally not recoverable. Some past due receivables older than 150 days however have not been provided for due to specific conditions in regards to the payment of the debt. Trade receivables between 30 days and 150 days are provided for based on estimated irrecoverable amounts.

In determining the recoverability of the trade and other receivables, the Group considers any change in the credit quality of trade and other receivables from the date the credit was initially granted up to the reporting date. The concentration of the credit risk is limited due to the customer base being large. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for impairment of trade receivables.

The maximum exposure to credit risk at the reporting date is the carry value of each class of receivable mentioned above.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

20. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	44 342	20 834	307	5 235
Short-term deposits	177 820	131 896	177 820	131 898
	222 162	**152 730**	**178 127**	**137 133**

21. Non-current assets held for sale

Assets and liabilities

Non-current assets held for sale				
Property, plant and equipment	25	25	-	-
Investments	372 730	337 788	37 526	35 272
	372 755	**337 813**	**37 526**	**35 272**

Investments				
Singisi Forest Products Proprietary Limited	111 552	114 309	32 760	32 760
Siyaqhubeka Forests Proprietary Limited	167 280	154 436	-	-
MTO Forestry Proprietary Limited	89 090	64 071	-	-
Amathole Forestry Company Proprietary Limited	4 808	4 972	4 766	2 512
	372 730	**337 788**	**37 526**	**35 272**

Investment property				
Opening balance	-	4 791	-	4 791
Sold during the year	-	(4 791)	-	(4 791)
	-	**-**	**-**	**-**

Property, plant and equipment classified as held for sale relate to assets that were not in use in the prior year and will be disposed of within the next 12 months.

Investments previously classified as associates are classified as non-current assets held for sale as management is committed to a plan to sell the investments within 12 months. The sale is highly probable within the next 12 months based on a directive received from the shareholder to dispose of these assets. The shareholder has indicated in its strategic plan its intention to dispose of the minority interest with set deadlines. Management does not have significant influence, although South African Forestry Company SOC Limited has representation on the various boards of directors of the investments.

R '000

22. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2014

	Loans and receivables	Available-for-sale	Total
Other financial assets	-	543	543
Trade and other receivables	180 273	-	180 273
Cash and cash equivalents	222 162	-	222 162
	402 435	**543**	**402 978**

Group - 2013

	Loans and receivables	Available-for-sale	Total
Other financial assets	-	3 037	3 037
Trade and other receivables	203 270	-	203 270
Cash and cash equivalents	152 730	-	152 730
Finance lease receivables	693	-	693
	356 693	**3 037**	**359 730**

Company - 2014

	Loans and receivables	Available-for-sale	Total
Loans to group companies	392 769	-	392 769
Other financial assets	-	291	291
Trade and other receivables	26 632	-	26 632
Cash and cash equivalents	178 127	-	178 127
	597 528	**291**	**597 819**

Company - 2013

	Loans and receivables	Available-for-sale	Total
Loans to group companies	508 013	-	508 013
Other financial assets	-	2 787	2 787
Trade and other receivables	31 893	-	31 893
Cash and cash equivalents	137 133	-	137 133
Finance lease receivables	693	-	693
	677 732	**2 787**	**680 519**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000
23. Share capital				
Authorised				
1 500 000 000 Ordinary shares of R1 each	1 500 000	1 500 000	1 500 000	1 500 000

- unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the annual general meeting.

Issued				
318 013 000 Ordinary shares of R1 each	318 013	318 013	318 013	318 013
24. Foreign currency translation reserve				
Foreign exchange	(29 754)	(24 447)	-	-
	(29 754)	**(24 447)**	**-**	**-**
25. Retirement fund reserve				
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**
26. Revaluation reserve				
Adjustment to net asset valuation upon corporatisation	948	(604)	-	(1 552)
Prior period error (refer to note 43)	-	1 552	-	1 552
	948	**948**	**-**	**(1 552)**
27. Capital profit reserve				
Capital surplus on sawmill insurance claims	37 061	37 061	37 061	37 061
Adjustment to property, plant and equipment opening balances	(669)	(669)	(669)	(669)
Cancellation of provision for cost of transfer of land	27 982	27 982	27 982	27 982
	64 374	**64 374**	**64 374**	**64 374**
28. Other financial liabilities				
Held at amortised cost				
Other financial liability The unsecured loan from Oracle was fully repaid over a period of three years.	-	4 565	-	4 565
Current liabilities				
At amortised cost	-	4 565	-	4 565

Notes to the Consolidated Annual Financial Statements

29. Finance lease obligation

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000
Minimum lease payments due				
- within one year	13 586	7 944	-	-
- in second to fifth year inclusive	35 955	23 804	-	-
	49 541	31 748	-	-
less: future finance charges	(7 708)	(4 819)	-	-
Present value of minimum lease payments	**41 833**	**26 929**	**-**	**-**
Present value of minimum lease payments due				
- within one year	10 390	5 989	-	-
- in second to fifth year inclusive	31 443	20 940	-	-
	41 833	**26 929**	**-**	**-**
Non-current liabilities	31 443	20 940	-	-
Current liabilities	10 390	5 989	-	-
	41 833	**26 929**	**-**	**-**

Finance lease obligations are capitalised between prime plus 1.88% and prime less 0.11% (2013: prime plus 0.35% and prime less 0.36%). The effective interest rate prevailing at year end ranged between 8.89% and 10.88% (2013: 8.07% and 8.85%). These lease terms are 5 years with between 1 and 4 years (2013: 1 and 4 years) remaining. These liabilities are secured by installment sale agreements over assets with a carrying value of R 35.5 million (2013: R 32 million). Monthly repayments are R 1.1 million (2013: R 416 thousand).

30. Trade and other payables

	Group 2014 R '000	Group Restated 2013 R '000	Company 2014 R '000	Company Restated 2013 R '000
Trade payables	45 449	56 219	2 357	16 638
Accruals	24 540	25 658	7 811	4 123
VAT (refer to prior period note 43)	4 581	2 714	-	-
Leave pay accrual	15 962	15 477	3 297	2 963
Other payables	2 934	3 087	261	608
	93 466	**103 155**	**13 726**	**24 332**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

31. Provisions

Reconciliation of provisions - Group - 2014

	Opening balance	Additions	Total
Product claims	-	251	251
Land lease	12 787	47 623	60 410
Provisions for other risks - IFLOMA	-	4 322	4 322
	12 787	**52 196**	**64 983**

Reconciliation of provisions - Group - 2013

	Opening balance	Additions	Utilised during the year	Total
Product claims	39	-	(39)	-
Land lease	2 041	11 458	(712)	12 787
	2 080	**11 458**	**(751)**	**12 787**

Reconciliation of provisions - Company - 2013

	Opening balance	Utilised during the year	Total
Land lease	843	(843)	-

Product claims - provision for product returns based on terms and conditions of sale, and will realise within one year. The timing is uncertain regarding when the amounts will be claimed.

Land lease - provision for land which South African Forestry Company SOC Limited leases from the Department of Agriculture, Forestry and Fisheries (DAFF). The value is not certain as a new lease agreement has not been signed; it is currently being negotiated. There is also uncertainty regarding when the lease will be invoiced.

R '000

32. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2014

	Financial liabilities at amortised cost	Total
Trade and other payables	93 466	93 466
Finance lease obligation	41 833	41 833
	135 299	**135 299**

Group - 2013

	Financial liabilities at amortised cost	Total
Other financial liabilities	4 565	4 565
Trade and other payables	103 155	103 155
Finance lease obligation	26 929	26 929
	134 649	**134 649**

Company - 2014

	Financial liabilities at amortised cost	Total
Trade and other payables	13 726	13 726

Company - 2013

	Financial liabilities at amortised cost	Total
Other financial liabilities	4 565	4 565
Trade and other payables	24 332	24 332
	28 897	**28 897**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000
33. Cash generated from (used in) operations				
Profit (loss) before taxation	706 954	109 289	(55 404)	27 610
Adjustments for:				
Depreciation and amortisation	43 346	41 486	2 195	1 500
Profit on sale of property, plant and equipment	(3 146)	-	(62)	-
Profit on sale of non-current assets held for sale	-	(64 468)	-	(64 468)
Dividends received	(4 125)	(3 563)	(4 125)	(3 563)
Interest received - investment	(10 014)	(9 941)	(22 471)	(28 809)
Finance costs	2 853	1 516	56	66
Fair value adjustments	(731 446)	(63 028)	-	-
Reversal of impairment on non-current assets held for sale	(2 254)	-	(2 254)	-
Movements in retirement benefit assets	(128)	(74)	(261)	(108)
Movements in provisions	52 196	10 707	-	(843)
Revaluation of property, plant and equipment	(1 414)	(1 430)	-	-
Changes in working capital:				
Inventories	16 447	(2 345)	(43)	(137)
Trade and other receivables	22 997	(21 887)	5 261	(22 723)
Trade and other payables	(9 692)	7 796	(10 606)	13 346
	82 574	**4 058**	**(87 714)**	**(78 129)**

	Group 2014	Group Restated 2013	Company 2014	Company Restated 2013
34. Tax paid				
Balance at beginning of the year	642	1 775	642	1 773
Current tax for the year recognised in profit or loss	(126)	(457)	-	(342)
Prior period error (refer to note 43)	-	(1 531)	-	(1 531)
Balance at end of the year	(631)	(642)	(642)	(642)
	(115)	**(855)**	**-**	**(742)**

Notes to the Consolidated Annual Financial Statements

		Group		Company	
		2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

35. 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 concerns. 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 management of financial risks takes place within South African Forestry Company SOC Limited's centralised treasury and risk management functions. The objective is to ensure that the Group is not unduly exposed to financial risks and is governed by a Treasury Mandate.

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 during the 2010 financial year.

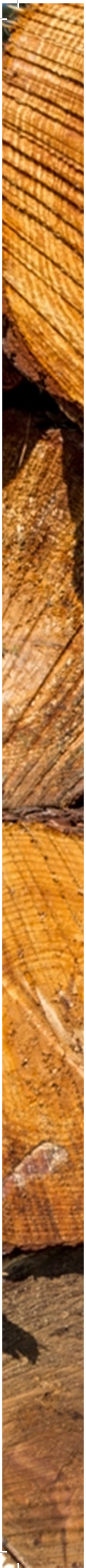
No dividends have been declared in the current financial year (2013: R 0 million).

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.

The Finance and Investment Committee reviews the Group's capital structure on a quarterly basis.

The gearing ratio at 2014 and 2013 respectively were as follows:

Total borrowings					
Finance lease obligation	29	41 833	26 929	-	-
Other financial liabilities	28	-	4 565	-	4 565
		41 833	**31 494**	**-**	**4 565**
Total debt		41 833	31 494	-	4 565
Total equity		3 608 575	3 103 102	705 139	749 009
Total capital		**3 650 408**	**3 134 596**	**705 139**	**753 574**
Gearing ratio		1 %	1 %	- %	1 %



Notes to the Consolidated Annual Financial Statements

35. Risk management (continued)

Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liabilities and equity instruments, are disclosed in note 1 to the annual financial statements.

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000
Classes of financial instruments				
Financial assets				
Finance lease receivables	-	693	-	693
Other financial assets	543	3 037	291	2 787
Loans to group companies - Non-interest bearing loans	-	-	294 042	294 042
Loans to group companies - Interest bearing loans	-	-	98 727	213 971
Cash and cash equivalents	222 162	152 732	178 127	137 133
Trade receivables	180 273	203 270	26 632	31 893
	402 978	**359 732**	**597 819**	**680 519**
Financial liabilities				
Finance lease obligation	41 833	26 929	-	-
Other financial liabilities	-	4 565	-	4 565
Trade payables	93 466	103 155	13 726	24 332
	135 299	**134 649**	**13 726**	**28 897**

2014 R '000
Restated 2013 R '000

35. Risk management (continued)

Major financial risks

The following major financial risks that the organisation is exposed to have been identified:
- Liquidity Risk
- Forward Exchange Risk
- Credit Risk
- Cash Flow Interest Rate Risk
- Market Risk
- Compliance Risk
- Operational Risk
- Price Risk

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.

Liquidity risk arises primarily from variation in revenue flows as well as the Group’s ability to repay principle 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 table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity dates.

Group

At 31 March 2014	**Carrying amount**	**Contractual amount**	**Less than 1 year**	**2-5 years**	**Total**
Finance lease obligation	41 833	41 833	10 390	31 443	41 833
Trade and other payables	93 466	93 466	93 466	-	93 466
	135 299	**135 299**	**103 856**	**31 443**	**135 299**

At 31 March 2013					
Finance lease obligation	26 929	26 929	5 989	20 940	26 929
Trade and other payables	103 155	103 155	103 155	-	103 155
Other financial liabilities	4 565	4 565	4 565	-	4 565
	134 649	**134 649**	**113 709**	**20 940**	**134 649**

Company

At 31 March 2014	**Carrying amount**	**Contractual amount**	**Less than 1 year**	**2-5 years**	**Total**
Trade and other payables	13 726	13 726	13 726	-	13 726

At 31 March 2013					
Trade and other payables	24 332	24 332	24 332	-	24 332
Other financial liabilities	4 565	4 565	4 565	-	4 565
	28 897	**28 897**	**28 897**	**-**	**28 897**

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

35. Risk management (continued)

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. 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.

Credit risk

Credit risk is the risk of default by counterparties.

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash equivalents, short-term deposits and trade and other receivables. The Group’s cash equivalents and short-term deposits are placed with high credit quality financial banking institutions. Surplus cash is held in external investments that are rated AA or A1, or fully secured. Trade receivables are presented net of the provision for impairment of trade receivables. Credit risk with respect to trade receivables is moderate due to the Group’s customer base, which is dispersed across the forestry industry. Furthermore, minority of customers have bank guarantees or other securities in place. Credit insurance is taken out by majority of the trade debtors. At statement of financial position date all significant credit risks were provided for.

With respect to foreign exchange contracts, the Group’s exposure is covered on the full amount of the foreign currency receivable on settlement. The Group minimises such risk by limiting the counterparties to a group of major South African banks, and does not expect to incur any losses because of non-performance by these counterparties. The carrying amounts of the financial assets included in the statement of financial position represent the Group’s maximum exposure to credit risk in relation to these assets. The credit exposure of forward exchange contracts is represented by the net market value of the contracts, as disclosed. At year-end, there were no foreign exchange contracts in place.

The credit control management has established a credit policy under which each new customer is analysed individually for credit worthiness before the Group’s standard payment terms and conditions are offered. The Group’s review includes external ratings, where available, and in some cases, bank guarantees. Credit limits (purchase limits) established for each customer represent the maximum open amount without requiring approval from the Marketing Committee. These credit limits are reviewed regularly. Customers that fail to meet the Group’s benchmark credit worthiness may transact with the Group only on a pre-payment basis.

At reporting date, there were no significant concentrations of credit risk for loans and receivables. The carrying amount represents the Group's maximum exposure to credit risk for such loans and receivables.

Cash flow 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 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 finance leases to fund assets. These finance leases bear interest at variable interest rates / 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.

R '000

35. Risk management (continued)

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 inter-company account.

The Group's exposure to interest rate risk and the effective interest rate on financial instruments at balance sheet date are set out in the following tables:

	Notes	Weighted average effective interest rate	Floating interest rate	Non-interest bearing	Total
Group					
Financial assets					
Other financial assets	13	4 %	543	-	543
Trade and other receivables	19	- %	-	180 273	180 273
Cash and cash equivalents	20	5 %	222 162	-	222 162
	-	-	222 705	180 273	402 978
Financial liabilities					
Trade and other payables	30	- %	-	(93 466)	(93 466)
Finance lease obligation	29	9 %	(41 833)	-	(41 833)
	-	**- %**	**180 872**	**86 807**	**267 679**

	Floating interest rate	Non-interest bearing	Total
As at 31 March 2014			
Financial assets	222 705	180 273	402 978
Financial liabilities	(41 833)	(93 466)	(135 299)
	180 872	**86 807**	**267 679**

	Notes	Weighted average effective interest rate	Floating interest rate	Non-interest bearing	Total
Company					
Financial assets					
Other financial assets	13	4 %	291	-	291
Loans to group companies - Non-interest bearing loans	18	- %	-	294 042	294 042
Loans to group companies - Interest bearing loans	18	9 %	98 727	-	98 727
Cash and cash equivalents	20	5 %	178 127	-	178 127
Trade and other receivables	19	- %	-	26 632	26 632
	-	-	277 145	320 674	597 819
Financial liabilities					
Trade and other payables	30	- %	-	(13 726)	(13 726)
	-	**- %**	**277 145**	**306 948**	**584 093**

	Floating interest rate	Non-interest bearing	Total
As at 31 March 2014			
Financial assets	277 145	320 694	597 839
Financial liabilities	-	(13 726)	(13 726)
	277 145	**306 968**	**584 113**

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

35. Risk management (continued)

Sensitivity analysis for variable rate instruments

The sensitivity has been determined based on the exposure to movement of interest rates on non-derivative floating interest rate instruments at the statement of financial position date. If interest rates had been 200 basis points higher or lower, the increase / (decrease) in the Group's profit / (loss) and equity for the year ending 31 March 2014 are set out in the table below. This increase / (decrease) is attributable to variable interest rate borrowings, cash and cash equivalents,other loans and receivables and available for sale financial assets. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Variable interest rate sensitivity analysis

	Group 2014 R '000	Group Restated 2013 R '000	Company 2014 R '000	Company Restated 2013 R '000
Sensitivity if interest rate increase by 200 basis points				
Increase in profit or loss	3 617	2 499	5 543	7 028
Sensitivity if interest rate decrease by 200 basis points				
Decrease in profit or loss	(3 617)	(2 499)	(5 543)	(7 028)
	-	-	-	-

Market risk (Fair value estimation)

Market risk is the risk of a decrease in the market value of a portfolio of financial instruments caused by an adverse move in market variables such as currency exchange rates and interest rates as well as implied volatilities on all of the above.

At 31 March 2014 and 31 March 2013 the carrying amounts of cash equivalents, trade and other receivables, trade and other payables, accrued expenses and short-term borrowings, approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair value of long-term investments is not materially different from the carrying amounts.

The fair value of foreign exchange forward contracts represents the estimated amounts (using rates quoted by the Group's bankers), that the Group would receive to terminate the contracts at the reporting date, thereby taking into account the unrealised gains or losses of open contracts. At year-end, there were no foreign exchange forward contracts.

Compliance risk

Compliance risk is the risk of non-compliance with any statutory requirement of central 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 Public Finance Management Act, the Occupational Health & 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.

R '000

35. Risk management (continued)

Price risk

Price risk is the risk that changes in log prices have on the financial performance and cash flows of the Group.

The impact of the slowdown in the economy has a negative impact on current and future demand and prices. As a result, prices have been adjusted in accordance with market expectations.

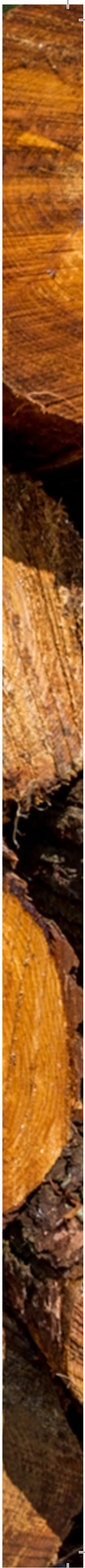
Fair values

Fair values versus carrying amounts

The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2014		2013	
Group	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Finance lease receivables	-	-	693	693
Other financial assets	543	543	3 037	3 037
Cash and cash equivalents	222 162	222 162	152 730	152 730
Trade and other receivables	180 273	180 273	203 270	203 270
	402 978	**402 978**	**359 730**	**359 730**
Financial liabilities				
Other financial liabilities	-	-	4 565	4 565
Finance lease obligations	41 833	41 833	26 929	26 929
Trade and other payables	93 466	93 466	103 155	103 155
	135 299	**135 299**	**134 649**	**134 649**

Company	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Finance lease receivables	-	-	693	693
Other financial assets	291	291	2 787	2 787
Cash and cash equivalents	178 127	178 127	137 133	137 133
Trade and other receivables	26 632	26 632	31 893	31 893
Loans to group companies - Non-interest bearing loans	294 042	294 042	294 042	294 042
Loans to group companies - Interest bearing loans	98 727	98 727	213 971	213 971
	597 819	**597 819**	**680 519**	**680 519**
Financial liabilities				
Other financial liabilities	-	-	4 565	4 565
Trade and other payables	13 726	13 726	24 332	24 332
	13 726	**13 726**	**28 897**	**28 897**



35. Risk management (continued)

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 2014 : 8% to 10%
- 31 March 2013 : 8% to 10%

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	22 029	13 703	3 770	10 600

The capital expenditure will be financed from cash flows generated from operations, or external financing if required.

Operating leases – as lessee (expense)

Minimum lease payments due				
- within one year	6 949	6 929	4 615	4 196
- in second to fifth year inclusive	15 445	22 440	13 587	18 203
	22 394	**29 369**	**18 202**	**22 399**

Komatiland Forests SOC Limited - operating lease payments represent rentals payable in respect of its office property. The lease was negotiated for a 3 year term commencing 1 January 2013. The rent payment negotiated was R 177,000 per month with an increase of 8% annually. The lease expires on 31 December 2015. No contingent rent is payable.

South African Forestry Company SOC Limited - operating lease payments represent rentals payable in respect of its office property. The lease was negotiated for a 5 year term commencing 1 October 2012. The rent payment negotiated was R 295,076 per month with an increase of 10% annually. The lease expires on 30 September 2017. No contingent rent is payable.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

37. Contingencies

Land Claims

Most of the land leased to South African Forestry SOC Limited by Government is claimed by various parties according to the Restitution of Land Rights Act, Act 22 of 1994 as amended. According to the study that was done by South African Forestry SOC Limited in 2008, approximately 61% of the Komatiland Forests SOC Limited estate is directly affected by land claims. In Limpopo, there are 14 claims lodged against the state by various communities on the land affecting Komatiland Forests SOC Limited, including the farm Barotta where Timbadola sawmill is located; and 13 are at an advanced stage and 1 is still under research. In Mpumalanga, 3 new claims were confirmed in the 2013 financial year bringing the total claims to 17 claims; most of these claims are still under investigation.

The Abacus properties in the Ngome area of KwaZulu-Natal (KZN), were investigated, validated and subsequently gazetted by the KZN Regional Land Claims Commission. The value of the land as per the 2007 valuation is R 3 million and the value of the standing timber amounted to R 28 million. An offer to purchase for both the land and the standing timber was accepted in principle by South African Forestry SOC Limited. To revise the valuation report, the Commission has secured the services of a professional valuer to update the existing valuation report and determine the market related rental of the property. The value would be used as the basis for negotiations and settlement of the claim by the parties involved.

Bank facilities

There are contingent liabilities in respect of:

- Bank guarantees in respect of third party liabilities to the amount of R 0.75 million (2013: R 0,5 million).
- 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.

Competition commission

There was a complaint that was lodged with the Competition Commission against Komatiland Forests SOC Limited regarding the alleged abuse of dominance and excessive pricing. Komatiland Forests SOC Limited has responded to all the queries and submitted the required information and Komatiland Forests SOC Limited management was called in for enquiry by the Commission. However, the investigation is still ongoing. The Competition Commission has approached various industry role players to provide information regarding the timber industry and Komatiland Forests SOC Limited's role in it.

Litigation

The nature of the Group's business means that it will be involved in litigation from time to time. Management is however confident that either all material lawsuits can be defended successfully or such incidents are sufficiently covered under appropriate insurance policies. In respect of lawsuits not being defended, adequate provision has been made in the accounting records.

A fire on the Jessievale Plantation took place on 31 August 2008. The outcomes of the resultant lawsuits were uncertain at year end. All of the respective 10 cases will be covered by our insurance in the event of these claims being successful, and R500 000 would have to be paid as excesses in respect of each claim, amounting in total to a contingency of R 5 million.

38. Related parties

Relationships

Shareholder	The Government of South Africa
Holding company	Department of Public Enterprises
Members of key management	Listed in the Report of Directors

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000
Related party balances				
Receivables from related parties				
Subsidiaries	-	-	12 181	14 502
Other State Owned Entities	5	-	-	-
Payables to related parties				
Subsidiaries	-	-	(461)	(1 595)
Other State Owned Entities	(723)	(428)	-	(9)
Related party transactions				
Services revenue				
Subsidiaries	-	-	(43 108)	(20 658)
Other State Owned Entities	(1 588)	(1 719)	-	-
Sale of goods				
Other State Owned Entities	-	(2 137)	-	-
Purchase of goods and services				
Subsidiaries	-	-	4 862	16 790
Other State Owned Entities	13 004	9 588	8	100
Interest received				
Subsidiaries	-	-	13 415	19 387
Interest paid				
Other State Owned Entities	16	1	-	1
Key management compensation				
Salaries and other short-term employee benefits	6 370	4 559	6 370	4 025

Refer to the Directors' and Executive Committee's Remuneration included under the Director's report for the breakdown of key management compensation.

	Group 2014 R '000	Group Restated 2013 R '000	Company 2014 R '000	Company Restated 2013 R '000
Loans to related parties - Non-interest bearing subsidiaries				
Opening balance	-	-	294 042	294 042
Loans (advanced) / repaid during the year	-	-	-	-
	-	**-**	**294 042**	**294 042**
Loans to related parties - Interest bearing subsidiaries				
Opening balance	-	-	212 477	268 042
Loans (advanced) / repaid during the year	-	-	(113 750)	(55 565)
	-	**-**	**98 727**	**212 477**

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

39. Going concern

The consolidated financial statements have been prepared on the basis of 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.

40. Fruitless and wasteful expenditure

The Group incurred R0.4 million unrecoverable fines and penalties during the year ended 31 March 2014, mainly relating to late payments. Group will implement adequate controls to prevent future fruitless and wasteful expenditure. The Group also accrued interest and fines of R1.4 million relating to withholding tax applied in Mozambique.

	Group 2014	Group Restated 2013	Company 2014	Company Restated 2013
Fruitless and wasteful expenditure movement				
Opening balance	14 090	14	360	6
Incurred during the year	1 842	14 076	140	354
Condoned during the year	(14 090)	-	(360)	-
Closing balance	**1 842**	**14 090**	**140**	**360**

41. Irregular Expenditure

	Group 2014	Group Restated 2013	Company 2014	Company Restated 2013
Irregular expenditure movement				
Opening balance	1 476	-	145	-
Incurred during the year	16 391	1 476	3 731	145
Incurred during the year - prior year	-	-	-	-
Condoned during the year	-	-	-	-
	-	-	-	-
Irregular expenditure awaiting condonation	**17 867**	**1 476**	**3 876**	**145**

	Group 2014	Group Restated 2013	Company 2014	Company Restated 2013
Details of irregular expenditure - current year				
Three quotations not obtained	7 248	542	1 050	145
No contracts in place with the relevant supplier before purchases were made	364	904	-	-
Authorisation to procure was not obtained	319	-	-	-
Tenders not advertised for 21 days	2 052	-	-	-
There was no evidence stating the goods were actually received	-	30	-	-
Tax clearance certificates not obtained	6 408	-	2 681	-
	16 391	**1 476**	**3 731**	**145**

The above irregular expenditure relates to non-compliance with the PFMA and the Group's procurement policy and manual. The Group procurement policy and manual will be amended accordingly and further controls will be implemented to monitor, detect and prevent the occurrence of irregular expenditure.

42. Material losses incurred

	Group 2014	Group Restated 2013	Company 2014	Company Restated 2013
Amounts provided for at 31 March 2014				
Losses identified	1 074	-	-	-
Amounts recovered	(50)	-	-	-
	1 024	**-**	**-**	**-**

During the current financial year, a forensic investigation was completed at the Mozambican operations and the outcome of the investigations indicated that fraudulent activities were undertaken by an employee that resulted in losses of approximately R 1 million to the Group.

R '000

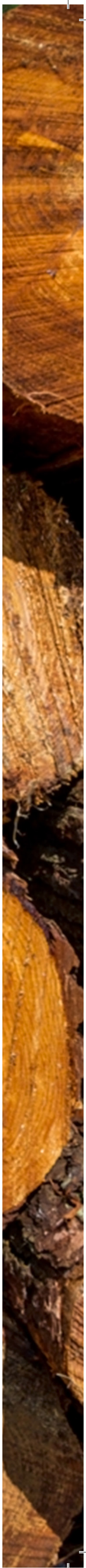
42. Material losses incurred (continued)

A debtor was raised for the losses identified to be recovered from the employee. Subsequent to year-end, R 0.8 million of the outstanding debt has been recovered. The employee has been dismissed and the Group has appointed a new management team to oversee the financial management of IFLOMA. Further controls have been implemented, including the approval of all payments in South Africa by the IFLOMA directors prior to releasing of funds.

43. Prior period adjustment

2012	**As previously reported**	**VAT Adjustment**	**As restated**
Group			
Statement of Financial Position			
Intangible Assets	27 968	2 729	30 697
Retained Earnings	(2 605 218)	(2 729)	2 607 947
Company			
Statement of Financial Position			
Intangible Assets	47 861	2 729	50 590
Retained Earnings	(273 510)	(2 729)	(276 239)

2013	**As previously reported**	**Prior period error**	**Accumulated VAT Adjustment**	**As restated**
Group				
Statement of Financial Position				
Intangible Assets	48 330	(1 345)	3 993	50 978
Current tax receivable	2 173	(1 531)	-	642
Deferred tax	2 239	1 531	-	3 770
Property, plant and equipment	268 455	(356)	472	268 571
Trade and other receivables	199 569	(4 594)	3 895	203 269
Retained Earnings	(2 675 303)	4 660	(8 360)	(2 678 184)
Statement of Profit and Loss and Other Comprehensive Income				
Profit before tax	70 083	(1 896)	5 631	73 819
Company				
Statement of Financial Position				
Intangible Assets	47 861	(1 345)	3 993	50 509
Current tax receivable	2 173	(1 531)	-	642
Deferred tax	1 298	1 531	-	2 829
Property, plant and equipment	7 294	12	472	7 778
Trade and other receivables	28 193	(4 594)	3 895	31 893
Retained Earnings	(297 343)	1 529	(8 360)	304 174
Statement of Profit and Loss and Other Comprehensive Income				
Profit before tax	23 834	(2 346)	5 631	27 935



Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2014 R '000	Restated 2013 R '000	2014 R '000	Restated 2013 R '000

43. Prior period adjustment (continued)

In the prior year, intangible assets and property, plant and equipment were understated and have now been corrected.

The VAT adjustment relates to disallowed VAT which has been reallocated to property, plant and equipment, intangible assets and the relevant expense accounts.

44. Change in estimate

Biological Assets

During the current year the fair value model, methology and assumptions were reviewed. This was performed to obtain a more accurate valuation.

The changes to the model are summarised as follows:

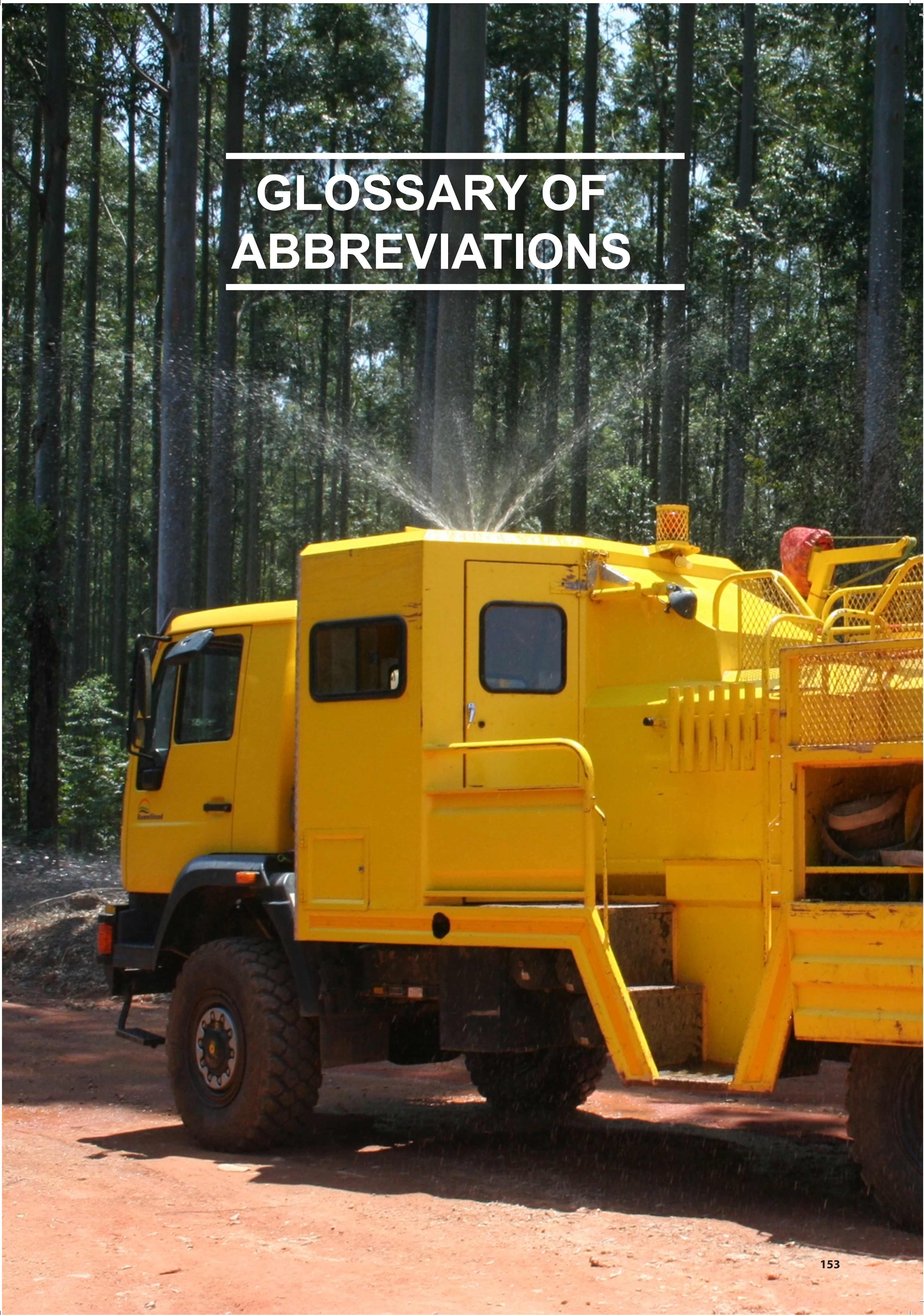
- Price and cost factor was included in respect of the Komatiland Forests SOC Limited biological assets

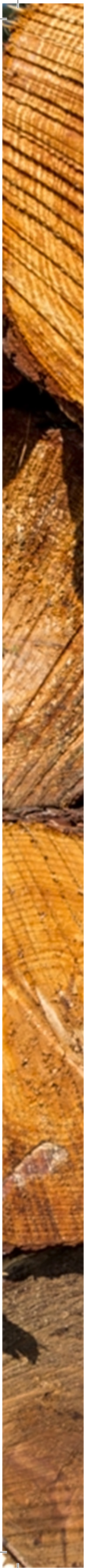
The amendments to the model represents a change estimate as the change did not alter the valuation policy and a fair value was still calculated based on the discounted cash flow method. The change related to new information available and better reflects the economic benefits that are expected to flow from the use of the asset. If the biological assets were based on the 2013 assumptions, this would have resulted in a total fair value of R2.9 billion as at 31 March 2014 compared to the R3.6 billion per current valuation. The change was applied prospectively.

The group statement of profit and loss and other comprehensive income and statement of financial position impact are reflected below:

	Group 2014 R '000	Group Restated 2013 R '000	Company 2014 R '000	Company Restated 2013 R '000
Statement of Profit and Loss and Other Comprehensive Income				
Increase / (decrease) in fair value of biological assets	708 987	-	-	-
(Increase) / decrease in tax	(198 516)	-	-	-
	510 471	**-**	**-**	**-**
Statement of Financial Position				
Increase / (decrease) in biological assets	708 987	-	-	-
(Increase) / decrease in tax	(198 516)	-	-	-
	510 471	**-**	**-**	**-**

GLOSSARY OF ABBREVIATIONS

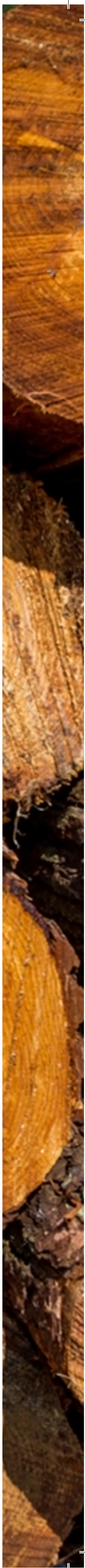


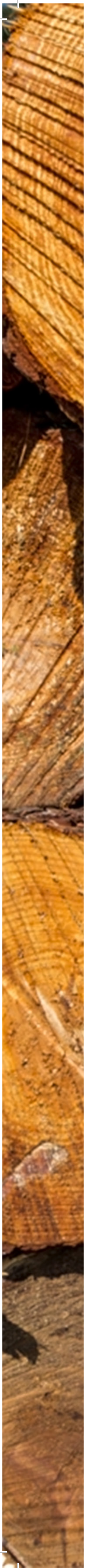


GLOSSARY OF ABBREVIATIONS

Abbreviation	Description
AET	Adult Education and Training
ARMC	Audit and Risk Management Committee
B-BBEE	Broad-Based Black Economic Empowerment
BDMT	Bone Dried Metric Ton
BDWG	Baboon Damage Working Group
BEE	Black Economic Empowerment
BoD	Board of Directors
BRP	Business Renewal Project
CAMCORE	Central American and Mexico Coniferous Resource Cooperative
CARs	Corrective Action Requests
CFROI	Cash Flow Return on Investment
CPI	Consumer Price Index
CSI	Corporate Social Investment
CURA	GRC information system
DAFF	Department of Agriculture, Fisheries & Forestry
DBSA	Development Bank of Southern Africa
DIFR	Disabling Injury Frequency Rate
DPE	Department of Public Enterprises
DRDLR	Department of Rural Development and Land Reform
DTI	Department of Trade & Industry
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortisation
ED	Enterprise Development
ERP	Enterprise Resource Planning
EXCO	Executive Committee
FINCO	Finance and Investment Committee
FABI	Forestry and Agricultural Biotechnololgy Institute
FSA	Forestry South Africa
FSC	Forest Stewardship Council
FY	Financial Year (covering the 12 months from 1 April to 31 March)
GCEO	Group Chief Executive Officer
GCFO	Group Chief Financial Officer
HCM	Human Capital Management
Ha	Hectare(s)
ICT	Information & Communication Technology
ICFR	Institute for Commercial Forestry Research
IDC	Industrial Development Corporation
IFLOMA	Indústrias Florestais de Manica, SARL
IMF	International Monetary Fund
IR	Integrated Reporting
IRR	Internal Rate of Return
IFRS	Financial Reporting Standards
JDE	JD Edwards

KLF	Komatiland Forests SOC Ltd
KZN	KwaZulu-Natal
LCC	Land Claims Commissioner
LHA	Louis Heyl and Associates
LPI	Lumber Price Index
MPE	Minister of Public Enterprises
MTSF	Medium Term Strategic Framework
NGO	Non-Governmental Organisation
NGP	National Growth Plan
NOSA	National Occupational Safety Association
NPV	Net Present Value
NT	National Treasury
NTFP	Non-Timber Forest Products
OECD	Organisation for Economic Co-operation & Development
PBIT	Profit Before Interest & Tax
PBITDA	Profit Before Interest & Tax excluding Depreciation & Amortisation
PEFC	Programme for the Endorsement of Forest Certification
PFMA	Public Finance Mangement Act
REMCO	Remuneration Committee
RFID	Radio Frequency Identification
ROE	Return on Equity
SA	South Africa
SADC	Southern African Development Community
SAFCOL	South African Forestry Company SOC Ltd
SED	Socio-Economic Develpment
SETA	Sector Education and Training Authority
SOC	State Owned Company
TPCP	Tree Protection Cooperative Programme
TUP	Temporary Unplanted
UCT	University of Cape Town
UMAI	Utilisable Mean Annual Increment
WSP	The Workplace Skills Plan





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