SAFCOL

Integrated REPORT 2015

Passionate about forests & communities

GROWTH THROUGH PARTNERSHIP

CONTENTS

MANDATE

To conduct forestry business, which includes timber harvesting, timber processing and related activities, both domestically and internationally.

VISION

A world class, global business engaged in multi-functional forestry, revolutionising the integration of forests and communities.

MISSION

Our mission is driven by commitment to facilitate sustainable economic empowerment of communities, and eradication of poverty through:

- Implementing needs-driven interventions
- Becoming a partner of choice for land claimants

We are dedicated to growing our business in the forestry value chain and maximising forestry stakeholder value, through:

- Ensuring technical and business excellence by attracting and retaining the best people.
- Enhancing the asset value by continuously pursuing innovative solutions.
- Embracing and leading an all-inclusive equitable transformation of the South African Forestry Sector.
- Commitment to meaningful partnerships with stakeholders.
- Practising transparent and fair marketing.
- Develop the downstream value chain.
- Environmentally responsible, therefore providing a green heritage, growth and socio-economic justice

CORE VALUES

- being passionate about our forests, communities, customers and people;
- having a social and environmental conscience;
- trustworthiness;
- believing in equality, fairness and empowerment;
- showing respect for diversity; and
- focusing on innovation and excellence

ABOUT THIS REPORT

The 2014/15 financial report marks the third year of SAFCOL's (South African Forestry Company SOC Ltd) journey in integrated reporting. This follows a May 2013 decision taken by the Audit and Risk Committee that the SAFCOL Group (herein referred to as the Group or SAFCOL, interchangeably) needed to implement an integrated reporting (IR) system that is aligned to the recommendations of principle 9 of the King Report on Corporate Governance for South Africa, 2010 (King III).

The report is 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 the measures taken to leverage stakeholder relationships. It expounds on resources used by SAFCOL and seeks to explain how the Group interacted with the external environment and the capitals to create value over the short, medium and long term.

SCOPE AND BOUNDARY

This report covers the financial year 1 April 2014 to 31 March 2015. It also includes: material information received after year-end and prior to the publication of this report; as well as certain forward-looking statements and targets.

The SAFCOL Group operates through Komatiland Forests (SOC) Ltd (KLF) and Industrias Florestais de Manica (IFLOMA) - its two operating subsidiaries. The following have been de-registered: Lakenvlei Forest Lodge (SOC) Ltd, Themba Timber (SOC) Ltd and Mountains to Oceans Forestry (SOC) Ltd.

REPORT TYPE	2014/15 INTEGRATED REPORT	ANNUAL FINANCIAL STATEMENTS	SUSTAINABILITY REPORTING
Contents	Refer to page 1	- Full financial statements - Risk disclosure - Director's Report - GACC Report - Auditors' Report	To be developed and published as a stand-alone report during the 2015/16 financial year. It will be published on the SAFCOL website: www.safcol.co.za
Audience	All stakeholder groups, with emphasis on the shareholder and investors.	All stakeholder groups, with emphasis on the shareholders 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	Available at www.safcol.co.za
Key Governance mechanisms and regulatory framework	- Companies Act - King III - International Integrated Reporting - Committee Framework	- 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 and B-BBEE performance have been verified independently.	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 guarantees of the Group’s future operating, financial or other results and involve certain risks, uncertainty and assumptions. Accordingly, actual results and outcomes achieved in the future 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 accepts no obligation to update the historical information or forward-looking statements in this document.

About SAFCOL

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ABOUT SAFCOL

SAFCOL is a state owned plantation forestry company, with operations in South Africa (SA) and Mozambique. It was established in 1992 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)). The South African Government is the sole owner of the SAFCOL Group and the Group reports to the Minister of Public Enterprises (MPE), through an Accounting Authority (alternatively, Board) that is appointed by the Minister.

It is one of the leading forestry companies in SA and maintains this position by continuously developing its understanding of and striving for innovation throughout the plantation forestry-processing value chain. It generates its revenue from the sale of forest products, sawn timber (lumber) and other value-added products. SAFCOL operates mainly in rural areas and provides opportunities for economic development and participation for communities living within and adjacent to its areas of operation. The company's main operational subsidiary is KLF. This subsidiary owns 80% of the share capital of IFLOMA (Mozambique).

SAFCOL's existing operations can be distinguished as:

- Plantation forest research, development and management
- Wood processing (including custom cuts)
- Marketing of plantation and wood products

SAFCOL is dedicated to growing the business in the forestry value chain and maximising stakeholder value. Its greatest strengths are its resources, its intellectual property and structures and its people. The Group plays a catalytic role in the realisation of the state's goals that relate to afforestation, rural development and economic transformation.

As a Schedule 2 public entity that is wholly-owned by Government, overall governance of SAFCOL is broadly determined by the following legislation:

- 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's Compact, Materiality Framework and various codes of corporate governance that are applicable to companies
- King III
- Protocol on Corporate Governance for the Public Sector 2002
- The National Forest Act (Act No. 84 of 1998)
- The National Veldt and Forest Fires Act (Act No. 101 of 1998)
- Preferential Procurement Policy Framework Act (Act No 5 of 2000)
- Biodiversity Act (Act No. 10,2004)

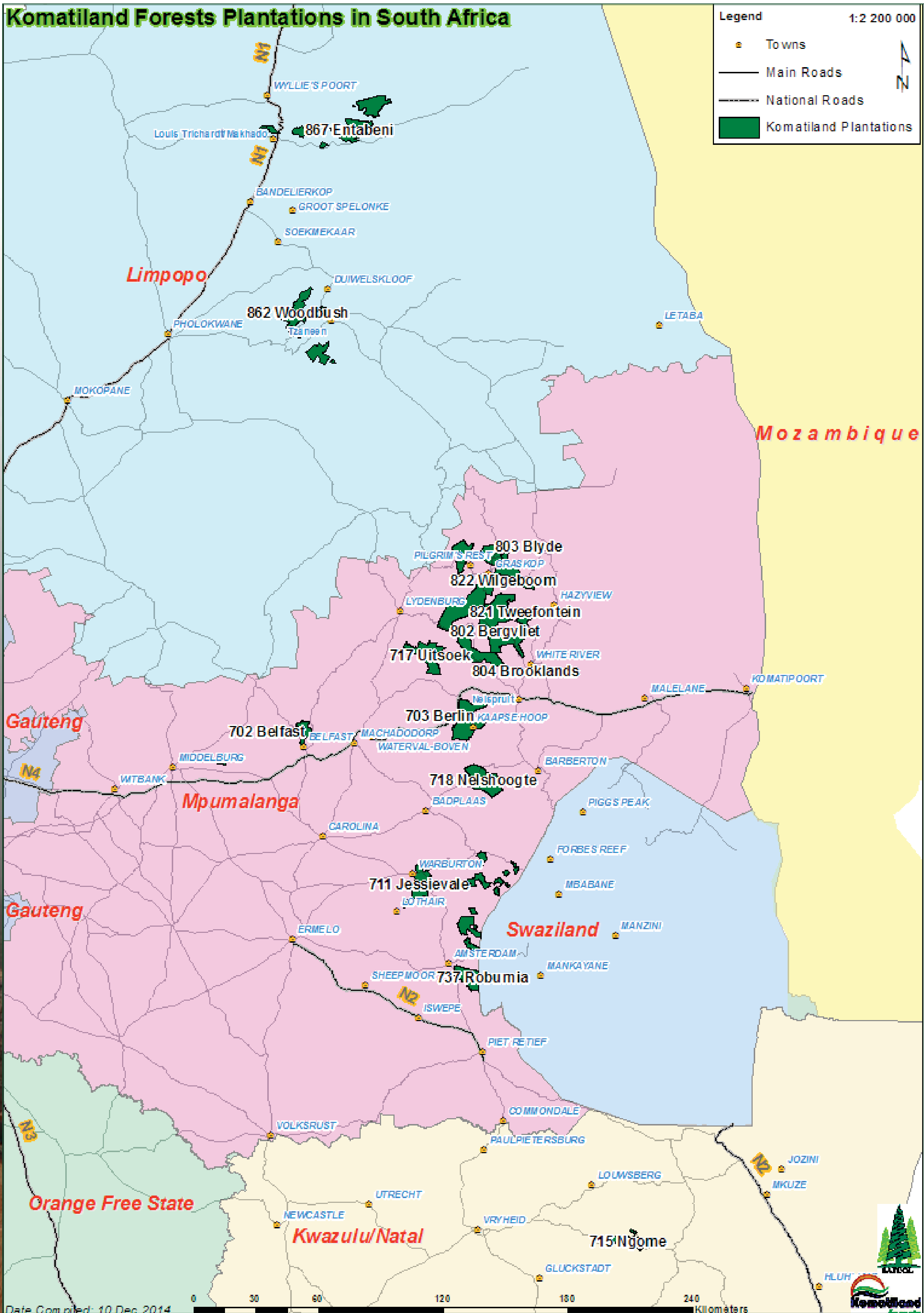
An Overview of operations

Komatiland Forests

KLF manages prime softwood saw-log plantation assets in Mpumalanga, Limpopo and KwaZulu-Natal (KZN). These 18 plantations are managed as 15 business units. KLF's commercial and non-commercial operations cover land area of 187 320ha. The plantations are clustered into three districts, namely, Highveld, Central and the North.

A research centre and nursery form part of this entity's operations. The research centre manages trial plots in several plantations in the three provinces in which the company operates. The nursery produces in excess of 10 million seedlings and cuttings per annum and supplies all plantations operated by KLF. It also generates income from the sale of seeds to other growers in the sector.

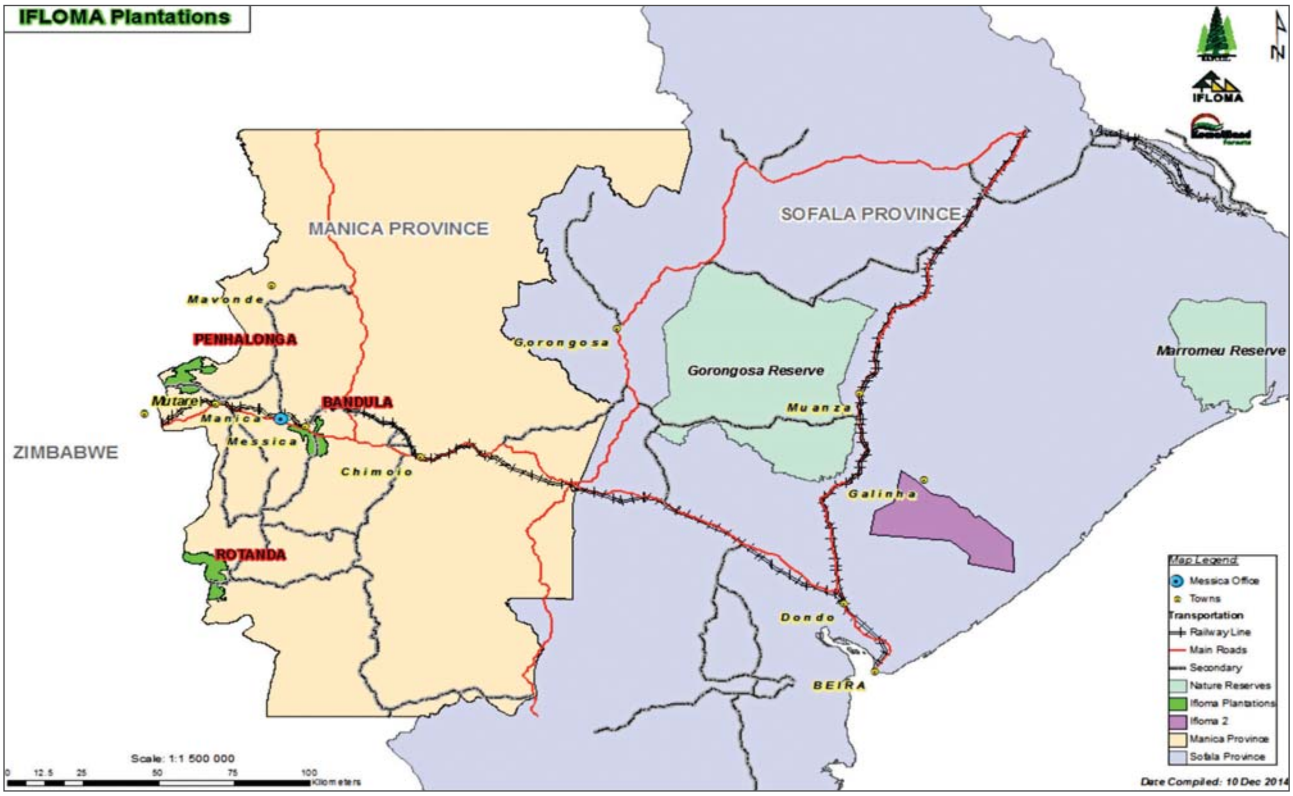
KLF owns and operates the Timbadola Sawmill – a softwood processing sawmill located in the Limpopo province. The company has a custom-cut arrangement with Ringkink Sawmill and John Wright Veneer Sawmill in the Highveld area of Mpumalanga. The Timbadola Sawmill has an annual intake capacity of 130 000m^3 per annum and is poised to increase the intake to 140 000m^3 in the 2015/16 financial year. The sawmill and plantations in Limpopo are aligned and operate inter-dependently. The Timbadola Sawmill operations are currently under review, the intention being to expand the mill and increase intake and production volumes.

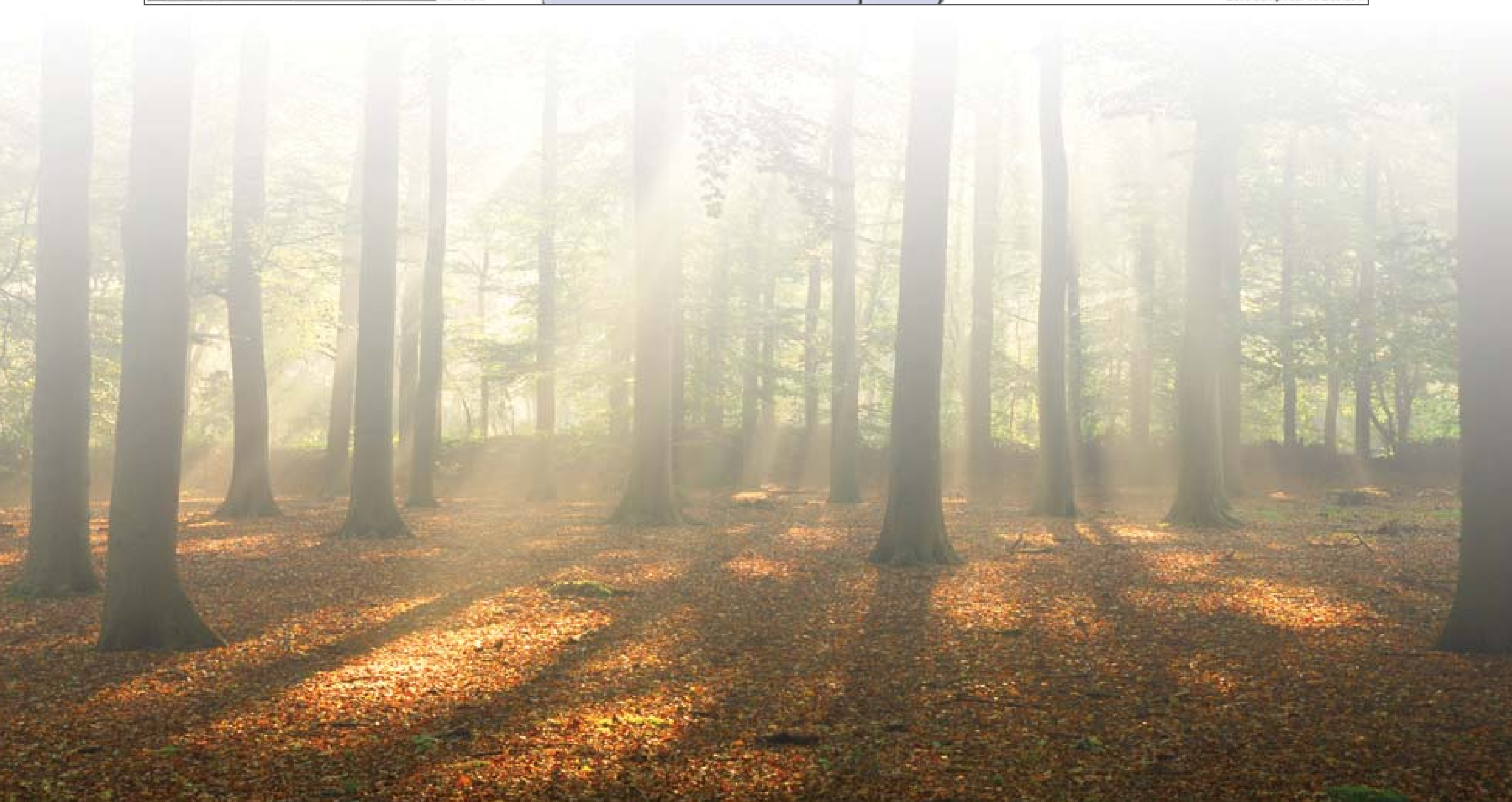

Komatiland Forests Plantations in South Africa
Legend
1:2 200 000
Towns
Main Roads
National Roads
Komatiland Plantations
N
WYLLIE'S POORT
Louis Trichardt/Makhado
867 Entabeni
BANDELIERKOP
GROOT SPELONKE
SOEKMEKAAR
Limpopo
DUIWELSKLOOF
862 Woodbush
Tzaneen
PHOLOKWANE
LETABA
MOKOPANE
Mozambique
803 Blyde
PILGRIM'S REST
GRASKOP
822 Wilgeboom
HAZYVIEW
LYDENBURG
821 Tweefontein
802 Bergvliet
717 Uitsoek
WHITE RIVER
804 Brooklands
KOMATIPOORT
MALELANE
Nelspruit
703 Berlin
KAAPSEHOOP
Gauteng
702 Belfast
BELFAST
MACHADODORP
WATERVAL-BOVEN
MIDDELBURG
BARBERTON
WITBANK
718 Nelshoogte
Mpumalanga
BADPLAAS
PIGGS PEAK
CAROLINA
FORBES REEF
WARBURTON
711 Jessievale
MBABANE
LOTHAIR
Gauteng
ERMELO
Swaziland
MANZINI
AMSTERDAM
MANKAYANE
SHEEPMOOR
737 Robumia
ISWEPE
PIET RETIEF
COMMONDALE
VOLKSRUST
PAULPIETERSBURG
JOZINI
LOUWSBERG
MKUZE
UTRECHT
Orange Free State
NEWCASTLE
VRYHEID
Kwazulu/Natal
715 Ngome
GLUCKSTADT
HLUH
0 30 60 120 180 240
Kilometers
Date Compiled: 10 Dec 2014
Komatiland

Indústrias Florestais De Manica, SARL

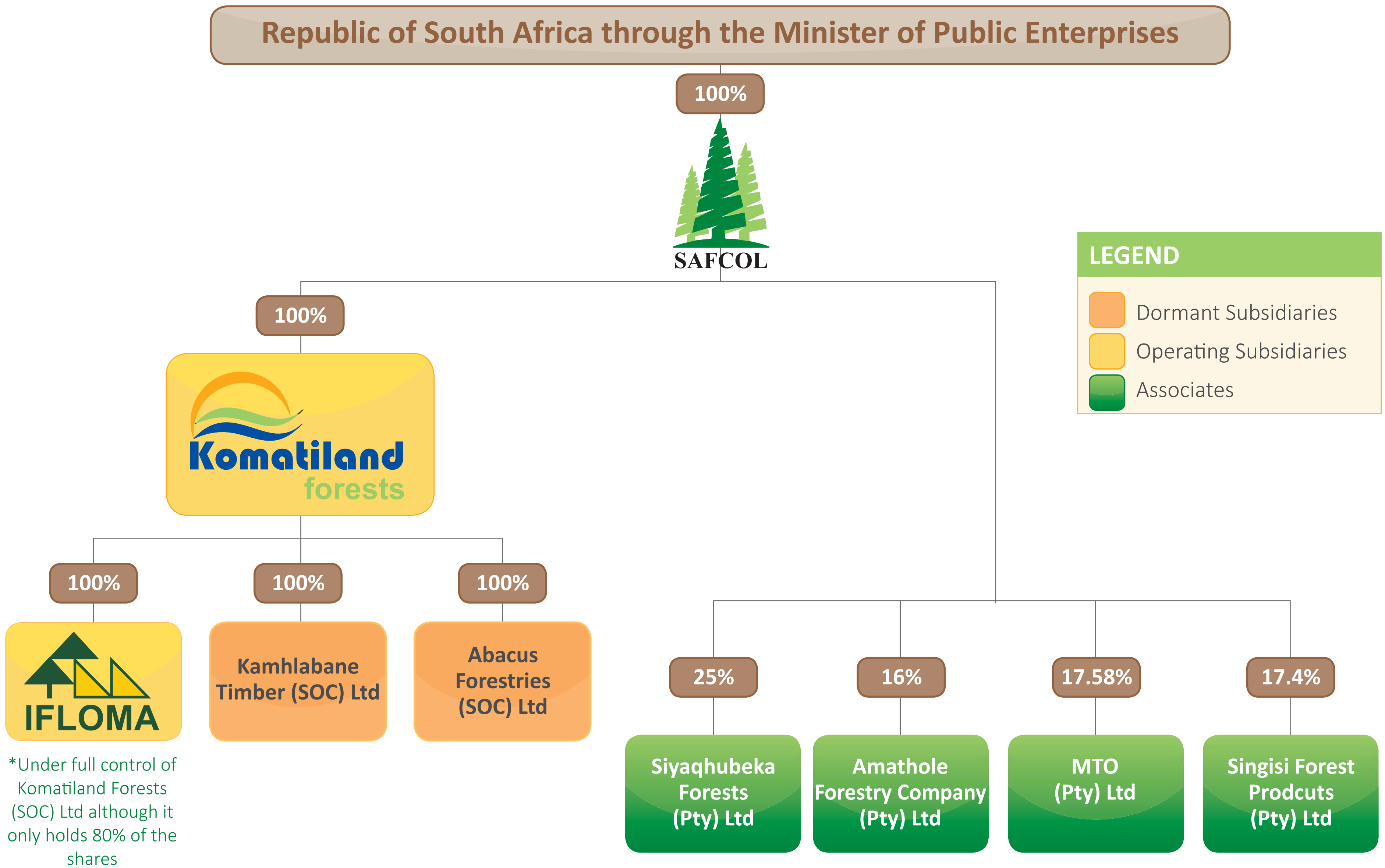
IFLOMA is a Mozambique-based public limited liability company, which was established in the 1980s as a Government initiative. As part of the programme of privatisation of SOCs in Mozambique, 80% of the share capital of IFLOMA was sold to KLF in 2004 – with the remaining 20% of shares being held by IGEPE, Mozambique's State Shareholding Management Institute. IFLOMA is 100% consolidated, as 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 is 31 754ha, of which 16 233ha is plantable for commercial plantation forestry. The operations are located in Manica province - which is an ideal location from which to serve markets in Mozambique - as well as in Maputo, where the warehouse is located.





SAFCOL GROUP ORGANOGRAM



** Lakenvlei Forest Lodge (SOC) LTd, Themba Timber (SOC) Ltd, Mountains to Oceans Forestry (SOC) Ltd deregistered

SAFCOL operating principles

- The SAFCOL Board has ensured that all requirements of the new Companies Act of 2008 and the PFMA of 1999 are met. SAFCOL is guided by the best practice guidelines in King III and the Protocol on Corporate Governance in the public sector.
- SAFCOL subscribes to the Forest Sector Charter and its vision is to become a leader in transformation of the industry. This is demonstrated by the Group's achievement and maintenance of a B-BBEE Level 2 contributor rating. SAFCOL is a proven leader in driving transformation and the empowerment of women, especially in management and executive roles: it was the first company in SA to appoint a female plantation manager (in the 2011/12 financial year).
- SAFCOL is committed to making a difference in rural communities adjacent to plantations through the implementation of social compacts. Several socio-economic development (SED) projects have been implemented in areas where social compacts were signed.
- In line with its desire to become a world-class company, SAFCOL has ensured that all its plantations and sawmills are certified in terms of the Forestry Stewardship Council (FSC) certification scheme. The FSC is an international non-profit organisation to support environmentally-appropriate, socially beneficial and economically viable management of the world's forests. FSC certification also provides a new competitive advantage for the Group, as all forest products carry the FSC logo, which provides assurance that they meet the internationally-recognised FSC principles and criteria of Forest Stewardship - which is important to many customers and potential customers. SAFCOL's plantation forest certification is driven by an environmental management system and third-party audits provide a benchmark on conformance and improvement.
- SAFCOL is compliant with all Occupational Health and Safety requirements and participates in the National Occupational Safety Association (NOSA) audits.
- SAFCOL is a proponent of lifelong learning and a leader in training and development: it has a dedicated training facility that focuses on: core industry skills and other skills related to downstream activities. SAFCOL supports the Forestry Chair at the University of Pretoria, in order to promote forestry in tertiary education.

Mandate

The mandate for SAFCOL is determined by the Management of State Forests Act; the Founding Documents; other prevailing legislation; as well as the Shareholder's Compact, which indicates that SAFCOL's mandate is: "To conduct forestry business, which includes timber harvesting, timber processing and related activities - both domestically and internationally".

The Department of Public Enterprises (DPE), as the shareholder, ensures that SAFCOL operates in support of the shareholder's goals through the achievement of the KPIs (Key Performance indicators) in the Shareholder's Compact. SAFCOL's mandate also defines areas of legislative governance and policy compliance that have to be taken into consideration when identifying the strategic direction of the organisation and the initiatives it will engage in. Its strategic initiatives reflect the DPE's requirement for SAFCOL to act as an engine for rural economic development. The Shareholder's Compact requires that SAFCOL remain focused on the mandate that addresses financial and commercial relevance, whilst embracing its public service mandate.

In this context, SAFCOL must play a leading role in the implementation of the Forestry Charter and so draw stakeholders and communities into meaningful and strategic participation in the forestry business. SAFCOL strives to be the partner of choice of successful land claimants - hence its continued involvement in the process of developing relevant land settlement models. The organisation's management understands that it must pursue mutual and common outcomes that will ensure the future sustainability of the business and which are supported by a business model that enhances its ability to optimise the value extracted from its resources. In this respect, SAFCOL will continue to focus on programmes that will allow it to process a significant portion of its raw materials and convert these into high quality products.

SAFCOL seeks to become the leading integrated, value-adding forestry company on the African continent. While its strategies will remain focused on optimal value creation, the company will also pursue a marketing strategy that will create greater demand for the products that it manufactures. To this end, SAFCOL will continue to work with various Government departments and other players in the industry in SA, so as to identify new areas in which products can be utilised.

BOARD OF DIRECTORS

Dr Somadoda Fikeni: Interim Chairperson

Service with SAFCOL:

Appointed to the SAFCOL Board on 1 June 2013

Experience:

Dr Fikeni's areas of specialisation and interest are political science, public policy development and analysis, history, political economy and heritage. He lectured and held management positions at several universities in SA and abroad and is a researcher and author in these fields. His professional work has been and continues to be focussed in higher education, political/ policy science and the heritage sectors. He was the founding Chief Operating Officer and Head of Heritage for the National Heritage Council during its years of establishment. He has received several honours and awards - in SA and abroad - the most notable being an honorary chieftaincy bestowed on him in Ghana. He was also voted the number one political analyst in SA and was recently appointed as a member of the BRICS Think Tank Forum. On this journey, he has accumulated experience on governance of public institutions.

Other Boards on which he serves:

He is currently Chairman of the Independent Development Trust. He chaired the Walter Sisulu University Council (2006-2011) and the South African Heritage Resources Agency and has been both Interim Chairperson and Deputy Chairman of the Eastern Cape Development Corporation. He is the Chairman of the Eminent Persons Group for Sports Transformation of South Africa.

Academic qualifications:

PhD (Michigan State University) MA (Queens University in Canada), BA Honours and BA (Unitra).

Ms Ndumi Medupe: Board Member

Service with SAFCOL:

Appointed to the SAFCOL Board on 28 September 2010

Experience:

Ms 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 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 she serves:

Pinnacle Holdings

Italtile

Foskor, Bata

City Lodge

Eastern Cape Development Corporation

Academic qualifications:

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

Mr Mohamed Kharva: Board Member

Service with SAFCOL:

Appointed to the SAFCOL Board on 28 September 2010

Experience:

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

Other Boards on which he serves:

None

Academic qualifications:

Chartered Financial Analyst (SA), B.Com, Masters in Chemical Engineering

Ms Khungeka Njobe: Board Member

Service with SAFCOL:

Appointed to the SAFCOL Board on 28 September 2010

Experience:

Ms Njobe is the founder of Kay Ann Group Holdings, an investment holding business in the green economy sector, a consulting division and a water operating division. Until May 2013, she served as the Managing Director of Aveng Water, a wholly owned subsidiary of the Aveng Group that focussed on water treatment. She previously worked as: Group Executive of Research & Development Outcomes and Strategic Human Capital Development; and as the Executive Director of the Water, Environment, Forestry Business Unit. Both positions. were at the Council for Scientific and Industrial Research, where she served for over seven years. Prior to that, she worked in Government in the Department of Environmental Affairs, and Tourism and the Department of Arts, Culture, Science and Technology. Ms Njobe has extensive experience as a director and in executive leadership and management; policy; research & development; technology management; innovation; environment; water and sustainability. In 2009, she was voted the most influential woman in the category Public Institutions and Enterprises.

Other Boards on which she serves:

Chairperson of the Technology Innovation Agency

Chairperson of the Board of Sasol Inzalo Public Limited

Chairperson of the Board of Sasol Inzalo Public Funding Limited

Member of Council of the University of Stellenbosch

Academic qualifications:

BSc (Biology); MSc; Certificate in Managing Technology Enterprises

Ms Felicity Blakeway: Board Member

Service with SAFCOL:

Appointed to the SAFCOL Board on 28 September 2010

Experience:

Ms Blakeway's passion is creating an enabling environment for small farmers/ land owners through technology transfer and continuous technology improvement. After graduating from the University of Natal with an MSc in Biological Sciences, she worked for Mondi in SA for 20 years on long-term strategic planning, and managing the Tree Improvement, Biotechnology and Nursery Programmes, and was responsible for networking and innovation. In 1995, her active participation in the East African Tree Biotechnology Projects started and continued with a number of roles, including being a Trustee of the Kilimo Trust until 2011. She joined the Council for Scientific and Industrial Research (CSIR) in 2004 as Manager of Forestry and Forest Products, and the Sustainability and Environmental Technology Research teams at the CSIR. She is currently Operations and Special Projects Manager in the Natural Resources and Environment Unit at the CSIR.

Ms Blakeway's relevant expertise is in the domains of research management, research and technology interface for impact and value addition, development forestry for socio-economic impact, forestry and forest products value chain research, human capital development and talent development, operational tree breeding, clonal forestry and commercial tree species. She has experience in cost-effective deployment of genetic material, large and small-scale nursery management, innovation and adaptation of nursery technology for small-scale rural nurseries, plantation forestry for rural upliftment and economic development, and total research value chain linkages in plantation improvement. She was Vice-Chairperson of the National Forestry Advisory Council (SA) until 2014. She is the author of: 15 articles in peer reviewed journals; 29 presentations at international conferences and 27 presentations at national conferences; and co-author of two book chapters.

Other Boards on which she serves:

Zange Industries

Komaza

Advisory and Back-Stopping Committee of Mondi/ SAA/ Gatsby East Africa Tree Biotechnology Projects

Sugar Milling Research Institute

Academic qualifications:

M.Sc (Plant Biotechnology), B.Sc (Hons) (Life Sciences), Management Development Programme (Graduate School of Business)

Dr Shadrack Moephuli: Board Member

Service with SAFCOL:

Appointed to the SAFCOL Board on 1 June 2013

Experience:

Dr Moephuli has been President and Chief Executive Officer of the Agricultural Research Council (ARC) since October 2006. He has extensive experience in the agricultural field, serving on science and technology committees of agricultural organisations on behalf of SA at an international level for a number of organisations, including the Food and Agriculture Organisation World Intellectual Property Organisation, Union for the Protection of Varieties and the Organisation for Economic Cooperation and Development Dr. Moephuli also served as a panel member of the External Performance and Management Review of the African Agricultural Technology Foundation. Prior to joining the ARC, he served as Acting Deputy-Director-General at the Department of Agriculture, where he was responsible for production and natural resource management. He was also a biochemistry lecturer at the University of Witwatersrand. He obtained a doctoral degree from the University of Connecticut, USA.

Boards on which he serves:

South African Weather Services

National Advisory Council on Innovation

Academy of Science of South Africa

Academic qualifications:

PhD: Biochemistry

Executive Leadership Development Programme

Ms Marisa Gilbert: Board Member

Service with SAFCOL:

Appointed to the SAFCOL Board on 1 June 2013

Experience:

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

Boards on which she serves:

Trustee at New Day Trust

Academic qualifications:

LLB and BA Law

EXECUTIVE MANAGEMENT

Ms Nomkhita Mona: Chief Executive Officer

Service with SAFCOL:

Appointed as Chief Executive Officer of SAFCOL in September 2012

Experience:

Before joining SAFCOL, Nomkhita was the CEO of the Uitenhage Despatch Development Initiative. Prior to that, she was an associate consultant for an international consulting company. She is the former CEO of Inkezo Land Company, based in Durban; and before then 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 SA. Her impressive leadership career spans a 20-year period. She also served on the boards of the Wilderness Foundation (SA), where she was also a trustee, as well as the Oliver Foundation.

Other Boards on which she serves:

IFLOMA

KLF

Commissioner of the Eastern Cape Planning Commission

Academic qualifications:

MBA, MA (Labour Relations and Human Resources), BA (Hons) Industrial Relations and BA (Psychology and Sociology)

Mrs Zoliswa Mashinini: Chief Financial Officer

Service with SAFCOL:

Appointed as Chief Financial Officer in October 2013

Experience:

Mashinini joined SAFCOL after a stint at the South African Mint Company, where she was the Executive Finance Manager. She started her career at Price Waterhouse Coopers, where she completed articles and 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 she serves:

IFLOMA

KLF

Academic qualifications:

CA (SA), B.Compt Honours and B.Com Accounting

Mr Francois de Villiers: Chief Operating Officer

Service with SAFCOL:

Appointed as Chief Operating Officer in May 2013

Experience:

De Villiers started his career in the engineering field. He joined SAFCOL in 1994 and has occupied various positions during the 21 years he has spent with the Group. He was Export Manager, Divisional Marketing Manager and General Manager: Marketing and Processing. His strengths lie in trade marketing and processing.

Other Boards on which he serves:

IFLOMA

KLF

Academic qualifications:

B.Eng (Electronics)

Ms Julia Mphafudi: Senior Executive: Human Capital Management and Transformation

Service with SAFCOL:

Appointed as Senior Executive: HCM and Transformation in June 2012

Experience:

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

Academic qualifications:

B.Com (Hons): Human Resources; B.Tech (Degree): Human Resources; Nat Dip: Human Resource Management

2014-15 Performance

Despite challenging market conditions, SAFCOL believes that there are solid export opportunities that the company can exploit.

INTERIM CHAIRPERSON'S FOREWORD

As a state owned company (SOC), SAFCOL must be at the forefront of contributing to the Government's developmental objectives, especially in rural areas, where its operations are predominantly located. In addition to the Industrial Policy, the Agricultural Policy Action Plan, the National Development Plan (NDP) and the Comprehensive Rural Development Programme, SAFCOL has key obligations in terms of the National Forests Act (1998) and the Management of State Forests Act (1992). It is within this policy context, coupled with the governance requirements of King III, that the Board has exercised over-sight of the company. In this respect, we continuously strive to ensure the effective integration of strategy, governance, ethics, risk management and sustainability.

Financial review

Performance against Shareholder's Compact

The achievement rating for the key performance indicators (KPIs) set out in the Shareholder's Compact was 83%: an improvement of 10% on the 73% rating achieved in the prior year and translates to a 14% increase from 2014 and a 32% increase from 2013.

There were several challenges with regard to timber processing, resulting in the KPIs not being achieved. These challenges included contractor strikes, as well as equipment unavailability. The Board has approved capital expenditure for the upgrade of the company's processing plant. SAFCOL recorded a fatality in Berlin due to a chain-saw incident. SAFCOL has managed to maintain Level 2 B-BBEEE status during the period under review.

Outlook and strategy

During the course of the year, an extensive analysis of the external environment was undertaken and the corporate strategy was refined at the Board's annual strategy session.

Due to challenging local market conditions, SAFCOL is currently exploring export opportunities that the company can exploit to realize its strategy for revenue growth. The new strategy includes the following strategic objectives for the company: profitability, plantation forestry management, an enhanced developmental contribution, and understanding customer and stakeholder needs. Strategic initiatives have been prioritised, in order to ensure that the set objectives are achieved; this will (in turn) enable SAFCOL to fulfill its mission and pursue its vision.

A review has also been undertaken of the IFLOMA business in Mozambique wich will be the basis of engaging the shareholder.

Progress was made during the year, with the company posting a profit and strengthening its financial position. The Board will continue to ensure that sustainable profit levels are achieved. As will be detailed in this Integrated Report, progress was made in critical areas, including SAFCOL's broader contribution to the Government's developmental agenda and the company's operational performance.

Land claims

As reported in last year's Integrated Report, the land claims matter is the most significant risk facing the company and it continues to receive priority attention. Currently, 61% of SAFCOL'S total land is under claim, with claimant groups having initiated at least 14 restitution claims in Limpopo, 17 in Mpumalanga and one in KZN.

SAFCOL is engaging continuously with Government on the land claims matter and is providing active support on the matter to the Land Claims Commissioner. In this regard, a settlement model has been developed that is aligned to the Department of Rural Development and Land Reform's (DRDLR) framework for land restitution. A Government inter-departmental committee has been established to fast-track the settlement process.

Transformation

The Board is pleased to report that SAFCOL has retained its B-BBEE Level 2 status. The Board places significant emphasis on transformation at the company. In addition to excellent black female representivity at executive management level, solid progress is being made in achieving the required employment equity targets across the Group.

This report provides details on progress made with respect to B-BBEE procurement, skills development and enterprise development (ED) initiatives.

The future role of SAFCOL

During the financial year under review, SAFCOL identified specific long-term and short-term initiatives that have been designed to place the organisation in a better position to achieve its strategic objectives as a SOC in the plantation forestry and forestry products sector. The organisation realises, however, that in order to effectively execute the strategy, a number of key enablers that underpin it must be embedded. Collaboration between the public and private sectors on project execution and project financing is seen as a key driver in achieving the strategy.

The identified strategic initiatives will require: partnerships with public sector organisations; capital from external financiers. SAFCOL intends to obtain capital from both development finance institutions and private sector investors, including plantation forestry companies and banks. With regard to human resources, in order to remain competitive, the organisation must recruit and retain the right talent and develop the existing employee skills set. A concerted marketing effort will be made to ensure that: the market understands the direction in which SAFCOL is heading; its product offering is properly understood, in order to attract and maintain a sustainable customer base. Investment in research and development (R&D), and understanding the market for the global plantation forestry industry is essential to enable SAFCOL to anticipate threats and take advantage of opportunities in the market.

The impact of information, communication and technology (ICT) on operational efficiency is significant; therefore there will be sustained focus on embedding the Enterprise Resource Planning (ERP) solution. Prudent financial management will be entrenched across SAFCOL, so as to ensure that: adequate capital is raised and allocated appropriately; all expenditure is monitored; that spending achieves the intended purpose. The risks associated with executing this strategy will be monitored continuously and used to inform operational and strategic decisions.

As the only state owned forestry company, SAFCOL is proud to be associated with the 14th World Forestry Congress due to take place in Durban, South Africa on 7-11 September 2015. SAFCOL together with all other stakeholders in the forestry sector, sees this gathering as an opportunity to meet and share ideas and experiences that seek to arrive at a mutually enriching goal.

Audit Opinion

The Group received an unqualified audit opinion, with findings in the areas of procurement and material adjustment to the performance reporting against shareholder's compact. SAFCOL needs to focus on improving this areas

Governance

The Group continued to focus on governance matters through its fully functioning Board committees. The following committees provided oversight during the course of the year.

Audit and Risk committee – provided oversight over matters of audit, risk and compliance.

Finance and Investment - provided oversight over the Group's investment and funding decisions/ strategies.

Remuneration Committee – provide oversight over human resources and remuneration matters. This process included the updating and alignment on remuneration policies.

Social and Ethics Committee – Dr Moephuli was appointed as Chairperson of the committee.

The Board's major achievements during its four-year term

The Board has continued to drive sound corporate governance and additional policies and processes were implemented during the year. The Board has also paid attention to stakeholder engagement as a critical priority. In addition, a new Memorandum of Incorporation was finalised and lodged, in order for the company to ensure compliance with the requirements of the Companies Act (2008).

SAFCOL announced an ERP initiative, aimed at a single integrated system, so as to ensure greater organisational efficiency and efficacy in reporting. This system went live on 25 August 2014. Alignment with the Department of Public Service and Administration's (DPSA) IT governance framework will be ensured.

In terms of strategic CAPEX investments in industrial processing, the Board approved pre-feasibility and feasibility studies. These projects will move to the next stage, in line with the time-frames indicated in SAFCOL's 2015 Corporate Plan.

Thanks and acknowledgements

The Board wishes to thank the Honourable Minister, Ms Lynne Brown, for the valuable insight and guidance provided during the year.

The supportive role played by the Honourable Deputy -Minister, Bulelani Gratitude Magwanishe is much appreciated.

It would also like to thank the Portfolio Committee on Public Enterprises, including the Chairperson, Ms Dipuo Letsatsi-Duba, for the direction provided and over-sight exercised. I would further like to thank the Board for its support.

The company's performance is the result of the efforts of the management and staff. In this respect, I wish to thank: the CEO, Ms Nomkhita Mona, for her unwavering commitment; the executive team; and all the staff at SAFCOL for their dedication.

Dr Somadoda Fikeni

Interim Chairperson of the Board

SAFCOL's Research and Development programme is a core part of the company's sustainability focus. The company spends approximately R16.8 million per annum on Research and Development activities. This includes the tree breeding and seed programmes, harvesting, growth, yield programmes and other initiatives to ensure that SAFCOL becomes a world class plantation forestry company. In addition, SAFCOL runs a state-of-the-art nursery facility.

CHIEF EXECUTIVE OFFICER'S REVIEW

SAFCOL's dual mandate, of financial sustainability and socio-economic development, is at the root of the company's existence and it has paid significant attention to performance in both these areas during the past financial year.

SAFCOL is very pleased to report that, despite challenging market conditions, the Group generated a net profit for the year, and capital and reserves are at healthy levels.

As part of the new SAFCOL strategy, strategic initiatives were identified to further drive performance and growth, including: organisational streamlining; diversification and enhancement of revenue; cost efficiencies; strategic investment in further industrial processing and socio-economic development programmes.

The company has already made solid progress with various feasibility studies completed on potential CAPEX investments, business development to diversify markets and the implementation of a number of skills and enterprise development projects.

In line with the on-going initiative of organisational streamlining, a review of the SAFCOL Group structure has been undertaken and adapted, to ensure a less complex organisational structure. Three dormant entities were de-registered and further measures in relation to simplifying the Group structure will be implemented during the 2015/16 financial year.

Market review

Following the financial crisis in 2008, the global economy is starting to recover. The financial sectors in the United States of America (USA) and Europe came close to collapse and Europe went into a period of economic stagnation. Despite the global financial crisis, key countries in Africa and Asia have experienced strong growth rates. Although the Chinese economy has recently undergone some cooling off, it is expected that this economy will still show same degree of growth. However, stagnation and low inflation are still concerns in the Euro zone and in Japan. Alongside challenges of global growth and financial stability, many countries have seen rising inequality in recent decades contributing to the social challenges and questions about sustainability, including environmentally sustainable growth.

Whilst South Africa weathered the storm relatively well in maintaining financial and fiscal stability, the Government's Medium Term Expenditure Framework (MTSF) emphasizes challenges such as employment creation, and weakened fiscal balances resulting in a growing current account imbalance. Improved trade performance including exports is crucial to address these challenges.

The South African sawlog market remains saturated and prices are depressed compared to international prices. However, growth in the construction sector is starting to pick up and demand for structural grade lumber is increasing. The South African lumber market therefore remains a significant on-going opportunity for SAFCOL.

Similarly, the market in the rest of Africa, which is experiencing continued growth in the demand for lumber, is a growth area. Furthermore, there is continuing growth in demand for high value added forestry products in certain export markets. SAFCOL therefore intends to target export markets in niche areas. Exports form an important component of SAFCOL's revenue diversification strategy, the bulk of which will be product processed in South Africa making our own comparison in broadning the country's industrial base.

Significant risks

In terms of the external environment, procurement investigations and unresolved land claims on land on which SAFCOL operates remains SAFCOL's most significant risks. At least 61% of the land on which the business operates is under land claims.

As indicated in the Chairperson's report, SAFCOL has made progress in producing a land settlement model for the land restitution process, and there is a coordinated process across relevant government departments to ensure that mutually beneficial settlement terms are agreed upon with all parties concerned.

In terms of operational risks such as fire, disease and pest control, mitigation measures have been put in place and are being continuously monitored for effectiveness.

Financial performance

Revenue of R898 million was achieved for the year, bringing the total revenue marginally short by 1% of the budgeted target.

At an overall level, a profit before tax of R200 million was realised for the year. A dividend of R41.8 million was received during the year.

The company is in a strenghening overall financial position with capital and reserves increasing by 4% year-on-year. Cash and cash equivalents increased by R71 million and the year-end cash balance is at R293.3 million.

Performance against the Shareholder's Compact

Performance in terms of the KPIs set out in the Shareholder's Compact saw an achievement level of 83% - an improvement on the 73% achieved in the prior year. This translates to a 14% increase from 2014 and 32% from 2013. There were several challenges, including contractor strikes in terms of timber processing, resulting in the KPIs not being achieved.

SAFCOL generally performed well with respect to B-BBEE procurement targets. The total procurement spend on empowered enterprises amounted to R288 million for the year. Further work on increasing procurement from enterprises owned by women and people with disabilities is needed.

Research and Development

SAFCOL's Research and Development programme is a core part of the company's sustainability focus. The company spends approximately R16.8 million per annum on Research and Development activities. This includes the tree breeding and seed programmes, harvesting, growth, yield programmes and other initiatives to ensure that SAFCOL becomes a world class plantation forestry company. In addition, SAFCOL runs a state-of-the-art nursery facility.

Given SAFCOL's vision of becoming a world-class plantation forestry company, investment in R&D is essential to enable continuous innovation to primarily ensure SAFCOL's competitiveness in the global forestry industry. SAFCOL's strong focus on R&D also contributes to green trends in the broader industry.

Operational performance

Plantation forestry and sustainable forest management

Komatiland Forests (KLF), SAFCOL's operating subsidiary, harvested 1 348 204 m^3 of sawlogs during the course of the year under review. This is against a budgeted volume of 1 466 667 m^3. Despite the shortfall, revenue targets were achieved.

Pruning is an important activity in ensuring the quality of sawlogs. Pruning activities were on track for the year whilst a decision was taken to delay thinning operations. Importantly, the temporarily unplanted (TU) area for the South African operations was reduced to 1.6% versus the shareholder target of 3%. There was also less area lost on the growing stock due to fires in comparison to previous periods. This is attributed to the high alert levels and quick response times by fire-fighting teams. The Mozambique operations were kept in the "care and maintenance state" to allow for a final decision on the future of IFLOMA.

SAFCOL continues to practice sustainable management of its plantation forests. This is a key imperative of the company. In this respect, SAFCOL has retained the certification by the Forestry Stewardship Council (FSC). This certification provides assurance with regard to internationally accepted and sustainable social, economic and environmental standards. The FSC certification standards and criteria further link in with, and are supported by SAFCOL's Integrated Management System (IMS). The IMS governs the compliance and conformance aspects of all related operations and activities. The FSC certification further contributes to SAFCOL honouring its obligations in terms of the National Forests Act and Management of State Forests Act.

Processing

SAFCOL's processing operations and activities include the Timbadola sawmill, outsourced custom-cut contracts and an inactive sawmill in Mozambique.

The processing division realised record intake volume for the full year. Timbadola achieved its highest intake ever - at 124 131 m^3 - despite serious challenges. The increased in-take was a result of the focus given to effective maintenance.

The combined custom-cut operations continued to prove profitable, due to a focus on quality, increased sales and improved recovery.

Community development and transformation of the value chain

SAFCOL has signed social compacts with 13 communities, as part of its community development-focused programme.

The company has taken a holistic approach to transformation across the entire forestry value chain. In addition to furthering employment equity, the transformation drive extends from developing skills in Research and Development, procuring inputs and contract forestry services from black-owned enterprises. The company has skills development programmes for local communities, enterprise development projects in downstream processing, to empower black-owned enterprises in distribution and the supply of sawlogs to small saw millers.

SAFCOL's skills development programmes include bursary funding, the Female Accelerated Development Programme, learnerships, Adult Education and Training (AET), internships, engineering training, artisan training, a timber training programme and community skills programmes.

A number of enterprise development (ED) programmes are underway including supplier development and rural ED initiatives. The latter includes projects in agro-processing, timber-frame structures, furniture (desk) manufacturing, essential oil and charcoal production. These projects are at various stages of implementation, ranging from pre-feasibility, to feasibility and pilot phases.

Future Outlook

SAFCOL currently exports lumber to Mozambique and Taiwan. Whilst these exports are not currently significant with respect to volumes, prices achieved are much higher than local levels. Product availability and market penetration are currently the constraints on clear product (top grade) exports to the East while logistical issues and a lack of resources affect Mozambique exports.

The company is probing a number of product and market diversification possibilities. There are various options, such as additional sawmills, plywood and veneer plants, furniture and timber frame-structure manufacturing plants and biofuel processes. However these options are very dependent on which value-adding processes or operations prove the most viable. Full market analysis and research will be conducted; given the high capital investment needed and the level of capacity and knowledge required, it is imperative that these activities are fully investigated prior to commitment.

Also being looked at is green energy, which could see SAFCOL creating its own electricity through co-generation facilities at SAFCOL sawmills. Combined heat and power (CHP), also known as co-generation, is the simultaneous production of electricity and heat from a single fuel source, such as biomass or biogas. There is the potential for bio-energy at SAFCOL, specifically CHP, due to the high volume of slash after clear-felling, pruning and thinning residues. SAFCOL is engaging with other state-owned and private entities to explore the feasibility of CHP plants and other green energy initiatives. In addition, the upgrade of the Timbadola Sawmill in Limpopo could incorporate co-generation.

Attention is also being paid to improving SAFCOL's standing in the forestry value chain and maximising stakeholder value. We are currently considering various optimisation options with regards to merchandising yards and are constantly engaging in increased own processing activities, including the Timbadola Sawmill upgrade. SAFCOL is also engaging both public and private sectors with a view to increasing the area under its forestry operations to improve efficiency and synergies in its operations. Further exploration into various other forestry product markets are under way as well.

Human Capital Management

The goal of this function is to ensure: effective human capital management. To this end, a performance management system; as well as succession planning policies and strategies are in place.

In addition to its skills development programmes, the company commenced with formal and informal management and leadership development programmes, including interventions such as coaching, 360 degree and psychometric assessments. All senior foresters and female foresters have undergone assessment, in order to determine areas requiring development and to accelerate the development of these staff members into management positions.

A staff development programme was implemented, with the Gordon Institute of Business Science (GIBS) and this is progressing exceptionally well. An Executive Development Programme (EDP) is scheduled to begin in April 2015 and all the Executive Committee (EXCO) members, General Managers and District Managers will participate in this programme.

Implementation of the new wellness programme and the opening of two new clinics at the Spitskop Plantation and Timbadola Sawmill provided additional highlights for the year. These projects are testimony to SAFCOL's commitment to a healthy workplace.

The Industrial Relations (IR) environment was stable during the year under review.

Safety, Health, Environment and Quality (SHEQ)

SAFCOL places significant emphasis on SHEQ. The current Disabling Injury Frequency Rate (DIFR) is at 2.6, against an annual target of 1.8.

Attention has been paid to linking standards and certification systems to the integrated management system. In this regard, SAFCOL's IMS platform has been developed to conform to ISO 14001, ISO 9001 and OHSAS 18001 requirements.

Information and Communication Technology Strategy

The ICT strategy is a key tool for ensuring business efficiency and optimisation. The previous financial year saw SAFCOL engaged in two major projects, namely: the upgrade and "go-live" of the JD Edward ERP system; the definition of phase 1 deliverables for the DPSA's Corporate Governance of ICT Policy Framework. The ERP system forms the foundation on which SAFCOL will improve operational efficiency, whilst the DPSA's policy framework ensures effectiveness in ICT governance.

Thanks and acknowledgements

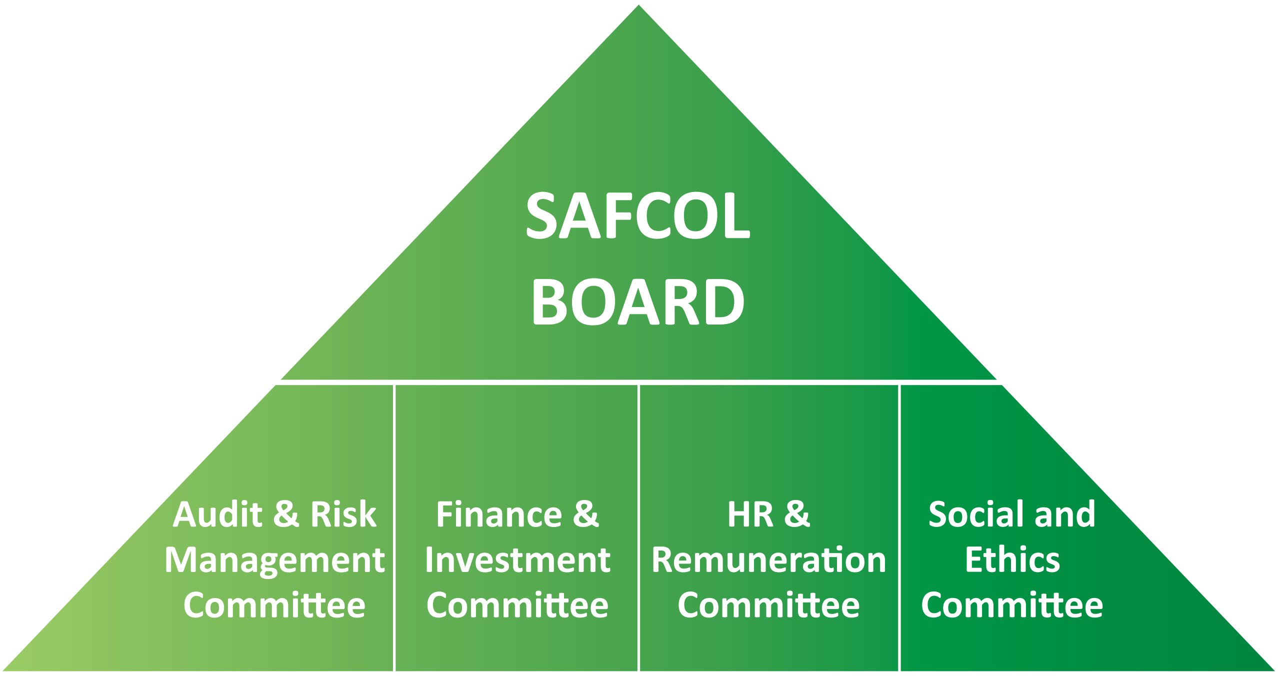
The past financial year has been challenging. Despite this, the company posted a profit and is on a trajectory towards a strong financial position. The results would not have been achieved without the effort of the entire SAFCOL family. The management and staff have shown enormous commitment. The support and guidance of the Honourable Minister Lynne Brown and the Honourable Deputy Minister, Mr Bulelani Gratitude Magwanishe is much appreciated. A word of gratitude needs to be extended to the Board and, in particular, the Interim Chairperson (Dr Somadoda Fikeni) for the support provided throughout the year. Management also wishes to thank the DPE under the direction of the Acting Director-General, Ms Matsietsi Mokholo, for the on-going support it provided during the year.

Ms Nomkhita Mona
Chief Executive Officer

SAFCOL GOVERNANCE STRUCTURES

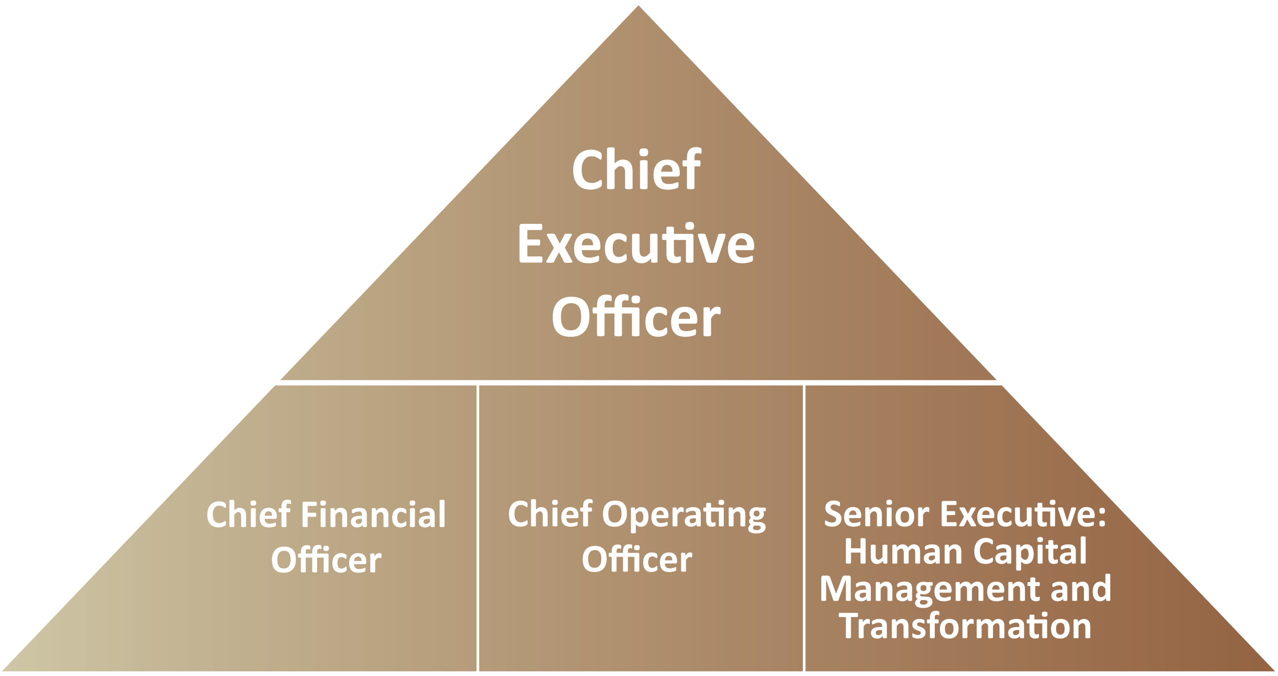
Board of Directors

The Board ensures that SAFCOL is managed in the best interests of the Group, the Shareholder and all stakeholders, and it provides strategic direction, in consultation with the shareholder. The diagramme below indicates the structure of the Board.



Executive Committee

EXCO is responsible for the day-to-day running of the Group's operations, with EXCO comprising:



STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP	MAJOR OBJECTIVES OF THE STAKEHOLDER GROUP	RELEVANCE TO SAFCOL IN TERMS OF STRATEGY AND OPERATIONS
Shareholder: **Department of Public Enterprises**	• Aims to drive investment, productivity and transformation in its portfolio of SOCs, their customers and suppliers so as to unlock growth, drive industrialisation, create jobs and develop skills.	• Obligations in terms of the SIS and the Shareholder Compact. • Achievement of KPIs, as per the shareholder compact. • Operating on a financially sustainable basis and with a positive impact on society.
Department of Agriculture Forestry and Fisheries (DAFF)	• Ensures legislative compliance in respect of SAFCOL's obligations in terms of the National Forests Act (1998) and the Management of State Forests Act (1992). • Effective administration of lease rentals.	• Sustainable plantation forestry management – FSC certification. • Management of category B and C forestry (see strategic initiative on increasing access to DAFF plantable areas/ technical assistance to DAFF in terms of forestry management).
Department of Rural Development and Land Reform	• Effective land restitution to claimants and protection of the state's rights.	• DRDLR Framework for land restitution, linked to SAFCOL settlement model. • Support provided to the Land Restitution Commission, through resources and assistance.
Department of International Relations and **Cooperative Governance (DIRCO)**	• Strategic relations with foreign countries.	• Planned SAFCOL exports will strengthen relations. • Focus on markets in India and China. • International expansion into the rest of Africa remains important.
Department of Trade and Industry (DTI)	• High value-added manufacturing and export growth, as required by IPAP and the NDP.	• Exports and investment in new plant and equipment will contribute to this objective.
Other state agencies, such as the CSIR and the Agricultural Research Council (ARC)	• Contribute to the country's national R&D agenda. • Relationship with SAFCOL on research and tree breeding for the benefit of the country.	• SAFCOL spends about R12 million per annum on R&D. • The Corporate Plan includes a number of rural ED projects, including agro-forestry.
Regulators	• Ensure fair competition in the market through the Competition Commission.	• Ensuring fair market practices and • continuous engagement with the Competition Commission.
Communities	• Restitution of land rights on state land where SAFCOL manages plantations. • Community development.	• The land issue is a major focus for SAFCOL and the company therefore provides support to the inter-departmental forum. SAFCOL aims to become a preferred partner for claimants. • Various community development projects, including: skills development, job creation, and SMME development. • To facilitate 13 social compacts being signed with communities located near SAFCOL plantations.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP	MAJOR OBJECTIVES OF THE STAKEHOLDER GROUP	RELEVANCE TO SAFCOL IN TERMS OF STRATEGY AND OPERATIONS
Provincial stakeholders	Series of workshops held - rural development identified as a key priority.	Various community development initiatives, as outlined above.
Unions	Ensuring fair labour practices and a sustainable company.	Collective agreements. Internal communication programme, succession planning, wellness programmes, transformation forum, fair labour practices.
Employees	Ensuring fair labour practices and a sustainable company.	Internal communication programme, succession planning, wellness programmes, transformation forum, fair labour practices.
Customers	Quality of product. Fair pricing. Customer service.	Credit management is now more client-orientated. Extended payment terms offered to customers in the economic downturn, coupled with effective credit management.
Media	Sustainability of SOCs.	Brand enhancement. Reputation management. Effective communication strategy.

I am pleased to report that the Group achieved an operating profit of R55.7 million this year, before tax and fair value adjustments; this is a significant improvement on the loss of R27.3 million recorded in the previous year.

2014/15 PERFORMANCE

Chief Financial Officer's Report

The Chief Financial Officer (CFO) manages the financial performance of the entity and supports decision-making, while also heading the treasury and investment functions. An overview of the Group's financial performance during the year is set out below, together with the key drivers behind this performance.

Key focus points

- Financial overview
- Revenue and operating loss
- Growth in biological assets
- Capital expenditure (CAPEX)
- Value-added
- Operational expenses
- Debt and maturity profile
- Cash flow management

Financial overview

Results

I am pleased to report that the Group achieved a profit of R55.7 million this year, before tax and fair value adjustments; this is a significant improvement on the loss of R27.3 million recorded in the previous year.

The Net asset value of the group increased to R3.7 billion from R3.5 billion in the prior year. Cash and cash equivalents increased to R293 million from the R222 million reported in the prior year. Equity increased by 4% year-on-year.

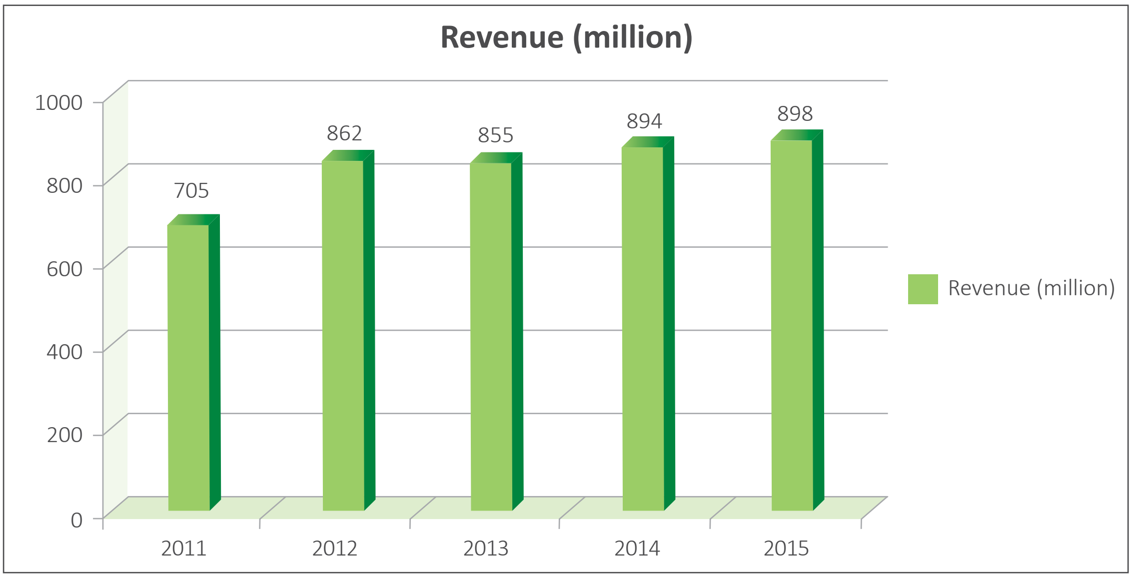
The group achieved all of its financial KPI's with the exception of the Return on Equity Ratio being marginally below target by 0.5%.

Impact of the economic environment on key financial ratios

The Group sustained its revenue year-on-year, despite the lower lumber volumes, which was influenced by external economic environmental factors. The Group continued to investigate and source suitable finance options to fund projects planned for the 2016 financial year.

Five-year financial overview

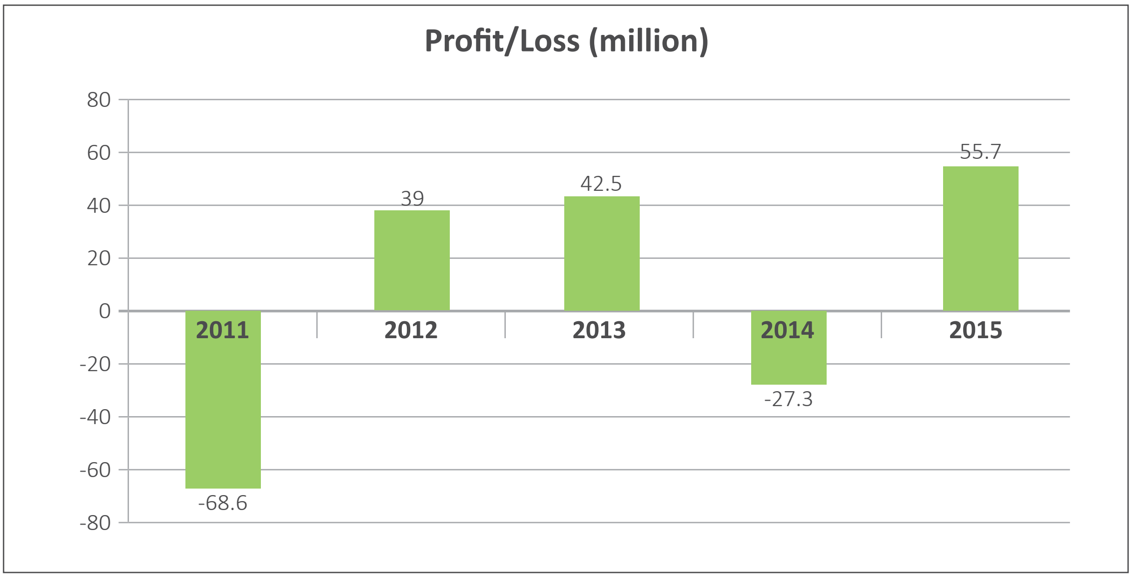
Growth in revenue



Key trends over the five-year period 2011 – 2015 are as follows:

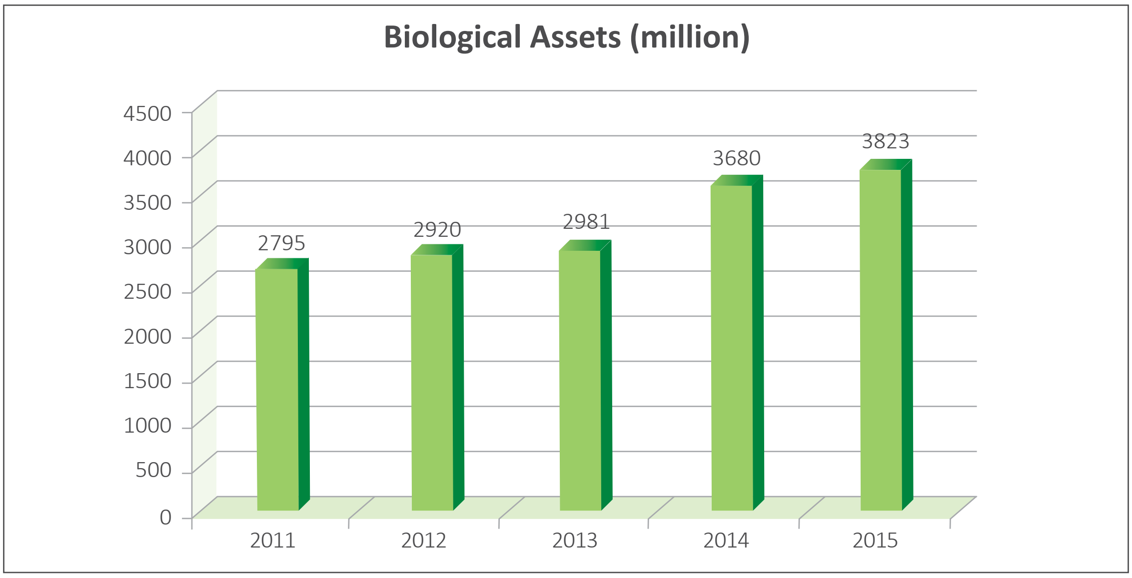
- Revenue has grown steadily over the past 5 years, with an overall growth of 27% being seen during the period 2011 to 2015.
- Revenue reached its highest level in 2015, mainly due to the company reaching its log sales target volumes for the year.
- Target lumber volumes remained under pressure during the year.

Profit/ (loss) before fair tax and value adjustments: 5 year trend



The group moved from an operating loss of R27.3 million in 2014 to a profit of R55.7 million in 2015. This was mainly due to log sales targets being met and savings in overall operating expenses.

Growth in biological asset



SAFCOL's biological assets are the plantations managed by the forest operations division. These assets represent the largest asset class on the Group's balance sheet and are the largest driver of the Group's revenue.

Biological assets increased overall in fair value by 37% from 2011 to 2015. During 2015, the value increased, due to the positive impact of prices, lower discount rates and volume growth.

Capital expenditure

The Group's capital expenditure (CAPEX) approach over the past five years has been to focus on additions and the replacement of critical operational assets. This commitment is evident in the 2014/15 figures reported, with the overall spend on property plant and equipment being R60 million vs R34 million in 2014.

Operations

Group value-added statement

Description (Rand Million)	2015	2014
Trade and Other Receivables	197	180
Inventory	74	70
Current Liabilities	-262	-178
Net Working Capital	9	72

Working capital management

As indicated in the table:

- Trade and other receivables increased by 9%, due to effective credit risk control.
- Inventory remained fairly stable (in line with revenue growth), increasing by 7%.
- Net working capital decreased by 89%, due to a major increase in current liabilities which includes the land lease debt.

Debt and maturity profile

The Group managed its debt portfolio exceptionally well during the 2014/15 financial year, the total outstanding on finance leases closing at R55 million for the year.

Cash flow management

The Group generated a positive net cash flow of R123 million from operating activities, which is an increase of R17 million from the prior year. An overall net increase in cash generated (R71m) for the year is noted. The largest drivers of the increase were: dividends of R41.8 million received from Siyaqhubeka Forests Pty Ltd; a decrease in operating costs.

The Group continues to focus on generating revenue and increasing profit margins by reducing costs.

Zoliswa Mashinini
Chief Financial Officer

PERFORMANCE AGAINST THE SHAREHOLDER'S COMPACT

Paragraph 29.2.1 of the Treasury Regulation (TR) issued in terms of the PFMA states that the public entity, in consultation with its executive authority, must conclude a Shareholder's Compact. Paragraph 29.2.2 of the TR indicates that the Shareholder's Compact must document the mandated key performance measures and indicators to be attained by the public entity, as agreed by the accounting authority and the executive authority. Based on these PFMA requirements, SAFCOL signed a Shareholder's Compact with the DPE for the 2014/15 financial year. The table below indicates SAFCOL's actual performance against the targets indicated in the Shareholder's Compact:

Performance: 2014/2015 shareholder matrix

Element of Strategic Intent	Key Performance Area	Proposed Key Performance Indicators	FY 2014/15 Targets	Prior year actual	FY 2014/15 Actual	Variance	Reason for Variance
Financial and Commercial sustainability	Financial Returns	EBITDA/ Revenue	3%	2%	7%	+4%	Achieved: Higher Earnings Achieved.
		Return on equity excluding fair value movements and translation gains(losses)	2%	-1%	1.5%	-0.5%	Not achieved: Marginally below target due to lower profitability as a result of underperformance on lumber sales.
	Creditworthiness	Gearing	≤50%	1%	8%	+42%	Achieved: As a result of lower debt a positive interest position was achieved.
		Cash Interest Cover	1	12	1	0	Achieved: Less debt obtained for financing activities
	Working Capital Management	Current Ratio	≤4	3	3	+1	Achieved: Higher Receivables and Cash balances , due to sales achieved and dividends received
		Cash Ratio	1.0	1.3	1	0	Achieved: Higher Cash Balances due to dividends received.

Element of Strategic Intent	Key Performance Area	Proposed Key Performance Indicators	FY 2014/15 Targets	Prior year actual	FY 2014/15 Actual	Variance	Reason for Variance
Sustainable Forest Management and Expansion	Area of forest under management	(SA) Expansion of planted area in SA	121 000ha	121 667ha	121 716 ha	+716 ha	Achieved: area planted must never be under 121 000 ha
		Mozambique					
		Current area	16 412ha Planted at end of 2013/14= 13 980ha	16 178ha	16 233ha	-179ha	Achieved: Target within range of 500 ha less. Delineation(A)
		*IFLOMA 1	0ha	672ha	100ha	+100ha	Care and maintenance as agreed with the department
		*IFLOMA 2 (pending the result of a bankable feasibility study)	0ha	0ha	205ha	+205ha	Care and maintenance as agreed with the department
		Temporarily unplanted area					
		South Africa	3%	1.9%	1.6%	+1.4%	Achieved: Focused management conditions were conducive and focused on planting and protecting the assets
		Mozambique (IFLOMA 1)	13%	10.2%	9.6%	+3.4%	
	Area of forest under management which is fully certified to FSC or PEFC standard	% of total forest area in South Africa	100%	100%	100%	0	Achieved: 100% planted forests FSC certified
		*% of total forest area in Mozambique	Complete mapping and enumerations the area	0%	Care and maintenance	Care and maintenance	Care and maintenance as agreed with the department

Element of Strategic Intent	Key Performance Area	Proposed Key Performance Indicators	FY 2014/15 Targets	Prior year actual	FY 2014/15 Actual	Variance	Reason for Variance
	Timber processing	Volume Timbadola	130 000 m^3	119 645m^3	124 131 m^3	-5 869 m^3	Not achieved: Wetmill plant availability only 67%, other reasons relate to a contractor strike of 8 days.
		Recovery Rate Timbadola	44%	49%	46%	+2%	Achieved: Improved processes
		Volume Custom CUT Timber Processing	150 000 m^3	114 796 m^3	124 608 m^3	-25 392 m^3	Not achieved: Capacity constraints and major breakdowns Inadequate log supply 1st quarter Strikes
		Recovery Rate Custom Cut	44%	43%	51%	+7%	Achieved: More C & D(B) log classes processed
		*Sawmill intake Volume (IFLOMA)	-	6 491m^3	-	-	Care and maintenance as agreed with the department
		*Recovery rate (IFLOMA)	-	43%	-	-	Care and maintenance as agreed with the department
	Settlement model	Development of a land claims settlement model suitable for SAFCOL to DPE and DRDLR	Submit a proposed land settlement model to DPE and DRDLR	n/a	Completed	0	Achieved: proposed land settlement model submitted to DPE and DRDLR
	Vertical Integration*	Creation of furniture manufacturing business	Undertake a feasibility study on furniture manufacturing Develop an implementation plan with a partner	n/a	Completed	0	Achieved: feasibility study on furniture manufacturing completed and implementation plan developed
		Industrial production process of Timber Framed Structures	Develop a strategy for timber framed structure	n/a	Completed.	0	Achieved: timber framed structure strategy developed

Element of Strategic Intent	Key Performance Area	Proposed Key Performance Indicators	FY 2014/15 Targets	Prior year actual	FY 2014/15 Actual	Variance	Reason for Variance
	Agroforestry*	Assessment and development of implementation plan towards Agroforestry business	Develop an implementation plan with a partner	n/a	Completed	0	Achieved: implementation plan with a partner developed
	Focus on Safety	Fatalities index	0	-	1	-1	Not achieved: Contractor chain saw incident at Berlin plantation
	Skills development (scarce and critical skills)	Total number of student internship and Graduate trainees	15	34	35	+20	Achieved: SETA offered funds to appoint additional internship.
		Total number of Artisans trainees	6	10	20	+14	
		Engineering trainees	3	n/a	20	+17	
		Total number of Sector specific trainees: Forestry and Processing learnerships	75	120	126	+55	
	Employment Creation	Foresters and Wood Technologies	5	n/a	5	0	Achieved. The KPI was achieved in December 2014 which is aligned to the academic year.
		Training spend:% of total training spend against employees costs inclusive of 1% skills levy	3%	3.5%	3.7%	+0.7%	Achieved: Additional training funding provided from SETA.
		Indirect jobs	1500	n/a	2500	+1500	Achieved: Jobs created through service providers and contractors
		Employment Equity Contribution: Number of black management	45	84	49	+4	Achieved: Qualifying applicants in management positions are mostly blacks.

Element of Strategic Intent	Key Performance Area	Proposed Key Performance Indicators		FY 2014/15 Targets	Prior year actual	FY 2014/15 Actual	Variance	Reason for Variance
		Number of black management females		16	21	19	+3	Achieved: Vacant positions mainly replaced with female candidates
		Number of black people with disabilities		12	20	19	+7	Achieved: Awareness campaign ongoing to sensitise employees
	Procurement	BBBEE Contributor Level		2	2	2	0	Achieved
		Total Procurement Spend		R608 000 000	85.66%	R640 652 381	+R32 652 381	Achieved: Services sourced for procurement slightly higher than targeted.
		Local Content		Review supplier database	96.22%	90.26%	+8%	Achieved: Database reviewed during the year therefore enabling measurement of local content which is 90.22% of all content sourced.
		Procurement spend on marginalised Group	% black owned enterprises	20%	n/a	36.15%	+16.15%	Achieved: Most of the service providers used by SAFCOL were black owned leading to the achievement of the KPI.
			% black women owned	6.5%	12.46%	7.90%	+1.4%	Achieved: Some of the service providers used by SAFCOL were women owned leading to the achievement of the KPI.
			% youth Owned	8%		1.77%	-6.23%	Not achieved: Current internal system does not assist in determining PWD and Youth Owned Spend.
			% PWD Owned	1%		0	-1%	

Element of Strategic Intent	Key Performance Area	Proposed Key Performance Indicators	FY 2014/15 Targets	Prior year actual	FY 2014/15 Actual	Variance	Reason for Variance
		% QSE/EME	45%	n/a	47.66%	+2.66%	Achieved: Some of the service providers used by SAFCOL were Qualifying Small Enterprises leading to the achievement of the KPI.
	Corporate Social Investment (including Social compact)	Enterprises Development Spend	3% NPAT	3.5%	1%	-2%	Not achieved. Cost cutting measures across business.
		Socio Economic Development Spend	1% NPAT	5.6%	3%	0	Achieved: Allocated budget for the year more that 1% NPAT
		Continue implementation of Social Compacts	Implement or maintain at least 1 project per social compact	13	15	15 projects	Achieved: Social compact projects implemented with communities

[A] Planting away from boundaries such as wetlands, rivers and other conservation areas

[B] Higher value logs on a tree

[C] Keep IFLOMA operations under and maintenance

*Calculation of 83% KPIs achieved exclude IFLOMA which is under care and maintenance as agreed with the department.

SAFCOL Operations

2

OPERATIONAL PERFORMANCE: KOMATILAND FORESTS

Forestry Operations

Due to the sustained market pressure on the saw log market, a total log volume of 1 348 204 m^3 was harvested against the budgeted volume of 1 466 667 m^3 but revenue targets were still achieved. Pruning and reducing the temporary unplanted (TU) area are some of the forestry activities which were fully completed and progress has been made in the control of the gall wasp through the release of a bio control agent on Wilgeboom and JDM Keet plantations. The pine emperor moth outbreak on Jessievale was brought under control by an aerial chemical spray operation.

However, some operational activities were not achieved during the year:

- **Thinning operations:** this was due to the late improvement of the market for small logs and thinning capacity challenges. Furthermore, priority was given to dealing with hail damaged stock, which had to be harvested and sold before the logs deteriorated and lost value.
- **Planting:** this started very slowly due to late precipitation, which was intermittent at best. Planting gel had to be used, in order to ensure planned planting was done.
- Clear-felling: due ongoing market pressures, lower volumes than sustainable available volumes were sold.
- **Baboon damage:** this remains a challenge and may become a significant risk. Certain focused interventions have been implemented and KLF continues to partner with industry stakeholders in developing innovative solutions to reduce the impact of this problem on growing stock. Forestry SA has approved funding for research on how to deal with the matter.

Significant events during the year

Other significant developments during the year under review included:

- Less loss (in terms of growing stock) due to fires, compared to previous periods. This may be attributed to the high alert levels and the quick response times of the fire-fighting teams.
- Hail and wind damage at some plantations, including: Belfast, Bergvliet, Ngome, Tweefontein, Wilgeboom and Witklip.
- FSC and NOSA audits and follow-up audits were successful.
- Successful visits to company operations from local and international visitors as well as EXCO, which added value to the business. Top management shared the company's goals and progress made with staff, which strengthened employee-employer relations.
- Focused supply chain co-operation between Custom Cut and Forests in the Highveld district contributed to increased log sales volumes.

Challenges and Risks

Fleet maintenance: Breakdown of the production fleet, which resulted in higher repair costs and loss of potential sales and revenue, remains a serious challenge. The planned appointment of artisans will lead to improvements in machine availability.

Unpredictable and severe weather conditions: These placed a strain on operations and negatively affected planting, harvesting, transportation of logs, weeding programmes and firebreak preparation. Plans were however put in place to reduce the impact on operations. Hail and wind damage affected the growing stock negatively; harvesting was prioritised on the affected plantations in order to salvage usable volumes.

Weeding: Plans to deal with this problem were developed and implemented. Follow-up weeding will be a priority in the new financial year.

Road conditions: Some of the road infrastructure is negatively affected by heavy rains and occasional flooding. This may affect the transportation of logs and may limit fire protection efforts in the future. The internal road teams and local road maintenance plans that were prepared are addressing these risks. Fire protection: New and additional fire trucks will be bought and a partnership with Working on Fire is under consideration.

Harvesting equipment: This challenge is mitigated by sourcing capacity from contractors. Procurement processes were concluded and new equipment was ordered.

PROCESSING OPERATIONS

The Processing and Lumber Marketing and Sales Division is committed to adding value to the company, both:

- directly - through value-adding to saw-logs produced by the plantation division
- Indirectly - by addressing market failure in specific log classes in traditionally low-demand regions of the company. This also ensures that the demand for specific log classes from remaining log customers can be met.

This is a strategic division in the company, as it provides a market for saw-logs in previously low-demand market areas. In addition, it affords management insight into the lumber processing and lumber sales industry, in which the majority of SAFCOL's customers operate.

As round saw-logs are a natural product, variations in optimal product recovery are inevitable. The processing plants aim to economically and optimally extract maximum value from each saw-log, in order to increase the contribution to the company while balancing the mix of raw materials available with customer and market requirements.

The total lumber industry sales for 2014/15 increased by 5%, while KLF sales remained stable year-on-year, mainly due to a lack of sufficient product volume. Market conditions for structural lumber specifically have improved year-on-year since 2009/10, by almost 40% (volumes sold), at the expense of related industry applications, including: re-manufacturing, packaging and exports. Sawmill Lumber prices, however, have remained flat and have not followed the upward trend of CPI. Industry surveys indicate an average estimated retail mark-up of up to 43% on lumber sold in Gauteng (Crickmay Lumber Index, March 2015). KLF's lumber market share has remained steady at around 7% of the formal industry.

Highlights

- Round-log volume intake by the three lumber processing plants increased by 6.1% on the previous year's intake volume, as a result of the additional installed production capacity.
- Total Lumber sales volumes reduced compared to the previous year, due to consistently low stock volumes, despite improved market conditions.
- Overall, for the division, the average selling price (ASP) of Lumber increased by 13% on the previous year's price, as a result of a price increase and improved mix yield.
- Wood-chips and by-product sales were formalised and increased by 42%.
- The selling of lumber through agents was reduced, which resulted in a decrease of 92% in commission paid (from the previous year).
- Unit processing cost increased by 5% from the previous year despite the increase in intake volume.
- Through an enterprise-development initiative, Timbadola Sawmill assisted in training and commissioning local unemployed youth to manufacture school desks from softwood lumber produced at the mill. About 1 000 two-seater desks have been donated to various schools in Limpopo, Mpumalanga and KZN.

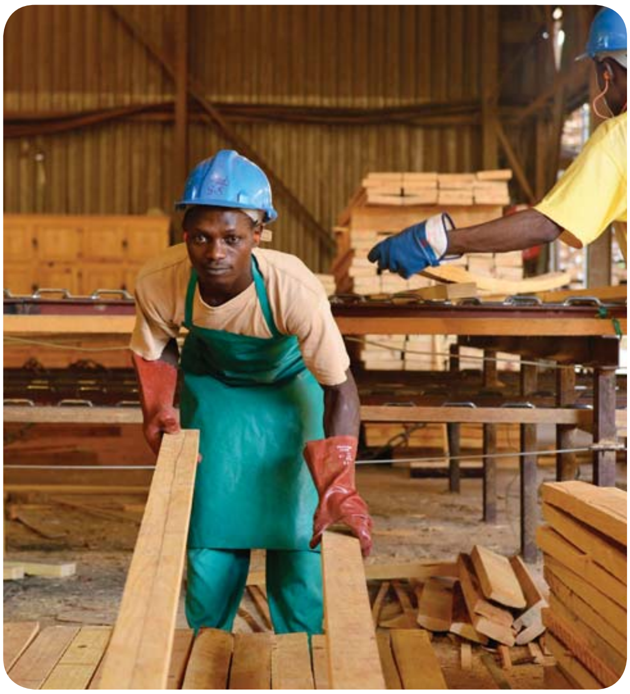
Challenges

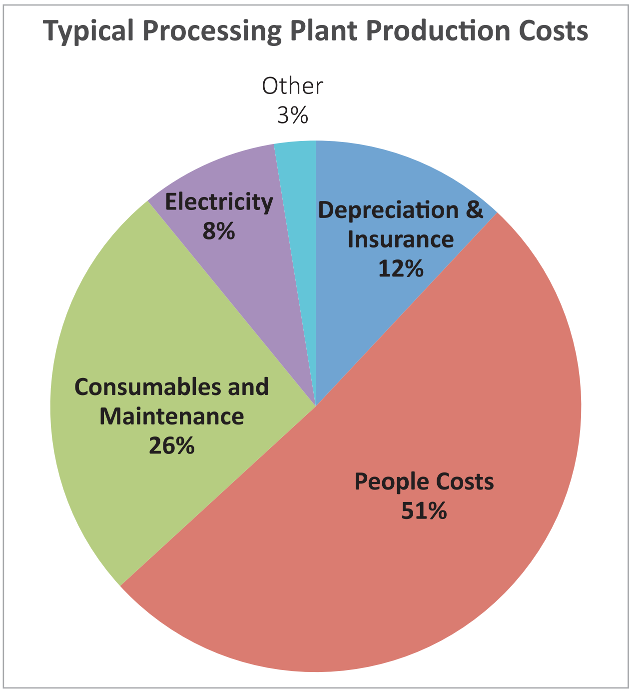
- Volume recovery reduced by 0.9% compared to the previous year, although value, not volume recovery, has become a leading driver of efficiency and value-add in the division.
- The increase in production costs (i.e. depreciation, insurance, contractors, consumables and maintenance) was higher than the normal rate of inflation.
- Aging and outdated equipment and process flows at the Timbadola Sawmill continues to hamper production and resulted in low plant availability and high maintenance costs.
- Producing lumber products that meet market requirements with the existing equipment and infrastructure remains a challenge.

Opportunities

Raw material (round-logs) constitutes the largest proportion of production costs about 52%; therefore simulation and optimisation software has been installed to ensure that a balance can be maintained between raw material log-mix availability, processing plant constraints and lumber market conditions. This helps management focus less on volume recovery and more on overall value recovery.

Timbadola remains a challenging operation in respect of aging equipment, the labour-intensive nature of operations and lower efficiency. An upgrade and expansion plan to improve efficiency and reduce production costs - and thus drive profitability – will be implemented at the plant. The Sales and Marketing Division is looking at opportunities to increase lumber exports, specifically to neighbouring countries, where there is a requirement for certain products at relatively high prices.





RESEARCH AND DEVELOPMENT (BIOLOGICAL)

SAFCOL boasts world class research and development capabilities as well as cutting edge nursery facilities to ensure its sustainability into the future. The first pines were introduced into SA in the early 1700's (Poynton, 1979) and several Mexican species, including *P. Patula,* were introduced to SA in the early 1900's (Poynton, 1979). As the trees grew, it was noticed that the trees of specific species, collected at different locations around the world, performed differently. Early pioneers of tree improvement collected additional seeds from the major pine species grown in SA from various native locations (referred to as provenances), for purposes of establishing provenance trials in the 1930's (Falkenhagen, 1987).

Improvement of the species started in the late 1950's. Tree improvement centres were established at DR de Wet (Central – 1950's), Saasveld (Cape 1960's), Futululu (KZN-1960s), JDM Keet (North - 1960s) and Jessievale (Highveld -1970s), with these centres forming part of the South African Forestry Research Institute (SAFRI) operations, overseen by the head office in Kitchen Street, Pretoria West. The focus of the centres was: the development of improved trees that were suited to the different environments, the establishment of seed orchards to supply seed to the industry; and gene conservation. In 1990, the CSIR's Forestek division was formed (based at the CSIR campus in Pretoria); it took over the Tree Improvement unit from SAFRI, while the Seed Section remained at the Central Seed Store in Pretoria West. In 1993, SAFCOL established its own Research Division and took over ownership of tree improvement and seed production for the company from Forestek. The Research division was centralised at Tweefontein Plantation, where the old seed store was located.

During the 1950's and 1960's, the criteria used to select trees was strict, but this was relaxed in the 1970's and a large number of trees were selected (Falkenhagen, 1987). The current selection criteria focuses on volume production, stem form, crown form, disease tolerance and wood properties (including density, modulus of elasticity, spirality and defects). In the 1950's and 1960's emphasis shifted from growth to stem form and wood quality. When trees were selected and the seeds were conserved, the original trees were cut down and sent to Pretoria West, where whole tree analysis was done when looking at various wood properties. Selections were segregated into pulp and saw timber breeding programmes. SAFCOL currently focuses on saw timber.

Tree breeders walked through standing plantations and selected the best trees, which were measured and compared to their neighbours. The very best trees (referred to as plus trees) were identified and seed and scion were collected from these trees (P_0). The scion material was grafted and the ramets planted in seed orchards and clone banks. The seed was planted in progeny trials and the selections made from the trials were referred to as F_1 (1st filial generation). The best selections were included in seed orchards and seeds from the F_1 selections were planted in the next set of progeny trials. The selections made from this trial series were referred to as F_2 - and so on. This is referred to as generation turnover, with each generation taking approximately: 18 to 25 years to turn over in pines; 8 to 10 years to turn over in eucalyptus. The next set of selections that will be made at the Research Division will be referred to as F_3 in the commercial pine *(P. patula, P. elliottii and P. taeda)* and F_6 *(Eucalyptus grandis)* in the breeding programmes. Hybrids of combined species have also been produced, in order to increase volumes and improve disease tolerance. The potential of new hybrids is being tested continuously and successful hybrid pines currently being planted commercially include: *P. elliottii x P. Caribaea;* and *P. patula x P. tecunumanii.*

SAFCOL has been a member of the Central America and Mexico Coniferous Resources Cooperative (CAMCORE) since 1983 and took over the membership from SAFRI and Forestek in 1993. CAMCORE, now known as the International Tree Conservation and Domestication Programme, was established in 1980. Since its inception, CAMCORE has been based at the NC State University, USA. CAMCORE has done seed collection of a number of species of the Meso-American pines, *Eucalyptus urophylla* and other forestry species from south-east Asia, central America and northern South America. This seed has been distributed to members (including SAFCOL) in 17 countries, where it is being tested and the material in each of these field trials can be considered a conserved source of the original population. SAFCOL has benefitted from this programme by broadening the genetic base of some of its breeding populations and testing new species as potential hybrid parents with current commercial species, in order to capture hybrid vigour, wood properties and disease tolerance. New alternative species, such as *P. maximinoi* and *E. Pelita,* have been introduced through the association with CAMCORE and these species are now in the early stages of testing and development.

SAFCOL is a member of the Institute for Commercial Forestry Research (ICFR), Forest and Agricultural Biotechnology Institute (FABI), and the International Union of Forest Research Organisations (IUFRO); and occasionally is involved with research projects at the University of Pretoria and the University of Stellenbosch. ICFR establishes trials at our plantations and elsewhere to investigate silvi-culture practices; the results of these trials are reported via research reports. The findings are put into practice where relevant. ICFR helps with the biological control and monitoring of the Sirex wasp. IUFRO is a non-profit organisation that provides an opportunity for forestry researchers to interact and learn from each other. Together with the Tree Protection Co-operative Programme, FABI assist with the identification and control of forestry pests.

SAFCOL research retains a well-qualified and competent staff complement, including a research manager, centre manager, programme managers, administration staff, supervisors and workers. The team ensures the efficient running of the R&D division, which runs the following programmes: seed, tree Improvement, growth and yield, wood quality and plant propagation. The seed section provides improved seed for the company's reforestation needs. The Tree Improvement Programme works on improving the volume and the quality of the trees that are planted. The Propagation Programme focuses on nursery research, propagating and supplying plants for research trials, CAMCORE trials and pests and diseases. The Wood Quality Programme focuses on the wood properties of the timber. The Growth and Yield Programmes establishes and monitors spacing and thinning trials and monitors permanent sample plots. All data collected is used to develop and update the growth models used by the Planning Division. All programmes work in harmony in order to best serve the plantations.

LAND CLAIMS MANAGEMENT

The Constitution of the Republic of South Africa sets the basis for land reform programmes. Section 25 of the Constitution grants specific rights of re-dress to victims of past dispossession. Section 25(5) further compels the state to ensure the necessary legislation for equitable access to land and in order to provide the necessary resources to support such access. Section 25(7) makes provision for restitution in terms of individual persons or communities that were dispossessed of properties after 19 June 1913, as a result of past racially discriminatory laws or practices. Land reform is therefore a constitutional issue. The Constitution sets the legal basis for the promulgation of the land reform programme.

At the beginning of 2008, following the unsuccessful attempts at privatisation by SAFCOL, the then MPE stated that the privatisation issue had been placed on hold for the foreseeable future and until such time that land claims were settled. Therefore, the SAFCOL Board instructed management to prepare a strategic plan to ensure settlement of claims on the land operated by SAFCOL/KLF. Following the Board's directive, SAFCOL proactively engaged the Land Claims Commission (LCC) and other relevant stakeholders for purposes of resolution of all the claims.

In order to understand the nature and extent of claims affecting KLF land, a study was conducted. Van Dyk Town and Regional Planners were appointed and briefed to verify the land claim information contained in the ECIAfrica/AVS report dated 14 January 2008 that was submitted to SAFCOL. The purpose of the study was to obtain up-to-date information about each land claim on the land it manages in the KLF forestry package. The study was also designed to provide SAFCOL with a better understanding of the implications of the land claims for the company. The study focussed on information about land claims per land parcel for all state forest land that forms part of KLF's managed plantations in Mpumalanga, Limpopo and KZN.

According to the study, 61% of the entire KLF estate is directly affected by land claims, which are in different states of restitution. There are14 claims in Limpopo, 17 in Mpumalanga and one in KZN. The shareholder has instructed SAFCOL to be actively involved in the facilitation of land claims settlement. To this effect, SAFCOL/KLF has reinforced its responsibility to contribute to successful resolution of land claims that affect the company's land.

Following the instruction to facilitate the resolution of land claims, SAFCOL/KLF appointed a land claims manager, who was tasked with facilitating the land claim process. The mandate for the land claims management division was to facilitate the successful and timeous settlement of land claims, according to a mutually beneficial settlement model. Since its establishment, the land claims team (consisting of a manager and a senior executive) has continuously participated in various forums, in an effort to expedite the resolution of land claims. A draft settlement model (lease back model) was developed, which is deemed suitable for settling land claims that affect state forest land on which it operates. SAFCOL/KLF has recommended to the Board that the company should consider adopting a 'strategic partnership model' (whereby communities partner with SAFCOL/KLF on the plantation forestry business) and/or 'a lease-back model' in settling all land claims that affect its land,

Together with its partner, the DRDLR, SAFCOL continues to conduct workshops with all stakeholders (including claimant communities) regarding the proposed settlement model through which land will be transferred in title to its rightful owners. The purpose of these workshops is to ensure claimant communities understand, amongst others, the operational model used by the plantations, the current status of the plantations (age, class, distribution), business operations, financials, what is required to manage the plantation, etc.

The following community claims have been identified as pilot projects for the proposed forestry settlement model:

Limpopo	Mpumalanga	KwaZulu-Natal
Ratombo	Enkaba Community	Ntendeka Community
Ravele	Makhubu Family	
Tshakuma	Kaapschehoop Community	

Human Capital Management and Transformation

3

SOCIO-ECONOMIC DEVELOPMENT AND ENTERPRISE DEVELOPMENT

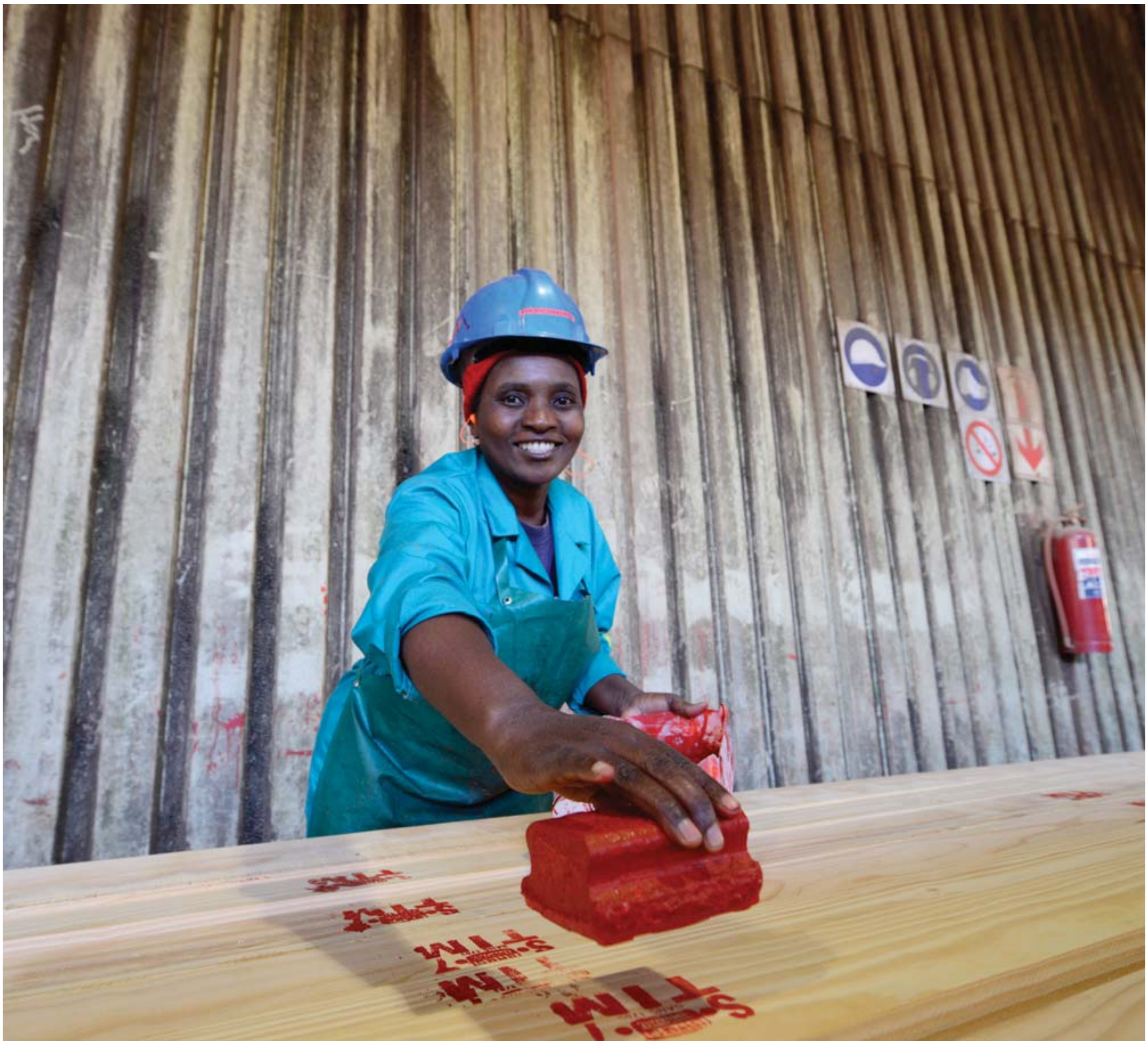
SAFCOL plays an important role in the growth and transformation of communities adjacent to its operations. The Group implemented a number of socio-economic and Enterprose Development programmes in order to support social compact signed with communities.

SAFCOL plays a role in the growth and transformation of communities adjacent to its operations and the society in which it operates.

The company has developed mutually beneficial relationships with communities where in it operates. Over the years, SAFCOL has maintained these relationships with the communities by way of social compacts signed by both parties. Since the implementation of the social compacts, the company's relationship with the communities has improved. The partnerships between the communities and the company ensure that real and critical needs are addressed, in order to reduce poverty, improve living conditions and develop skills in the rural communities living adjacent to or within the company's areas of operation.

Since 2002, the Group implemented socio-economic and Enterprise Development programmes, in order to support the social compacts, which include job creation and community infrastructure development.

A total of R6.6 million was spent on socio-economic development in 2014/15. The spend was based on a needs' analysis and project identification plan that were finalised in collaboration with the Joint Community Forums (JCFs) - local forums that represent communities living adjacent to the group's business operations.



Projects implemented by the company include the following:

SECURITY FENCES FOR SCHOOLS AND TRIBAL AUTHORITIES	The company has erected fences in: Vriesland Primary School, Nyalunga Primary School and Kgarudi Tribal Authority.
SCHOOL FURNITURE AND EDUCATIONAL TOYS	The company has supplied schools with furniture and educational toys. The schools that benefited are: Vriesland Primary, Marhongwane Primary; Tsolobolo Early Childhood Centre; Prince Somcuba Primary School. To assist with the development of psycho-motor skills, the company also distributed play-structures to these schools.
FOOD SECURITY PROJECTS	One-hundred-and-twenty women from Bushbuckridge, Hazyview, Oshoek, Belfast and Tzaneen received training in horticultures, and start-up kits that included seedlings and tools.
FOOD PARCELS FOR ORPHANS AND VULNERABLE CHILDREN	During the Christmas season, one-hundred-and-twenty food parcels were distributed to orphans and vulnerable children residing in the Barberton and Elandshoek communities.
FIRE WOOD COLLECTION AND DONATIONS	Various plantations belonging to the company permit community members to collect fire-wood from the properties, in order to help the community members keep warm during the winter season and to provide them with fuel for cooking purposes. More than 1000 community members benefit from this programme.
ANNUAL CULTURAL EVENT	Seventeen Tribal Authorities from KZN, Mpumalanga and Limpopo are supported in terms of their annual cultural ceremonial events.
FIRE AWRENESS CAMPIGNS FOR SCHOOLS AND COMMUNITIES	More than 5000 learners and community members were exposed to awareness campaigns and educated about preventing fires and the danger of uncontrolled fires.
MANDELA DAY	250 blankets were supplied to the elderly of Emakhazeni Municipality.

FURNITURE/ DESK MANUFACTURING - A JOB CREATION INITIATIVE FOR THE YOUTH

The establishment of small businesses plays an important role in the economic and social development of people living in rural communities, as small and micro businesses are an important force in: generating employment, income distribution, healthy competition, niche markets and enhancing and supporting productivity. Despite the importance of this sector, there are still a number of barriers that prevent entrepreneurs from running successful enterprises. The Department of Trade and Industry (DTI) and the National Industrial Policy Framework recognise the important contribution that the forestry value chain - and the furniture industry in particular - plays in promoting growth and alleviating poverty in SA.

Furniture manufacturing has been identified as a key initiative to achieve the organisation's strategic objectives, with regard to vertical integration. The company engaged Furntech - the Small Enterprise Development Agency's (SEDA) furniture manufacturing incubation centre - to do on-the-job training for 20 youth as part of their introduction to the world of work. SAFCOL has spent more than R2.5 million on mentoring and training, machinery and tools, site preparation and wages for the learners. All learners were offered fixed-term contracts after the training and mentoring phase ended.

The furniture manufacturing initiative commenced with the manufacture of 1 000 school desks, which have been donated to schools (within the SAFCOL footprint area) that are in need. By the end of the 2014/15 financial year, 1 018 desks had been despatched to 12 schools. Of these, 350 desks went to eight schools in the KwaNgome district. Positive feedback was received from the principals and school governing bodies of three schools regarding the quality and sturdiness of the desks and SAFCOL continues to receive requests for more furniture - which indicates a definite need for classroom furniture in impoverished communities.

The target for desks was exceeded by 106 units and the manufacturing of desks was put on hold temporarily. The immediate target for the 2015/2016 financial year is the construction of a similar number of book-shelves that are suitable for the classroom environment. The book-shelves will also be distributed to schools in need, as part of the organisation's on-going corporate social investment programme.

KEEPING THE GIRL-CHILD IN SCHOOL CAMPAIGN

Statistics show that there are over 2.1 million young girls living below the poverty line in SA and they cannot afford sanitary products. This result in girls missing up to five days of school a month, which could mean up to 60 school days missed in a year. "We are grateful to SAFCOL; now we will no longer miss school and we will no longer have accidents, which always led to boys laughing at us", says Methula Khethiwe, a Grade 12 learner at Enkanini High School.

The dignity drive was initiated to help the girls reclaim their dignity. The objectives of the campaign are to:

- Raise standards of sanitary dignity
- Promote gender equality
- Enable girls to attend school every day of the month
- Help the girls build positive self-esteem and self-confidence
- Provide a holistic relationship, based women's health education
- Develop positive, creative strategies to improve the socio-economic status of women and girls
- Provide a unique solution to a common problem
- Offer real benefits that improve a girl child's quality of life

Every girl in SA deserves access to safe and hygienic sanitary products, Dignity Drive looks at what human rights mean in the context of everyday life, how they affect real people and why they are so important. We are proud to make a difference in young women's lives.

COMMUNITY SKILLS DEVELOPMENT PROGRAMMES

SAFCOL is responsible for ensuring that the company renders skills development interventions to communities adjacent to its plantations. These skills development interventions are aimed at fostering relationships that will help us to live up to our slogan, 'Growth through Partnership' and our goal of work towards ensuring that SAFCOL is a partner of choice of the communities located adjacent to SAFCOL plantations. The main aim is to build the capacity of communities through access to relevant skills development programmes. Beneficiaries of the skills development programmes are mostly young males and females, unemployed graduates, women and people living with disabilities.

The skills programmes include: adult education and training programmes; learnership programmes; work-integrated learning/ internship programmes. The programmes include: Furniture Making (carpentry and upholstery); Timber Frame Structures Building; Desk Manufacture; Forestry and Wood Processing sector-specific learnerships, such as General Forestry, Silvi-culture, Harvesting and Wood Processing; Artisan Development.

SAFCOL provided training on entrepreneurships skills and workplace readiness to unemployed graduates, in order to upskill them in terms of: preparing for interviews and the world of work; exploring how to start one's own business. The training included New Venture Creation and End-user Computer Skills courses. The organisation also conducted and participated in a number of career exhibitions, in collaboration with the Department of Public Enterprises and through partnerships formed with other state owned companies.

We also provide vocational skills training in Bee-keeping, Carpentry, Horticulture, Fire Boss, Chain-saw Operation, First Aid, Sewing Garment Making and many other skills programmes. SAFCOL trained 691 community members during the year under review. This was enabled by the partnership with the Fibre Processing and Manufacturing SETA (FP&M SETA). SAFCOL received significant grant funding, totalling **R13 022 000,** in the financial year, which allows SAFCOL to run the community skills development programme**.**

TOTAL DISCRETIONARY GRANTS
R13,022,000

AET
R294,000

Work-Integrated Learning
R600,000

Learnership
R1,780,000

Artisan
R3,837,000

EMPLOYEE TRAINING DELIVERY

Project Literacy (Prolit) SAFCOL appointed prolit to manage the AET training for the year under review. Prolit commenced the training in July 2014 with placement assessment to train 134 leaners, 90 from communities in Limpopo. The learner registered for AET language 1-4, Numeracy and Communication classes.

INTERNATIONAL LITERACY AWARENESS
Week 8–13 September 2014

This year's theme was "Literacy and Sustainable Development". SAFCOL'S activities during literacy awareness month included the launch of a special project by the CEO, in partnership with various stakeholders who donated thousands of second-hand books to rural communities, schools and libraries. The books were categorised and distributed during Literacy Week.

ADULT EDUCATION GRADUATION

On 10 April, the AET graduation ceremony was held at the Platorand Training Centre, in collaboration with the FP&M SETA, Project Literacy and the Independent Electoral Commission.

The AET learners wrote the March/April 2014 National Independent Examinations Board examinations, with: a 76% overall pass rate achieved; and a 100% pass rate among employed learners (14).

One AET Level 4 graduate, Mr Vally Mashale, achieved distinctions in Numeracy and Communication. In a speech given by him at the graduation ceremony, he motivated the current AET learners by impressing upon them that: age is not a restriction to obtaining a qualification; education is the key to the future; and AET is a stepping-stone in this process. At the time he started AET, he was a log-writer, working in-field in thinning operations. After passing AET Level 3, he was promoted to Storeman at the Tweefontein Plantation. After completing Level 4 AET, his duties were expanded to include assisting with procurement and administration functions. His duties also include acting as the safety coordinator for employees and contractors. While busy with the AET training, he also completed the Basic Fire Fighting course and an ICT course.

He has indicated that he would like to attend courses related to harvesting, in order to become a supervisor.

His ultimate career development aspiration is to become an ICT specialist and, in due course, he will apply for a bursary to study towards a National ICT Diploma qualification at a University of Technology.

ARTISAN TRAINEES

The FP&M SETA Discretionary Grant of R4 180 500 has ensured that the company heeds the call to address the need for most scarce and critical skills for artisan/ apprenticeship development at the Timbadola Sawmill, with 30 apprentices from plantation-adjacent communities being enrolled for training in the following trades:

- Diesel Mechanic
- Fitting
- Millwright
- Electrical
- Boilermaker

The artisan trainees are recruited through external and internal advertisements posted on the SAFCOL website and at Further Education and Training (FET) colleges, high schools, youth centres, joint community forums, etc. The selection requirement is Grade 12 with Maths and Science or a FET N2-N3 certificate from the engineering faculty.

Artisan trainees are registered for training and assessment at the Colliery FET College in Witbank and the Majuba FET College in Newcastle. The process of applying for accreditation of the Timbadola Sawmill with MERSETA has been completed and accreditation is pending.

In the current financial year, four trainees qualified as competent Artisans One was absorbed by the sawmill; the others were employed by other companies in the industry.

WOOD PROCESSING LEARNERSHIP PROGRAMMES:

In the year under review thirty-five learners were appointed in Timbadola Sawmill.

Twenty-five employees from SAFCOL undertook the National Certificate NQF Level 2 Wood Processing learnership qualification.

Ten youths from communities near the mill were enrolled in Timbadola Sawmill for the 10-month programme and received a stipend per month during the training period. All were deemed competent and received a NQF Level 3 National Certificate in Wood Processing.

Two external learners received a SAFCOL bursary to progress to study the National Diploma Wood Technology at the Nelson Mandela Metropolitan University in George.

FORESTRY LEARNERSHIP PROGRAMMES:

The company run a learnership at Platorand Training Center.

The learners were recruited from various communities in the Limpopo, Mpumalanga and KZN provinces and enrolled on one of the following learnerships:

1. National Certificate in General Forestry NQF Level 1 (20 youths).
2. National Certificate Silvi-culture NQF Level 3 learnership (20 unemployed learners and 13 employees).
3. Harvesting internal learnership NQF Level 3 (20 learners).

UPHOLSTERY LEARNERSHIP, BELFAST

Twelve learners from Belfast enrolled for the learnership: National Certificate Furniture Making NQF Level 2, Upholstery. The learners received a stipend and were trained on entrepreneurships skills, financial management and computer training. This capacitated them to the level required for them to start their own small businesses on completion of the learnership. The training enabled them to start their own small businesses.

CARPENTRY NGOME

Twelve learners from Ngome in KZN enrolled for the learnership: National Certificate Furniture Making NQF Level 2.

COMPUTER TRAINING COURSE

Eighty-nine unemployed, matriculated youths from various communities received two weeks of training (End-user computing course) that is accredited by the Media Information Communication and Technology Sector Education and Training Authority (MICT SETA). The course: covered all aspects of the MS suite, ensuring they are computer literate; covered four SAQA Unit Standards, providing 24 credits towards a full qualification.

The learners recognised the importance and value of the training and some were later gainfully employed because of the computer literacy skills acquired during the training.

EMPLOYEE TRAINING DELIVERY

All training courses took place in this quarter, as scheduled in the Workplace Skills Plan and the Annual Training Plan. In all, 1873 employees attended various skill-enhancing courses.

The budget for employee development was R7.5 million, as per the Shareholder's Compact directive of 3% of total cost of personnel in the SAFCOL group. This amount includes the 1% skills development levy that is paid to South African Revenue Services (SARS).

Summary of training completed during the year

	Males				Females				
Quarter	**A**	**I**	**C**	**W**	**A**	**I**	**C**	**W**	**Total**
1	283	1	1	31	88	3	2	5	414
2	315	2	2	22	121	5	5	6	480
3	357	2	1	41	142	5	4	11	563
4	298	-	-	29	81	1	2	5	416
									1873

Internal training

It is evident that learning and development is one of SAFCOL's strategic and operational priorities. Employees understand that learning and development is part of life-long learning and growing. Even though they are trained at work, they continually seek to acquire new skills to perform at the peak of their potential and to gain career development and personal development.

The year under review saw the Group being challenged by cost-cutting, which affected the skills development programmes of the company; however, the year ended on a high note, with a plan to implement the new Workplace Skills Plan (WSP) with the normal training budget in place.

In the new year, the focus will be on updating more operator training programmes, which are based on Best Operations Practices.

The focus for this financial year was to develop management and leadership competencies and skills among all middle, senior and executive managers of the Group.

Leadership Development Programmes

SAFCOL partnered with GIBS to implement three management and leadership development programmes, commencing in the 2014/15 financial year and ending in 2017. All three programmes are customised to address SAFCOL's specific leadership development requirements.

Thirty-six senior and middle managers were enrolled on the Accelerated Management Development Programme that commenced on 17 November 2014. It will be completed on 10 July, when the managers graduate after presenting their Action Learning Projects to a panel comprising GIBS and SAFCOL staff members.

Group management and leadership skills and competency gaps over six months duration each:

- Emerging Management Development Programme
- Accelerated Management and Leadership Development Programme
- Executive Development Programme

The Executive Development Team Coaching Programme

The four EXCO members and the top 10 management teams were enrolled on an individual executive coaching programme; this was followed up with enrolment onto the GIBS EDP programme that commenced in February 2015. It will be completed in December 2015.

THE SAFCOL BURSARY SCHEME

The SAFCOL Bursary Scheme provide a ready supply of human capital with the minimum requisite competence or potential, as per the organisational entry point, as in the case of external learners. Bursaries simultaneously facilitate attraction, growth, succession and the retention of employees.

The percentage of bursaries to be awarded should be in line with and be prioritised according to the company's strategic objectives.

- Priority and first preference to be given to scarce and critical skills
- Fields of study/ qualifications that address the operational requirements of the company, with special focus given to naturing talent and succession pipelines
- Mechanical Engineering
- Architecture Engineering (Timber Frame Structure Design and Building)
- Industrial Engineering
- Electrical Engineering
- Chemical Engineering
- Civil Engineering
- Bachelor of Arts Degree in Interior Design (Furniture Making)
- BSc Forestry (Biotechnology/ Microbiology/ Plant Science)
- BSc Wood Science
- BSc Growth and Yield Modelling
- Engineering Applied Maths
- BCom Financial Management/ Accounting
- BCom Marketing and Sales
- BCom Risk Management

In the year under review the company provided bursaries to employees and non-employees.

Bursaries were offered in the following fields of study: Finance, Human Resources, Planning, Environmental Studies, Horticulture/ Agriculture and Plant Sciences, Corporate Services, Marketing, IT, Engineering/ Artisans, Processing, Forestry and Research, and MBA/MBL.

- At the beginning of the 2014/15 financial year, 36 employees were receiving study assistance, including nine employees who were awarded bursaries for the 2015 academic year and 27 employees who were continuing their studies from the previous year.
- Bursary budget approved and implemented in this financial year was R1 854 132.
- 10 employees graduated during the financial year
- 2 external bursars completed their studies and have been placed as interns at SAFCOL: one in Timbadola, who studied the National Diploma in Wood Technology; and a BCom Finance graduate, who is in the Finance Division in Nelspruit.

BURSARY SUCCESS STORY: KHATHUTSHELO PHUNDULULU

In 2009, during our matric year at Filadelfia Secondary School (Filadelfia), staff from SAFCOL in Nelspruit and a former pupil of Filadelfia (and now an employee of SAFCOL), Promise Mkhomazi, visited us. They spoke to the Occupational Therapy Department about the bursary that was available and what they required; the Department then passed this information on to us and asked that we submit our mid-year results to them, so that they could forward the results to KLF for selection purposes.

A few weeks later, we were invited to an assessment and interview. SAFCOL staff returned to Filadelfia and we did the assessment test and were interviewed. We completed all the forms and were told to submit our final exam results at the beginning of the following year.

I called SAFCOL on 6 January 2010 to inform them of my results and then e-mailed the results to the company. A few days later, I was informed that I had been granted a bursary to study a law degree at the University of Limpopo (Turfloop Campus in Polokwane) until 2013. SAFCOL paid the registration, accommodation and tuition fees for the duration of my studies - and even provided pocket-money.

I benefited greatly from this bursary, because I could study without worrying about the high fees associated with tertiary education. Furthermore, on completion of my studies, I was afforded an internship opportunity at the company for a period of 12 months. I was placed in the legal department to ensure that the theoretical work was supported with practical on-the-job experience.

From my mentor, I have learnt how legal departments in companies work with other departments to ensure that a company runs smoothly. This being a forestry company, I have learnt how to draft different types of service provider contracts that are used in the forestry industry, as well other important legal documents used in the corporate world. With the valuable experience I received from SAFCOL, I will be able to contribute to society and be an asset to other companies that I work for after my contract with SAFCOL ends at the end of September.

To the youth out there who are living with a disability, I would say that there is pretty much nothing that can stand in the way of you achieving what you set out to achieve – besides yourself. Yes, there are challenges, but we live in a world where opportunities present themselves every day; so take advantage of those opportunities and make something great out of your life - you owe it to yourself.

MANAGING HUMAN CAPITAL AND REMUNERATING STAFF

The overarching objective of Human Capital Management (HCM) is to ensure the company has competent and performance driven employees focused on achievements of the Group's operational goals and business strategy. In order to achieve this, HCM strive to continuously provide human resources capabilities and interventions aimed at optimizing resourcing. HCM create value by providing strategic capabilities and mobilizing people for high performance and excellence service delivery to business.

Employee Climate Survey

During May 2014, the company conducted a climate survey throughout the organisation. The survey was conducted by means of a questionnaire being completed on-site and all input received being consolidated by an independent service provider. In all, 1 340 employees participated in the climate survey, i.e. approximately 80% of the company's workforce.

Employees were requested to indicate to what extent they agreed or disagreed with the statements on the questionnaire, which dealt with the following topics:

- Job satisfaction
- Empowerment and innovation
- Leadership (top management)
- Management (direct report)
- Values
- Performance management
- Career development
- Learning and development
- Teamwork
- Reward and recognition
- Working conditions
- Communication

A number of business areas have developed action plans to address employee concerns and these are being implemented.

Numerous projects were in progress while the employee climate survey was being done and these projects have now been completed or implemented, which has addressed numerous concerns that were raised in the climate survey. Management will continue to work towards building an environment that is safe, transparent, allows engagement with employees, and fosters innovation.

Occupational Health and Wellness

SAFCOL continues to drive occupational health and wellness services both in terms of employee wellbeing as well as compliance with legislation and FSC requirements. In 2014 the company opened two clinics, 24 hour counselling services, full incapacity and diseases management process and HIV/AIDS and chronic diseases management service. Each of the two clinics is manned by three (3) qualified occupational health professionals and open daily. The clinics have recorded 90% usage rate since opening their doors in September 2014. Monthly mobile clinics were also introduced for the outlying region. In order to strengthen the capacity of the clinics to deliver services to both our employees and surrounding communities, the company in partnership with both Agri-Aids and the Department of Health to build formal dispensaries and accreditation (Dispensing) licences for both the Timbadola and Spitskop clinics.

Wellness and Productivity

As part of our commitment to employee well-being and productivity, we have ensured rigorous management of incapacity and ill-health cases in the organisation. This has resulted in a reduction in absenteeism and increased productivity. In this regard, a special project was initiated to manage incapacity and ill-health. The project was aimed at: reviewing all current and outstanding incapacity and ill-health cases, the impact on business and fitness for duty assessments; a review of all cases and recommended remedial action to mitigate business risk associated with incapacity and ill-health cases.

In this respect, 65 employee ill health cases were reviewed and assessed during the course of the last financial year: 90% of the assessed and reviewed cases resulted in employees being declared fit to continue with their normal duties and they are back at work and fully functional; 8% of those assessed were declared fit for duty, subject to periodic review; only 2% of those assessed were declared permanently unfit for their role and a medical boarding process has been instituted. This project has enabled the company to reduce its incapacity cover provision from an initial R2 million budget (at the beginning of 2014) to R500 000 (at the end of the financial year).

The company believes that its occupational health and wellness services will enable it to support employee well-being and ensure a healthy and productive workforce.

Reward and Remuneration Policy

The overall objective of Rewards and Remuneration policy is to attract, retain and motivate employees towards performance excellence. In this context the principles of market – related remuneration, internal equity and fairness and performance excellence are respected. In line with the new Remuneration Guidelines, SAFCOL has reviewed and updated Rewards and Remuneration policies incorporating remuneration, grading, benefits and non- financial rewards. The following polices were approved.

IFLOMA Human Capital Key Projects

During the financial year, there were notable achievements in the delivery of human capital services to IFLOMA. Amongst these was the successful conclusion of the 2014/15 wage negotiation process, which yielded a cost saving on the initial projected minimum wage increase for the forestry sector expected to be set by the Mozambican government.

The Group introduced and implemented several Human Capital business critical policies that cover all South Africa and IFLOMA operations. These are:

SOUTH AFRICA	IFLOMA
• Recruitment and Selection Policy • Disciplinary Code and Procedure • Grievance Policy • Reward and Remuneration Policy • Acting Policy • Leave Policy • Incapacity • Performance Management	• Talent Management policy • Reward and Remuneration policy • Company Performance Incentive policy • Employment Equity Policy • Transfer Policy

These policies will equip IFLOMA management with the necessary tools to better perform its functions and enhance people management skills, thus promoting efficient decision-making, employee management and engagement, and improvement in internal procedures and controls that comply with Mozambican Labour Laws. We believe this is a significant milestone in our quest to standardise processes and practises across the Group.

IFLOMA managers and employees were provided with Mozambican Labour Law training. The training: equipped managers with the necessary tools and skills to better perform their day-to-day functions; enhanced people management skills; and promoted efficient decision-making, in compliance with Mozambican labour and tax legislation.

The company successfully completed a payroll and data information review project (across IFLOMA) during the financial year under review. The review was aimed at ensuring the organisation has appropriate and authentic employee data and information for its payroll and business purposes. The company also: engaged in a process to streamline its payroll and Shared Services across the organisation; and has successfully completed migration of the IFLOMA payroll to Shared Services in Nelspruit. This migration means that, effective 1 March 2015, all IFLOMA payroll processes and activities are managed and executed from the SAFCOL offices in Nelspruit. We are delighted by this achievement, as it ensures a well-managed payroll process and controls.

All job profiling was successfully completed for all production, artisan, administrative and management positions. The review was aimed at ensuring that the company has aligned and appropriately benchmarked positions with respect to pay grades. The evaluation process was completed in August 2014, with the grading results due to be implemented effective 1 April 2015. Furthermore, the Board approved salary adjustments for eligible employees in the Bargaining Unit, in line with the Reward and Remuneration Policy, which stipulates that no employee should be paid less than the minimum on the scale. The salary adjustments were therefore awarded to eligible employees to ensure pay at the minimum of the respective grade pay scale, effective 1 April 2015.

Workforce statistical data: 1 April 2014 – 31 March 2015 (Excludes IFLOMA)

Personnel cost by salary band

Level	*Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	5 395 000	2	3	1 798 333
Senior Management	5 030 344	2	4	1 257 586
Professional qualified	62 586 186	28	84	745 074
Skilled	47 530 352	22	148	321 151
Semi-skilled	66 184 766	30	855	77 409
Unskilled	32 981 697	15	622	53 025
TOTAL	**219 708 344**	**100**	**1716 (permanent)**	**128 035**

Employment and vacancies

Programme	2013/14 No. of Employees	2014/15 Approved Posts	2014/15 No. of Employees	2014/15 Vacancies	% of vacancies
Top Management	2	3	3	0	0
Senior Management	6	5	4	1	2
Professional qualified	83	105	84	10	16
Skilled	141	176	148	31	48
Semi-skilled	827	912	855	16	23
Unskilled	677	759	622	7	11
TOTAL	**1 736**	****1 960**	**1 716**	**65**	**100**

* Personnel Expenditure includes total salary costs to company but excludes other staff costs such as travel , bonuses , employee incentives , and other such related costs.

** Not all approved posts are active posts and therefore not regarded as vacant.

Employment changes

The company appointed four plantation managers from within the company, providing career advancement for these employees. Years ago, three of the mentioned employees were provided with bursaries after they completed Grade 12. They started their careers at the company as field foresters and today they are managing some of the biggest plantations in the Forests Division.

Employment change

Salary Band	Employment at beginning of period	Appointments	Terminations	Promotions & Transfers	Employment at end of the period
Top Management	2	0	0	1	3
Senior Management	6	1	2	-1	4
Professional qualified	83	18	22	5	84
Skilled	141	26	17	-2	148
Semi-skilled	827	194	184	18	855
Unskilled	677	81	126	-10	622
TOTAL	**1 736**	**320**	**351**	**11**	**1 716**

* *Totals include appointments, terminations and grade changes*

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	14	4
Resignation	86	24
Dismissal	25	7
Retirement	39	11
Ill health	2	1
Expiry of contract	185	53
TOTAL	**351**	**100**

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	1	1
Senior Management	3	2	0	0	0	0	0	0
Professional qualified	28	31	2	2	2	2	31	31
Skilled	72	70	0	1	1	0	10	13
Semi-skilled	692	624	2	1	0	0	6	4
Unskilled	452	452	0	0	0	0	0	0
TOTAL	**1 247**	**1 179**	**4**	**4**	**3**	**2**	**48**	**49**

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	2	0	0	0	0	0	0
Senior Management	1	1	0	0	0	0	0	0
Professional qualified	13	21	1	1	2	3	5	5
Skilled	47	56	6	5	0	0	12	13
Semi-skilled	137	70	5	6	2	2	11	10
Unskilled	169	158	1	1	0	0	0	0
TOTAL	**369**	**308**	**13**	**13**	**4**	**5**	**28**	**28**

Levels	DISABLED STAFF			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	1
Professional qualified	0	2	1	4
Skilled	2	4	0	2
Semi-skilled	9	7	6	5
Unskilled	4	4	1	0
TOTAL	**15**	**17**	**8**	**12**

Employee Relationship Management

The focus is to maintain a healthy employer and employee relations noting that engaged employees are more committed to delivering on the Group strategy. We acknowledge that the Union is a key stakeholder in the Company. We therefore continue to provide engagement platforms at plant and organisational level. These platforms are used to encourage and provide the Union with an opportunity to raise matters of concern that may exist and to discuss and engage on new proposed policies and/or processes which management intends to introduce in the Company. Management and Union will continue to work closely with the Union in building a strategic partnership.

DISCIPLINARY ACTION: 2014/15

Nature of disciplinary Action	Number
Verbal warning	27
Written warning	42
Final written warning	136
Dismissal	22
Found not guilty	11
Resigned while disciplinary hearing was pending	4
Demotion	1
TOTAL	**243**

Goals and Objectives

4

FUTURE GOALS AND OBJECTIVES

The Medium-Term Strategic Intent Statement (SIS) for the period 2014/15 to 2016/17 reflects the shareholder's expectation of the company. It confirms the company's mandate and clarifies the strategic objectives for the company for the reporting period. As mandated by the shareholder in this SIS, SAFCOL's strategic direction must consider the following:

- Horizontal integration. (Expansion into activities across the plantation forestry value chain).
- Vertical integration. (Expansion down the plantation forestry value chain, e.g. from raw material to processing.)
- Improving the profitability of IFLOMA.

The focus in terms of horizontal integration is to increase plantation forestry land holdings, based on the role of SAFCOL as the custodian of all state commercial plantation forestry interests. The key element of this strategy involves engagement with the DAFF regarding plantations currently under its management. SAFCOL and DAFF could explore possible areas of co-operation for mutual benefit, including providing technical assistance to DAFF on forestry management.

Vertical integration will be achieved through continued investment in processing capacity and technology deployed at sawmills. Furthermore, SAFCOL will: develop suitable product lines to extract further value from its current biological assets; ensure that it leverages its current balance sheet to secure funding for further investment.

With regard to IFLOMA, the shareholder has indicated that: measures will be implemented to improve IFLOMA's profitability; there must be further engagement with the Mozambican government, regarding additional funding and protection from unfair competition.

The strategic intent also indicates that the following challenges exist:

- The impact of the unsettled land claims and a revision of the land claims settlement model.
- The impatience of land claimants and the conclusion of social compacts with the various communities.
- The pursuit of sustainable levels of raw timber beneficiation, which should not impact emerging sawmills negatively.

The final requirement of the strategic intent is for SAFCOL to uphold covenants contained in the Shareholder's Compact. These refer to financial stability, effective plantation forest management and local development.

SAFCOL's strategic objectives

SAFCOL's strategic objectives are informed by the organisation's mandate from the shareholder and its vision, mission and values (discussed above). These objectives provide a structure for strategic initiatives to be developed and implemented. In accordance with SAFCOL's vision and mission, the objectives of the strategy are grouped as shown below.

Figure 1: SAFCOL's strategic objectives

Profitability	Plantation forestry management	Enhanced developmental contribution	Understanding customer and stakeholder needs
• Profitability of operations • Expansion down the plantation forestry value chain e.g. from raw material into processing (vertical integration) • Expansion into activities across the plantation forestry value chain (horizontal integration) • Product diversification and expansion in new and existing market segments • Branding and aggressive marketing of products • Cost management and reduction	• Maintaining FSC certification • Growing plantation forestry land under management • Improving productivity in plantation forestry activities	• Training and performance management • Overseeing rural socio-economic development • Supporting SMME development • Actively facilitating land claims • Adding knowledge to the plantation forestry industry	• Establishing new and enhancing existing strategic partnerships with private and public sector parties for plantation forestry activities • Proactive costumer and stakeholder relationship management • Effective after sales service

Rural Development and Economic Transformation

SAFCOL is uniquely positioned to assist the state in improving rural economic activity and is therefore required to identify rural economic development objectives and outcomes in Government's economic policies (such as the New Growth Path (NGP) and NDP), to which the Group can contribute and which it can incorporate in its business plans.

Skills Development

SAFCOL will develop a strategy to acquire, develop and retain scarce and critical skills in support of the development of its own business, with a view to enhancing skills development for the industry as a whole, in the longer term. The forestry and sawmilling industry has reported a growing local and international demand for operational, managerial and technical skills.

Job Creation

As an SOC, SAFCOL supports Government's NGP policy objectives without compromising its financial sustainability objectives. Particular focus should be given to job creation in specialised and technical areas.

Procurement

The Group acknowledges that B-BBEE is part of the group's strategy. As an SOC, SAFCOL will continue to play a leading role in contributing to the transformation of the economy, as envisaged by the B-BBEE codes and the Forestry Charter. The Group will endeavour to achieve the targets set in the Forestry Charter with a specific focus on enhancing employment equity and ED. Quarterly reporting should be disaggregated to respect Charter imperatives. The Group will implement marketing policies aimed at enhancing transformation in the industry, so as to ensure access to supply by Small, Medium and Micro Enterprises (SMME), B-BBEE.

Corporate Social Investment

The social compacts concluded with communities will be informed by the Group's rural economic development strategies. To this effect, finalising social compacts and formulating the associated implementation plans is an important task in the current financial year.

Environmental, Health and Safety

- SAFCOL will ensure compliance with health and safety laws, in order to manage key risks. Therefore, while it pursues its business objectives, the Group will ensure that the well-being of employees, communities and other stakeholders, who are exposed to its operations, is not compromised.

- The Group will also ensure compliance with environmental laws and proactively reduce the negative impact on the business through appropriate practices such as water conservation.

Collaboration with SOCs

SAFCOL will continue with current and new collaboration initiatives with other SOCs on projects that promote Government objectives.

Commitments made in the previous Corporate Plan

The table below indicates some of the projects that the business implemented successfully in the previous financial year, which are aimed at increasing business value.

Commitment in previous Corporate Plan	OUTCOME
Finalise settlement model and agreement for land claims	Settlement model approved and submitted to shareholder
Cost structure redesign	Identified cost elements that require redesign
Phased in Timbadola upgrade	Update of feasibility in progress as well as drafting of the Shareholders complaint *section 54 application
Initiate the funding strategy and model	Funding strategy and model being finalised
Improve productivity: Group level	Partnered with Productivity SA for the Workplace Challenge Programme currently underway
Continue with IFLOMA turnaround	Further engagement with other stakeholders on the turn around strategy underway.
Submit Timber framed structures and Furniture manufacturing feasibility studies	Feasibility studies and implementation plans developed and submitted to shareholder
Pre-feasibility and feasibility studies for vertical integration	Prefeasibility study completed. Feasibility studies part of the 2015/16 to 2016/17 deliverables in terms of the shareholder's compact.

* Section 54 of the PFMA: SOC to inform Treasury of transaction and submit relevant particulars to the executive authority for approval.

Managing Governance, Regulations and Risk

5

MANAGING GOVERNANCE, REGULATIONS AND RISK

Health and Safety Management

SAFCOL is fully committed to continuous improvement of safety, health and environmental performance across all business activities; subscribes to the principle of an integrated management approach; and is committed to the maintenance of a safe and healthy workplace for all.

SAFCOL places significant emphasis on SHEQ. The current Disabling Injury Frequency Rate is 2.6, against an annual target of 1.8. There was one fatality during the year under review. In one of the compartments of the Berlin plantation, a contractor (who was reportedly not wearing his PPE) cut himself with a chainsaw and the resultant severe bleeding caused his death.

THE NOSA 5-Star Grading system currently forms the backbone of the organisation's efforts and the principle of continuous improvement in compliance is pursued. In addition, the IMS is instrumental in ensuring compliance with applicable legislation and conformance with certification standards. Although co-ordination of the SHEQ effort suffered some disruption due to senior staff departures during the period under review, the appointment of an experienced SHEQ Manager at the end of the financial year has strengthened the management programme and allowed new initiatives to be introduced and strategic direction to be provided.

Dedicated environmental and safety practitioners are allocated to each district and operational business unit. These practitioners are actively involved in assisting plantations and districts to continually improve their SHEQ performance. SAFCOL regards the over-sight role that these specialists perform as an important function and it is dedicated to growing these areas of functioning in the future.

Active pursuit of the integrated management approach is a priority going into the new year.

The FSC is an independent, non-governmental, not for profit organisation that was established to promote responsible management of the world's forests. FSC certification ensures that products come from well-managed forests that provide environmental, social and economic benefits. Forest owners and managers may seek FSC certification, in order to demonstrate that they are managing their forests responsibly.

SAFCOL prides itself on being mindful of the environment at all times and all the Group's South African plantations remain fully FSC certified. SAFCOL's core competitive advantage - and the company's true differentiator - is its FSC-certified pruned logs, which yield a high percentage of clear lumber. This is a result of the 30-year rotation cycles used, combined with world-class thinning and pruning practices. Some of the benefits enjoyed include:

- **Large diameter pruned logs:** Mature logs that have been pruned have knots that are concentrated in the core of the log. This is referred to as a knotty core and these are confined to a radius of 120mm, if the tree is pruned at the right age during the life-cycle. The target markets are: South African sawmills; India and China. The picture below depicts such a high quality log.
- **Clear lumber:** Lumber with no knots or other visible defects obtained from clear timber are less common and has a higher market value.

Sustainable management of forestry plantations is critical for maintaining the favourable market perception of the SAFCOL saw-log product. SAFCOL will, therefore, ensure that FSC certification of its South African forestry assets is maintained and that a project plan is developed to ensure that the same certification is attained for the Mozambican assets.

Dedicated environmental and safety audits are conducted on all operational units on an annual basis. Deviations from IMS standards are addressed by raising CARs, which detail: the deviation; how to address the root cause of the deviation; how to prevent future re-occurrence of the deviation.

The forestry management activities of all 18 plantations/ forest management units of KLF are certified by the FSC; the Timbadola Sawmill is certified in terms of the chain of custody standards of the FSC system.

Notable achievements for 2014/15 are:

- FSC audits,
- Soil surveys
- NOSA
- Environment and wetlands

Procurement

Procurement transactions are executed in a manner that ensures that SAFCOL maintains its reputation for fair and unbiased dealings with suppliers. It is Group policy to make procurement readily available to all suppliers and to award business on the basis of merit.

As an SOC, the Group strives to ensure that, when procuring goods and services: it receives value for money at all times; that suppliers are treated in a fair, equitable and transparent manner; and that it maximises economic empowerment and participation by SMMEs in the procurement process.

In terms of economic empowerment, the Group: ensures the promotion, development and support of businesses from historically-disadvantaged South Africans, in particular women and people with disabilities; has established and supports local and regional suppliers who can make a meaningful contribution to its B-BBEE initiatives.

Procurement Committee

A 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:

- 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), the Preferential Procurement Policy Framework Act, together and the Broad-Based Black Economic Empowerment Act provide for preference to be given to individuals from historically-disadvantaged categories of society, when procuring goods and services.

The Group is committed to the social and economic transformation of SA and actively promotes and significantly increases procurement from B-BEEE enterprises and SMMEs. This is achieved through several strategic interventions, which includes the development of forestry service providers and SMMEs by the Group's ED unit. We are pleased to report that, during this financial year, SAFCOL's interventions enabled a score of 19.92 out of a possible 20 points for preferential procurement, according to the DTI's scorecard for B-BBEE.

MANAGING RISKS AND SEIZING OPPORTUNITIES

Risk Management Philosophy

SAFCOL is committed to the implementation of Enterprise Risk Management (ERM). The framework for ERM and the policy indicates the processes for risk management that allows 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 stakeholder.

SAFCOL's Risk Management Plan for the 2014/15 financial year details the ERM objectives, associated activities and initiatives. Themes for the 2012-2015 Risk Management Plans are to:

- Embed ERM to lead to a higher level of maturity, as per the expected maturity curve.
- Embed 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.

SAFCOL utilised the approved governance documents policies, frameworks and other documents listed below to ensure that risks are effectively managed by the organisation:

- Risk Management Framework and Policy
- Risk Management Plan
- Combined Assurance Framework and Plan
- Risk Appetite Framework
- Compliance Universe
- Business Continuity Policy
- Business Continuity Plan

The risk management system is a principal factor in the Board addressing its responsibility to ensure that the extensive risks associated with SAFCOL's operations are effectively managed and that the interests of stakeholders are safeguarded.

Risk Appetite

SAFCOL has positioned itself as an intermediate risk taker with a risk appetite of between R580 million and R960 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 R960 million	Risk Aggressive
2	R580 million to R960 million	Intermediate Risk-taker
3	Less than < R580 million	Conservative Risk-taker - Risk Averse

Policies, Procedures and Guidelines

The SAFCOL Risk Management Policy sets the tone for risk management in the company. To ensure the achievement of this objective, Group risk progressively drives down the adoption of risk management policies and processes and compliance with the SAFCOL ERM Standards. The current ERM framework and guidelines are used to direct SAFCOL's Risk Management Plan.

ERM focus areas with the planned deliverables were all implemented, however, improvements are needed on the risk management information system and training on the business continuity management. The table below indicates progress made with implementing the risk management plan during 2014/15, measured against the ERM plan adopted by SAFCOL.

Focus Area	Planned Deliverables	Comments
Embed ERM	Review strategic business risk registers	Completed
	Continuous sensitisation regarding top risks	Completed
	Conduct combined assurance	Completed
	Report on risk profiles	Completed
Fraud Risk	Develop or review fraud procedure	Completed
	Review the Fraud Prevention Plan	Completed
	Conduct fraud training and awareness	Completed
	Report on fraud investigations finalised	Completed
Compliance	Develop compliance framework	Completed
	Report on compliance universe	Completed
	Update and communicate the regulatory universe	Completed
Business Continuity Management (BCM)	Develop BCM System (Business Continuity Policy)	In progress
	Conduct training and awareness on BCM processes	In progress
Risk Management Information Systems	Effective utilisation of Risk Management Information Systems; Risk Register captured on the system	Still using Excel spreadsheet
	Incidents captured on the system	Not started
Risk Insurance	Provide cost of risk information that is analysed	Completed
	Improve insurance awareness for 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 the Standards of Risk Management processes, SAFCOL has identified the following strategic risks and put in place mitigating processes to address these risks and to report on the respective controls regularly.

RISK NAME	TREATMENT PLANS
Unresolved land claims	• Facilitate engagement with claimants and interested parties in order to finalise a model that can be used to resolve land claims. • Facilitate engagement with land claimants through the LCC, in order to ensure that they understand the nature of the forestry business. • Hold quarterly meetings with the Regional Land Claims Offices to review progress and develop action plans. • Facilitate the incorporation of claimants in SED and ED projects
Lower performance standard and inappropriate culture that does not support the vision and mission of the SAFCOL Group	• Train employees and ensure management understands the PMS policy. • Conduct a climate survey. • Implement the climate survey recommendations. • Recognise and reward high performers.
Inability to implement envisaged projects	• Finalise the IFLOMA2 feasibility study, which will address the IFLOMA1 issue fully. • Provide a report on the IFLOMA2 feasibility study (including recommendations) to EXCO and the Board. • Finalise Timbadola risk mitigating action as part of the mill upgrade project. • Implement Timbadola risk mitigation action as part of the mill upgrade project. • Continuous interaction with log customers to ensure maximum log and sales volumes. • Report on the initiative that focuses on reducing log and lumber stock. • Report on progress made with settling log and lumber claims.
IFLOMA: threat to financial sustainability	• Implementation of Centralised Reporting and Expense Control process. • Adoption of Group reporting formats and templates. • Providing dedicated resources at Group level to oversee IFLOMA reporting. • Deploy staff to oversee IFLOMA operations, to be trained and appraised on Mozambican law and landscape.
Labour unrest	• Continuously work with management and employees to build an organisational culture of mutual trust. • Continue to meet with the union on a monthly basis at plant level and on a quarterly basis at national level. • HCM to ensure that wage negotiations are concluded before the start of the fire season.
Further delay or failure of ERP system	• Perform a quality assurance review of data integrity. • Develop an RFP that includes the requirement for customisation support. • Develop contingency plans to be used in the case of failure of customised modules.

RISK NAME	TREATMENT PLANS
Financial and commercial unsustainability	• Report to the Finance and Investment Committee on working capital management. • Financial reporting to various committees. • Continuous management of cash reserves. • Working capital management. • Report on any variance from budget.
Agility and flexibility to react to changes in the external environment	• Finalise Shareholder's Compact with DPE that looks at new strategies to generate revenue. • Alignment of targets with a realistic business environment. • Continue to strengthen the DPE/SAFCOL relationship to achieve mutual goals and understanding. • Improvements in business processes are reviewed and templates developed to further strengthen reporting aligned to Treasury requirements and the shareholder's requirements. • Review and develop templates to further strengthen reporting aligned to Treasury requirements and the shareholder's requirements.
Unforeseen forestry related disasters	• Review Business Continuity Plan. • Monitor markets to ascertain optimal thinning time. • Establish a clear felling sequence, in line with market demands. • Continue with baboon research and attend the baboon damage working group meetings with ICFR, UCT and FSA. • Invest in R&D on issues such as biological control, chemical control and species selection. • Adequate financial investment to implement the weeding plan.
Loss of production area	• Report on optimisation of growth and yield. Counteract loss of productive land by fully utilising remaining land. • Finalise and report on the pre-feasibility study on plywood and co-generation plant. • Reduce the area accommodating old undesirable gum compartments. • Lobby relevant statutory regulators for rights to obtain compensatory land to replace land lost due to delineation compliance. • Hold workshops to ensure that plantation managers are aware of the causes and action to be taken to counteract further loss of land. • Acquire new forestry land with secure tenure and afforestation rights (finances permitting). • Finalise engagement with DAFF regarding the transfer of land currently under their management, such as Category B and Category C land.
Inability to attract and retain experienced and knowledgeable skills	• Benchmark conditions of employment with industry norms (forestry and parastatals) (remuneration and conditions of service) • Develop an HR strategy. • Update HR polices. • Develop a succession and talent retention action plan.
Inadequate investment in growing stock	• Provide sufficient budget. • Explore more markets, in order to sell more volume. • Improve efficiencies.

RISK NAME	TREATMENT PLANS
Government objectives mis-aligned with SAFCOL mandate (not DPE)	Continuous and in-depth consultation with DPE. Interaction with DAFF (facilitated by DPE), specifically in relation to category B and C. Interaction with DTI, in order to ensure co-ordinated industry developments. Continuous interaction with DRDLR, in order to support the land claims process.

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 methodology is a support tool that ensures that the key fraud-management framework methodology of prevention, detection, investigation and resolution is applied. 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 the PFMA, section 85, and Treasury Regulation 33, the Board is mandated to report to the Executive Authority, the Auditor-General and National Treasury on all incidents of financial misconduct for each financial year. The report must address the following areas comprehensively:

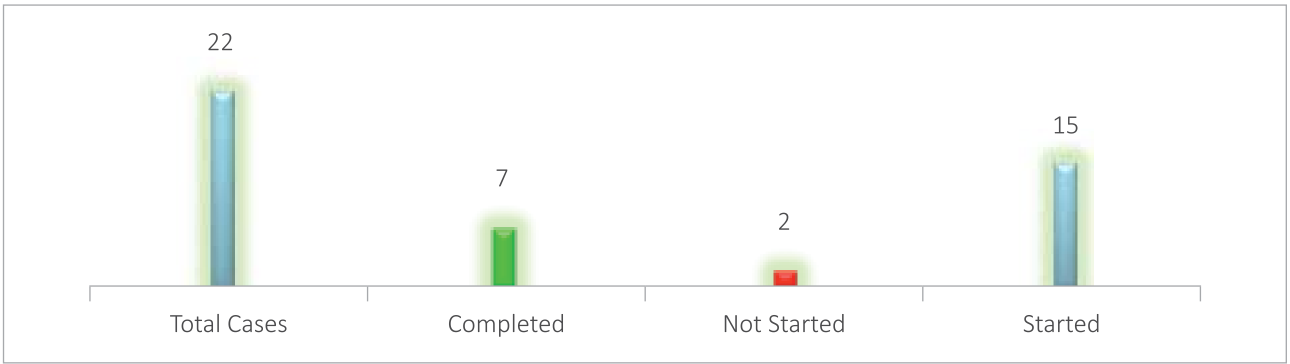
- Name and rank of employee involved
- Allegation of financial misconduct
- Investigation conducted
- Disciplinary steps taken
- Sanctions and any further action taken against the employee
- Corrective measures to prevent the incident from recurring

Investigations conducted during the year

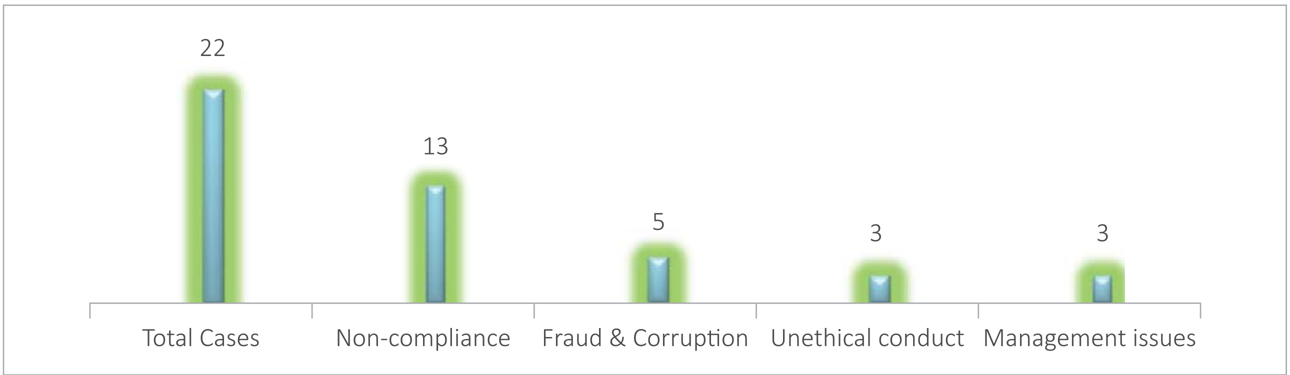
During the 2014/15 financial year, 22 fraud allegations were recorded in the fraud register. There was a decrease in the number of reported cases in the current year (22) compared to the previous year (28). Internal controls and fraud awareness improvements are conducted on a continuous basis. A fraud investigation procedure and whistle-blowing policy have been communicated to all employees.

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

Total number of cases completed, not started and started



Types of cases being investigated



HOW THE BOARD WAS PROVIDED WITH ASSURANCE

The Board is ultimately responsible for the Group's system of internal control that 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; the reliability of financial information used within the business and for purposes of 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 aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the Group.

Management further developed the Combined Assurance Plan during the year and this 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 to the Board.

Internal Audit

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 enterprise risk management process, internal financial controls and the system of internal controls. Based on these requirements, Internal Audit conducted the required audits during the year, in order to provide an opinion to the Board. The results of these audits are presented below.

Effectiveness of Enterprise risk management

We have evaluated the maturity of SAFCOL's ERM process as **ESTABLISHED,** based on the rating scales established for "Maturity of Design and Operation". This presents SAFCOL with a **SIGNIFICANT IMPROVEMENT OPPORTUNITY** to move to an advanced or leading state, based on its appetite to make the change. In addition to the maturity rating, we have evaluated the ERM processes as based on COSO and King III requirements.

Maturity Assessment

The table below depicts the ratings for each component and the total for each maturity level. Of the 10 components assessed, <20>% DEVELOPING, <70>% ESTABLISHED and <10>% LEADING

#Risk Management Component		<	Maturity Level			>
		Level 1	Level 2	Level 3	Level 4	Level 5
		Basic	Developing	Established	Advanced	Leading
1	Risk Governance Structures			X		
2	Managing the Risk Management Process			X		
3	Risk Identification			X		
4	Risk Prioritisation			X		
5	Risk Treatment			X		
6	Risk Reporting			X		
7	Risk Monitoring		X			
8	Risk Culture - Embedding		X			
9	Communication			X		
10	Working with Counterparties					X
Total			**2**	**7**		**1**
Average risk maturity rating				X		

Effectiveness and adequacy of internal financial controls

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

- Key reconciliations
- Payments
- Journals
- Accounts receivable
- Change in bank accounts
- Financial and month-end close
- Expertise, resources and experience of the finance function
- Segregation of duties
- Payroll management
- Revenue management
- Sundry income
- Accounts payable management

It is our opinion, that the internal financial control system is acceptable.

Overall opinion of the system of internal controls, based on audits conducted during the year

Internal Audit achieved an 87% coverage plan for the year, with 13% delayed at the request of management. The scope of the audits conducted 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 indicates the opinions determined, based on the tests conducted:

*Control ratings	III	II	MEA	EA	HEA
ERP Post-implementation Review (AE)		X			
Fuel/ Diesel Management Follow-up Audit (CE)				X	
IFLOMA Audit		X			
Forestry Operations Audit, including Transportation and Marketing of Logs (AE)			X		
Processing Operations Audit, including Marketing and Sales of Lumber (AE)				X	
Enterprise Risk Management Review (AE)			X		
Procurement and Contract Management Audit (AE)			X		
Quarterly Audit of Pre-determined Objectives (AE)			X		
Internal Financial Controls Audit (AE)			X		
IT General Controls Review (AE)			X		
Total	0	2	6	2	0
Percentage	**0%**	**20%**	**60%**	**20%**	**0%**

In assessing the effectiveness and adequacy of the system of internal control, Internal Audit applied the following control ratings:

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

ANNUAL FINANCIAL STATEMENTS

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

Report of the Audit and Risk Committee

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REPORT OF THE AUDIT AND RISK COMMITTEE

Report of the Audit and Risk Management Committee for the year ended 31 March 2015.

The Audit and Risk Management Committee's - terms of reference

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

Audit and Risk Management Committee members - meeting attendance and assessment

The Audit and Risk Management Committee is independent and consists of four non-executive Directors. It meets at least five times per year, as per its terms of reference. The Chief Executive Officer, the Chief Financial Officer, the Chief Audit Executive, the 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 organisation's assets and the operation of adequate systems and processes of control.
- 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 for developing recommendations for consideration by the Board.
- To oversee internal and external audit appointments and functions.
- To perform the duties required of it by the Companies Act, 71 of 2008, as amended.

Roles and responsibilities

The report of the Audit and Risk Committee, in terms of Regulations 27(1) (10) (b) and (c) of the PFMA and of King III. In executing its duties during the past financial year, the Audit and Risk Management Committee has:

- Reviewed the Group's policies and procedures for preventing, detecting and investigatincopy g fraud.
- Considered the effectiveness of internal audit, approved the annual operational strategic internal audit plan and monitored adherence of internal audit to its plan.
- Reviewed the Group's 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 regarding corrective action to be taken as a consequence of audit findings.
- Received and dealt with concerns and complaints logged through the whistle-blowing mechanisms that were reported to the committee by the Group 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 the King III principles, including integrated reporting, evidenced by SAFCOL's third issue of an Integrated Annual Report for the year ended 31 March 2015.

The Audit and Risk Management Committee has performed 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 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 have ensured that the Group's assets were safeguarded, proper accounting records were maintained and resources utilised efficiently.

Following the review of the financial statements for the year ended 31 March 2015, the Audit and Risk Management Committee is of the opinion that:

SAFCOL complies with the relevant provisions of the PFMA, the Companies Act, 71 of 2008, as amended, and the International Financial Reporting Standards (IFRS); and that the financial statements fairly present 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 preparing 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

Mrs N Medupe
Chairperson of the Audit and Risk Management Committee

Report of the Independent Auditors

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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 111 to 173 which comprise the consolidated and separate statement of financial position as at 31 March 2015, 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), 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 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 2015 and its 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 matter

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

Restatement of corresponding figures

8. As disclosed in note 42 to the 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 liabilities, profit before tax and the retained earnings.

Additional matter

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

Other reports required by the Companies Act

10. As part of our audit of the financial statements for the year ended 31 March 2015, I have read the directors' report, the audit 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 them.

Report on other legal and regulatory requirements

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation and 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

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2015:
    a) Sustainable Forest Management and Expansion: Area of forest under management on page 42
    b) Sustainable Forest Management and Expansion: Area of forest under management which is fully certified to FSC or PEFC standard on pages 42
    c) Sustainable Forest Management and Expansion: Timber processing on page 43
    d) Sustainable Forest Management and Expansion: Settlement model on page 43
    e) Sustainable Forest Management and Expansion: Vertical integration on page 43
    f) Sustainable Forest Management and Expansion: Agroforestry on page 44
    g) Sustainable Forest Management and Expansion: Focus on safety on page 44
    h) Socio Economic Transformation: Procurement on page 45
13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
14. 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).
15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

    a) Sustainable Forest Management and Expansion: Area of forest under management

    b) Sustainable Forest Management and Expansion: Area of forest under management which is fully certified to FSC or PEFC standard

    c) Sustainable Forest Management and Expansion: Timber processing

    d) Sustainable Forest Management and Expansion: Settlement model

    e) Sustainable Forest Management and Expansion: Vertical integration

    f) Sustainable Forest Management and Expansion: Agroforestry

    g) Sustainable Forest Management and Expansion: Focus on safety

    h) Socio Economic Transformation: Procurement

Additional matters

17. Although I identified 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

18. Refer to the annual performance report on page(s) 41 to 46 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

19. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information of area of forest under management and timber processing. 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

20. 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:

Financial statements

21. Material misstatements in the separate financial statements of the South African Forestry Company SOC Limited (SAFCOL) relating to non-current assets identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion. The separate financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1) (a) of the Public Finance Management Act and section 29(1)(a) of the Companies Act.

Procurement and Contract Management

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

Expenditure management

23. 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.

Internal control

24. I considered internal control relevant to my audit of the financial statements, report on performance against key indicators and compliance with legislation. The matters report below are limited to the significant internal control deficiencies that resulted on compliance with legislation including in this report.

Leadership

25. Executive management did not exercise oversight responsibility regarding financial and performance reporting and compliance with legislation as well as related internal controls relating to the prevention of irregular expenditure.

Financial and performance management

26. The entity's senior management did not ensure the implementation of certain requirements of the PFMA, PPPFA and the internal procurement policy. The control over daily and monthly processing and reconciling of procurement processes, strategic planning and performance reporting did not include sufficient review and monitoring of compliance with the legislation and guidance issued by National Treasury.

Other reports

Investigations

27. As disclosed in the CEO's report and note 39 to the financial statements independent consulting firms are performing investigations at the request of SAFCOL, which covers the period April 2014 to March 2015. The investigations were initiated based on allegations of the possible misappropriation of the entity's assets as discovered during the audit. The outcome of the investigation is expected during the 2015/16 financial year.

Auditor-General.

Pretoria

30 July 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Directors' Report

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DIRECTORS' REPORT

The Directors hereby present their report for the year ended 31 March 2015.

SAFCOL was established in 1992, as per the Management of State Forests Act, 1992. It is a registered state-owned company in terms of the Companies Act, 71 of 2008, and a Schedule 2-listed entity in terms of the PPFMA. The report presented is in accordance with the provisions of the prescribed legislation and related regulations and addresses both the 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 conducts its business through two operating subsidiaries, i.e.

- KLF
- IFLOMA

The Group employs 1 716 people in SA and 475 people in Mozambique. This number excludes the approximately 3 000 people employed by the companies contracted by SAFCOL.

King Report on Governance for South Africa, 2009

The Directors embrace the principles set out in King III and have adopted them as far as possible. By supporting King III, 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 the ethical standards applicable within the Group.

Public Finance Management Act, 1999

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. Although there are matters of compliance mentioned in the Audit Report.

SAFCOL strives to comply 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: EXCO, the Audit and Risk Management Committee, the Remuneration Committee, the Finance and Investment Committee, and the Social and Ethics Committee. Members of Board-appointed committees are selected in terms of the skill sets required, so that the committee's functions and obligations can be fulfilled.

With the guidance of the Company Secretary, the Board also has a duty to ensure that the Group complies with all 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, including:

- Exercising their duties with utmost care and skill, so as to ensure reasonable protection of the assets and records of SAFCOL and its subsidiaries.
- 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, and 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 are well entrenched in the operations of the Group.

Directors

The following Directors were in office as at 31 March 2015:

Director's Name		Committees
S Fikeni	(Interim Chairperson)	
N Medupe		F, C (Chairperson)
N Mona	(CEO)	-
Z Mashinini	(CFO)	-
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 Chief Executive Officer and the Chief Financial Officer, all Board members are non-executive Directors.

Changes to the Board

During the period under review Miss N Magwentsu resigned as Chairperson of the Board.

Board Committees

The Board committees assist the Board in discharging its responsibilities. This assistance is rendered in the form of recommendations and reports submitted to Board meetings, which ensures transparency and full disclosure of Board committee activities. Each committee operates within the ambit of its defined terms of reference, which set out the composition, role, 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.
- 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, 71 of 2008, as amended, 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, 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:
  - International Labour Organisation Discrimination Convention on Employment and Occupation, the Company's employment relationships and its contribution to the educational development of its employees.
  - All other relevant legislation.

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

a) 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

b) Good corporate citizenship, including:
   - Promotion of equality, prevention of unfair discrimination and reduction of corruption.
   - Contribution to the development of the communities in areas where its activities are predominantly conducted or within which its products or services are predominantly marketed.
   - Contributing to the process of resolution of land claims and engagement with land claimants.
   - Recording of sponsorship, donations and charitable giving.

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

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

e) 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 submitted to the Board as recommendations requiring approval. Its brief is to:

- Develop and review long-term and short-term funding plans and submit these to the Board for consideration.
- 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 management of the cash resources of the company 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 Officer (CEO) from time to time.
- Review and recommend to the Board the sale or disposal of assets, where it is not provided for under the CEO delegation.
- Review and recommend to the Board any new projects not included in the approved annual budget, and provide suggestions on funding of these projects.
- 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 where it is not accommodated within the CEO delegation.
- Consider and recommend to the Board any write-off resulting from the impairment of assets, where it is not within the CEO delegation.
- Consider and recommend to the Board the disposal or closure of any business.
- Consider the financial aspects of 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 to do so by the Board, or a Board sub-committee.
- Consider all contractual matters relating to the Group's relationship with the shareholder and provide recommendations to the Board for action.

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:

- An appropriate delegation of authority framework that will enable the Group to operate efficiently. The Group has implemented an effective policy and plan for risk management, which will enhance the Group's ability to achieve its strategic objectives.
- That disclosure regarding risk is comprehensive, timely and relevant.
- That the internal-control systems are operating effectively.
- The effectiveness of internal audit.
- That the risk areas of the entity's operations are covered via the combined-assurance model.
- That the adequacy, reliability and accuracy of financial information provided to management and other users of such information, is reviewed by the committee.
- That there is a review of any accounting and auditing concerns that are identified as a result of internal and external audits.
- That the entity complies with legal and regulatory provisions.
- That 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.
- That, where relevant, the independence and objectivity of the external auditors is reviewed.
- That the entity has fraud prevention function and is responsible for IT governance and ensuring that financial controls are in place and adhered to.

In addition, this committee: considers the Group's risk management policy and strategy; reviews the integrity of the risk management process and significant risks facing the Group. It monitors the integrity of the annual and interim statutory accounting report, (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; reviewing accounting and auditing concerns identified by internal and external audits. Both the head of the Internal Audit Department and the external auditors have unrestricted access to the Chairperson of this committee and to the Chairperson of the Board.

Corporate governance

Board performance

The following Board committee meetings took place during the period under review:

MEETINGS		ATTENDANCE BY NON-EXECUTIVE DIRECTORS							
		Dr S Fikeni[A]	V N Magwentshu[B]	N Medupe	K Njobe	F C Blakeway	M Kharva	M Gilbert	S R Moephuli
Board meeting	14/4/2014	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Board meeting	28/5/2014	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Board meeting	30/7/2014	Yes	-	Yes	No	Yes	Yes	Yes	Yes
Special Board meeting	2/8/2014	Yes	-	Yes	No	Yes	Yes	Yes	No
Board meeting	30/10/2014	No	-	Yes	Yes	Yes	Yes	Yes	Yes
Board meeting	29/1/2015	Yes	-	Yes	Yes	Yes	Yes	Yes	Yes
Special Board meeting	19/2/2015	Yes	-	No	Yes	Yes	Yes	Yes	Yes

A: Interim Chairperson of the Board from 20 June 2014

B: Resigned as Chairperson of the Board, effective 20 June 2014

COMMITTEE MEETINGS		ATTENDANCE BY NON-EXECUTIVE DIRECTORS							
		Dr S Fikeni[A,C]	V N Magwentshu[B]	N Medupe [D]	K Njobe[E]	F C Blakeway	M Kharva[F]	M Gilbert	S R Moephuli
FINCO	16/4/2014	Yes		Yes		Yes	Yes		No
	21/7/2014	Yes		Yes		Yes	Yes		Yes
	20/10/2014)	-		Yes	-	No	Yes	-	Yes
	19/1/2015	-		Yes	-	Yes	Yes	-	Yes
	18/3/2015 (special)	-		Yes	-	Yes	Yes	-	Yes
ARMC	23/4/2014			Yes	Yes		Yes	Yes	
	21/5/2014 (special)			Yes	Yes		Yes	Yes	
	26/5/2014 (special)			Yes	Yes		Yes	Yes	
	21/7/2014			Yes	Yes		Yes	Yes	
	29/7/2014 (special)			Yes	Yes		Yes	Yes	
	2/8/2014 (special)			Yes	No		Yes	Yes	
	13/10/2014 (special)			Yes	Yes	-	Yes	Yes	-
	20/10/2014 (special)			Yes	Yes	-	Yes	Yes	-
	19/1/2015			Yes	Yes	-	Yes	Yes	-
	18/3/2015 (special)			Yes	Yes	-	Yes	No	-
REMCO	16/4/2014				Yes	Yes		Yes	
	26/6/2014 (special)				Yes	Yes		Yes	
	22/7/2014				Yes	Yes		Yes	
	21/10/2014				Yes	No		Yes	
	20/1/2015				Yes	Yes		Yes	
SOCIAL AND ETHICS	15/4/2014	Yes	-	-	-	-	-	-	Yes
	24/7/2014	Yes	-	-	-	-	-	-	Yes

A: Interim Chairperson of the Board from 20 June 2014

B: Resigned as Chairperson of the Board on 20 June 2014

C: Chairperson of Social and Ethics Committee

D: Chairperson of the Audit and Risk Committee

E: Chairperson of the Human Resources and Remuneration Committee

F: Chairperson of the Finance and Investment Committee

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 them properly discharging their duties. This includes information such as corporate announcements, investor communications, agenda items for Board meetings, and other developments that may affect the Board and the Group's operations. Access to management is provided, where required.

Fruitless and wasteful expenditure

The Group incurred irrecoverable fines, penalties and interest in the current year. The Group will implement adequate controls to prevent future fruitless and wasteful expenditure.

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's Remuneration

	Fees for services as Directors	Managerial services		2015	2014
		Salary	Retirement Fund & Medical aid contributions	Total	Total
	R	R	R	R	R
Executive Directors of SAFCOL				**3 845 406**	**2 887 805**
N Mona [A] *Chief Executive Officer*	0	1 900 016	146 223	2 046 239	2 024 875
Z Mashinini [A,J] *Chief Financial Officer*	0	1 650 376	148 792	1 799 168	862 930
Non-executive Directors of SAFCOL				**2 589 615**	**2 556 233**
VN Magwentshu [C,J] *Chairperson of the Board of Directors*	164 386			164 386	733 211
M Kharva *Member of the Board of Directors*	325 716			325 715	317 848
SR Moephuli *Member of the Board of Directors*	253 305			253 305	204 262
N Medupe *Member of the Board of Directors*	331 750			331 750	317 170
FC Blakeway *Member of the Board of Directors*	252 710			252 710	238 293
K Njobe *Member of the Board of Directors*	325 716			325 715	311 423
SMP Fikeni *Interim Chairperson of the Board*	649 084			649 084	204 919
M S Gilbert *Member of the Board of Directors*	286 950			286 950	229 107
Executive Committee				**3 348 273**	**3 482 201**
F de Villiers [A] *Chief Operating Officer*	0	1 622 640	231 327	1 853 967	1 730 935
J Mphafudi *Executive: Human Capital Management and Transformation*	0	1 385 824	108 482	1 494 306	1 422 570
L Africa *Interim Chief Financial Officer*	0	0.00	0.00	0.00	328 696

Notes:
A. Member of the Board of Directors of one or more SAFCOL subsidiaries
C. Resigned/ retired during the year
D. Fixed-term contract
G. Appointed during 2014 financial year
J. Remuneration for part of the year (2014)

Directors' Approval

The Directors are required to maintain adequate accounting records in terms of the Companies Act, 71 of 2008, as amended, and the PFMA, as amended. They are also responsible for the content and integrity of the financial statements and the related financial information included in this report. It is their responsibility to ensure, in conformity with 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 applied consistently and 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 that 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 the 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 is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risks cannot be eliminated completely, the Group endeavours to minimise these by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within pre-determined procedures and constraints.

Based on the information and explanations given by management and contained in the internal audit reports submitted by the internal auditors, the Directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied upon in preparing the financial statements. However, any system of internal financial control can only provide reasonable - 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 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 2015, set out on pages 111 to 173, and the reports by the Chairperson and the Chief Executive Officer set out on pages 27 to 33, were approved by the Board of Directors on 21 July 2015, and are signed on its behalf by:

Dr S Fikeni
Interim Chairperson

Ms N Mona
Chief Executive Officer

CERTIFICATE BY COMPANY SECRETARY

The company secretary certifies that the Group has lodged with the Companies and Intellectual Property Commission (from 1 May 2011) all such returns as are required of a public company in terms of the Companies Act, No. 71 of 2008 and that all such returns are true, correct and up to date.

Mr Vincent Mashele

Annual Financial Statements 6

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

		Group		Company	
			Restated		Restated
	Note(s)	2015 R '000	2014 R '000	2015 R '000	2014 R '000
Assets					
Non-Current Assets					
Biological assets	3	3 559 766	3 427 962	-	-
Property, plant and equipment	4&42	261 091	253 083	4 831	4 368
Intangible assets	5&42	51 267	57 159	51 267	56 966
Other financial assets	6	2 138	543	1 495	291
Deferred tax	7	23 884	16 241	23 243	14 363
Retirement benefit asset	8	159	2 257	33	474
		3 898 305	**3 757 245**	**80 869**	**76 462**
Current Assets					
Inventories	9	74 393	69 584	216	187
Loans to group companies	10	-	-	292 886	392 769
Current tax receivable		73	641	-	642
Trade and other receivables	11	196 598	180 273	8 106	26 632
Biological Assets	3	263 563	251 951	-	-
Cash and cash equivalents	12	293 294	222 162	266 605	178 127
		827 921	**724 611**	**567 813**	**598 357**
Non-current assets held for sale	13	372 445	372 755	37 216	37 526
Total Assets		**5 098 671**	**4 854 611**	**685 898**	**712 345**
Equity and Liabilities					
Equity					
Share capital	15	318 013	318 013	318 013	318 013
Reserves		61 666	87 282	128 374	128 374
Retained income	42	3 360 482	3 190 464	226 203	254 548
		3 740 161	**3 595 759**	**672 590**	**700 935**
Liabilities					
Non-Current Liabilities					
Finance lease obligation	20	40 018	31 443	-	-
Deferred tax	7	1 056 618	1 048 796	-	-
		1 096 636	**1 080 239**	**-**	**-**
Current Liabilities					
Current tax payable		23 108	10	-	-
Finance lease obligation	20	14 818	10 390	-	-
Trade and other payables	21	202 789	90 944	13 308	11 410
Provisions	22	21 159	77 269	-	-
		261 874	**178 613**	**13 308**	**11 410**
Total Liabilities		**1 358 510**	**1 258 852**	**13 308**	**11 410**
Total Equity and Liabilities		**5 098 671**	**4 854 611**	**685 898**	**712 345**

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
			Restated		Restated
		2015	2014	2015	2014
	Note(s)	R '000	R '000	R '000	R '000
Revenue	24	898 140	894 374	43 165	43 150
Cost of sales	25	(674 130)	(699 491)	-	-
Gross profit		**224 010**	**194 883**	**43 165**	**43 150**
Other income		7 074	10 377	3 139	2 673
Operating expenses		(228 304)	(243 882)	(142 696)	(134 286)
Operating profit (loss)	**26**	**2 780**	**(38 622)**	**(96 392)**	**(88 463)**
Investment revenue	28	57 155	14 139	59 476	26 595
Fair value adjustments	27	144 544	731 445	-	-
Finance costs	29	(4 249)	(2 853)	(309)	(55)
Profit (loss) before taxation		**200 230**	**704 109**	**(37 225)**	**(61 923)**
Taxation	30	(30 212)	(196 174)	8 880	11 534
Profit (loss) for the year		170 018	507 935	(28 345)	(50 389)
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(25 616)	(17 593)	-	-
Other comprehensive income for the year net of taxation		**(25 616)**	**(17 593)**	**-**	**-**
Total comprehensive income (loss) for the year		**144 402**	**490 342**	**(28 345)**	**(50 389)**

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	(24 447)	64 000	948	64 374	104 875	2 680 214	3 103 102
Adjustments								
Prior year adjustments	-	-	-	-	-	-	2 315	2 315
Balance at 01 April 2013 as restated	**318 013**	**(24 447)**	**64 000**	**948**	**64 374**	**104 875**	**2 682 529**	**3 105 417**
Profit for the year*	-	-	-	-	-	-	507 935	507 935
Other comprehensive income*	-	(17 593)	-	-	-	(17 593)	-	(17 593)
Total comprehensive income for the year*	**-**	**(17 593)**	**-**	**-**	**-**	**(17 593)**	**507 935**	**490 342**
Balance at 01 April 2014	**318 013**	**(42 040)**	**64 000**	**948**	**64 374**	**87 282**	**3 190 464**	**3 595 759**
Profit for the year	-	-	-	-	-	-	170 018	170 018
Other comprehensive income	-	(25 616)	-	-	-	(25 616)	-	(25 616)
Total comprehensive income for the year	**-**	**(25 616)**	**-**	**-**	**-**	**(25 616)**	**170 018**	**144 402**
Balance at 31 March 2015	**318 013**	**(67 656)**	**64 000**	**948**	**64 374**	**61 666**	**3 360 482**	**3 740 161**
Note(s)	15	16	17	18	19			

* Restated

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	-	64 374	128 374	302 622	749 009
Adjustments								
Prior year adjustments	-	-	-	-	-	-	2 315	2 315
Balance at 01 April 2013 as restated	**318 013**	**-**	**64 000**	**-**	**64 374**	**128 374**	**304 937**	**751 324**
Loss for the year	-	-	-	-	-	-	(50 389)	(50 389)
Total comprehensive Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(50 389)**	**(50 389)**
Balance at 01 April 2014	**318 013**	**-**	**64 000**	**-**	**64 374**	**128 374**	**254 548**	**700 935**
Loss for the year	-	-	-	-	-	-	(28 345)	(28 345)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(28 345)**	**(28 345)**
Balance at 31 March 2015	**318 013**	**-**	**64 000**	**-**	**64 374**	**128 374**	**226 203**	**672 590**
Note(s)	15	16	17	18	19			

STATEMENT OF CASH FLOWS

		Group		Company	
	Note(s)	2015 R '000	Restated 2014 R '000	2015 R '000	Restated 2014 R '000
Cash flows from operating activities					
Cash generated / (used) in operations	31	76 755	94 860	(66 241)	(87 714)
Interest income	28	15 342	10 014	17 663	22 470
Dividends received	28	41 813	4 125	41 813	4 125
Finance costs	29	(4 249)	(2 853)	(309)	(55)
Tax (paid) received	32	(6 366)	(115)	642	-
Net cash from operating activities		**123 295**	**106 031**	**(6 432)**	**(61 174)**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(34 295)	(34 259)	(109)	(29)
Proceeds / (loss) on disposal of property, plant and equipment	4&26	-	13 145	-	77
Purchase of intangible assets	5	(3 660)	(11 418)	(3 660)	(11 418)
Other loans and receivables		-	693	-	693
Loans advanced to group companies	10	-	-	99 883	114 914
Proceeds on sale of financial assets	6	(1 595)	2 494	(1 204)	2 496
Foreign currency translation reserve (non-cash movement)		(25 616)	(17 593)	-	-
Net cash from investing activities		**(65 166)**	**(46 938)**	**94 910**	**106 733**
Cash flows from financing activities					
Repayment of other financial liabilities		-	(4 565)	-	(4 565)
Movement in finance leases	20	13 003	14 904	-	-
Net cash from financing activities		**13 003**	**10 339**	**-**	**(4 565)**
Total cash movement for the year		71 132	69 432	88 478	40 994
Cash at the beginning of the year		222 162	152 730	178 127	137 133
Total cash at end of the year	**12**	**293 294**	**222 162**	**266 605**	**178 127**

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 Group 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 2014.

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 (power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns) 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.

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 22 - 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.

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

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

Initial Recognition

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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.

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.

Initial Measurement

Loans and receivables are initially recognised at fair value plus transaction costs.

Available for sale financial assets are recognised initially at fair value plus transaction costs, and carried subsequently at fair value.

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. 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.

Financial liabilities

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.

Subsequent Measurement

Loans and Receivables

Subsequently measured 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.

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

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.

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 recognized 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 recognized in the statement of financial performance. Impairment losses on available for sale equity instruments that are recognized 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 inancial 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 recognized in profit or loss – is removed from equity and recognized in the statement of financial performance. Impairment losses recognized 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 amortized 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 recognized 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 recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of financial performance.

Interest on available for sale securities calculated using the effective interest method is recognized in the statement of financial performance as part of investment revenue. Dividends on available-for-sale equity instruments are recognized 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 realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

Derecognition

Financial assets are derecognized 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.

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized 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-organization, 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 recognized 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.

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 amortized 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 amortized cost, using the effective interest rate method.

Bank overdraft and borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are stated subsequently at amortized cost.

Any difference between the proceeds (net of transaction costs), and the redemption value is recognized 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 Secondary Tax on Companies 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.

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.

Indirect taxes

A Subsidiary within the group purchases goods and services for mixed purposes. Where the percentage of non-taxable supplies exceeds five percent, the standard apportionment method is used.

Any over/under recovery of non-recoverable Value-Added-Tax is recognised in profit and loss and disclosed separately in the statement of comprehensive income as indirect taxes.

1.10 Leases

Initial Recognition

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Initial Measurement

Finance Lease

At the commencement of the lease term, lessees shall recognise finance leases as assets and liabilities in their statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Any initial direct costs of the lessee are added to the amount recognised as an asset.

Operating Lease

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.

Subsequent Measurement

Finance 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. Contingent rents shall be charged as expenses in the periods in which they are incurred.

Leased assets shall be fully depreciated over the shorter of the lease term and its useful life.

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.

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.

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.

Actuarialgains 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.

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 35.

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.

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 ate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income as a separate component of equity.

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 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.

1.20 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.

1.21 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.

1.22 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.

1.23 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

2. New Standards and Interpretations

Standards, amendments and interpretations effective in 2015 and relevant to the Group's operations

- 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)
- Amendment to IAS 32,'Financial Instruments: Presentation', on asset and liability offsetting. (Effective 1 January 2014)
- Amendments to IAS 36, 'Impairment of Assets' arising from Recoverable Amount Disclosures for Non-Financial Assets (Effective 1 January 2014)

Standards, amendments and interpretations effective in 2015, but not relevant to the Group's operations

- Amendment to IAS 39, 'Financial Instruments: Recognition and Measurement', on derivatives and hedge accounting (Effective 1 January 2014)
- IFRIC 21, 'Levies', the interpretation addresses what the obligating entity is that gives rise to the payment of a levy and when a liability should be recognised. (Effective 1 January 2014)

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

- IFRS 13,'Fair value' resulting from Annual Improvements 2010-2012 Cycle (amended basis of conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amounts where the effect of discounting is immaterial), (Effective 1 July 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 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)
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', regarding depreciation and amortisation. (Effective 1 January 2016)
- Amendments to IAS 27, 'Separate financial statements', regarding the entity method. (Effective 1 January 2016)
- IFRS 5, 'Non-current assets held for sale and discontinued operations' resulting from Annual Improvements 2012-2014 Cycle (guidance on changes in a plan of sale). (Effective 1 July 2016)
- IAS 19, 'Employee Benefits' resulting from Annual Improvements 2012-2014 Cycle (Determining the discount rate for post- employment benefit obligations). (Effective 1 July 2016)
- IFRS 9,'Financial Instruments', this replaces most of the guidance in IAS 39. (Effective 1 January 2018)
- Amendment to IAS 1,'Presentation of financial statements', regarding the disclosure initiative. (Effective 1 January 2016)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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)
- Amendments to IFRS 3, 'Business combinations' resulting from Annual Improvements 2010-2012 Cycle (definition of contingent consideration), (Effective 1 July 2014)
- Amendments to IFRS 8, 'Operating segments' resulting from Annual Improvements 2010-2012 Cycle (disclosure of judgements made in aggregating operating segments, and reconciliation of segment assets to the entity's assets), (Effective 1 July 2014)
- IFRS 1, 'First time adoptions of IFRS's' resulting from Annual Improvements 2011-2013 Cycle (new standard is not mandatory), (Effective 1 July 2014)
- IFRS 3, 'Business combinations' resulting from Annual Improvements 2011-2013 Cycle (does not apply to the accounting for the formation of joint venture), (Effective 1 July 2014)
- IFRS 13, 'Fair value measurement' resulting from Annual Improvements 2011-2013 Cycle (definition of portfolio exception), (Effective 1 July 2014)
- IAS 40, 'Investment Property' resulting from Annual Improvements 2011-2013 Cycle (IAS 40 and IFRS 3 are not mutually exclusive), (Effective 1 July 2014)
- Amendment to IFRS 11,'Joint arrangements' regarding acquisition of an interest in a joint operation. (Effective 1 January 2016)
- Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' regarding bearer plants. (Effective 1 January 2016)
- Amendments to IFRS 10, 'Consolidated Financial Statements' and IAS 28,'Associates and joint ventures', regarding the sale or contribution of assets between an investor and its associate or joint venture. (Effective 1 January 2016)
- Amendments to IFRS 14, 'Regulatory deferral accounts', first time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with previous GAAP requirements. (Effective 1 January 2016)
- IFRS 7, 'Financial Instruments: Disclosures' resulting from Annual Improvements 2012-2014 Cycle (guidance on servicing contracts and interim financial statements). (Effective 1 July 2016)
- IAS 34, 'Interim financial reporting' resulting from Annual Improvements 2012-2014 Cycle (defines information disclosed elsewhere in the interim financial report). (Effective 1 July 2016)
- IFRS 15,'Revenue from contracts with customers', this standard replaces IAS 11,'Construction Contracts,' and IAS 18,'Revenue and related interpretations. (Effective 1 January 2017)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

3. Biological assets

Group	2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Plantations and sugar cane	3 823 329	-	3 823 329	3 679 913	-	3 679 913

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

	2015	**2014**
Carrying value at the beginning of the period	3 679 913	2 981 155
Volumes - Growth	162 264	274 693
Volumes - Harvested volumes	(138 312)	(167 222)
Prices	591 617	1 184 732
Discount rate	224 022	206 380
Costs	(716 436)	(791 165)
Write back of negative asset	31 482	11 221
Reversal of opening balance negative assets	(11 221)	(19 881)
Carrying value at the end of the period	**3 823 329**	**3 679 913**

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 137,998 ha (2014: 138,328 ha) for the Group and 0 ha (2014: 0 ha) for the Company. The plantation areas include 49 hectares of Kamhlabane Timber SOC Limited
- During the year the Group harvested approximately 1,364,966 m3 (2014:1,421,714 m3), which had a fair value less cost to sell of R 519 (2014: 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: 9.78 % (2014: 10.4%), IFLOMA: 18.14 % (2014: 14.6%), Kamhlabane Timber SOC Limited 9.78% (2014: 10.4%)
- The valuations were performed by an independent external forestry economist

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group	
	2015	Restated 2014
	R '000	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 2015	3 823 329	-
10% increase in log prices	4 697 177	873 849
10% increase in overhead costs	3 646 419	(176 909)
10% increase in the discount rate	3 522 781	(300 548)
10% increase in volumes	4 471 221	647 892

	2015 R '000	Restated 2014 R '000
Split between current and non-current portion		
Non-current assets	3 559 766	3 427 962
Current assets	263 563	251 951
	3 823 329	**3 679 913**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

4. Property, plant and equipment

Group	2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Land	4 030	-	4 030	4 030	-	4 030
Buildings and utilities	48 099	(19 227)	28 872	48 242	(17 802)	30 440
Leasehold improvements: Buildings and utilities	18 126	(4 731)	13 395	16 376	(3 368)	13 008
Plant and machinery	177 101	(76 698)	100 403	157 456	(68 476)	88 980
Furniture and fixtures	19 514	(9 801)	9 713	19 262	(7 857)	11 405
Motor vehicles	141 639	(73 888)	67 751	106 693	(42 711)	63 982
Computer equipment	23 678	(12 814)	10 864	21 097	(8 479)	12 618
Leasehold improvements:	21 989	(6 777)	15 212	21 833	(4 315)	17 518
Telephone lines and fences						
Leasehold improvements: Roads	14 274	(3 615)	10 659	13 470	(2 565)	10 905
Capital work in progress	192	-	192	197	-	197
Total	**468 642**	**(207 551)**	**261 091**	**408 656**	**(155 573)**	**253 083**

Company	2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold improvements: Buildings and utilities	52	(28)	24	52	(26)	26
Plant and machinery	172	(85)	87	172	(71)	101
Furniture and fixtures	3 073	(883)	2 190	3 006	(566)	2 440
Motor vehicles	1 732	(867)	865	1 623	(724)	899
Computer equipment	2 074	(409)	1 665	1 075	(173)	902
Total	**7 103**	**(2 272)**	**4 831**	**5 928**	**(1 560)**	**4 368**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment - Group - 2015

	Opening balance	Additions	Other changes	Depreciation	Total
Land	4 030	-	-	-	4 030
Buildings	30 440	-	(48)	(1 520)	28 872
Leasehold improvements: Buildings and utilities	13 008	1 751	-	(1 364)	13 395
Plant and machinery	88 980	12 271	18 399	(19 247)	100 403
Furniture and fixtures	11 405	430	67	(2 189)	9 713
Motor vehicles	63 982	17 376	6 915	(20 522)	67 751
Computer equipment	12 618	1 508	1 074	(4 336)	10 864
Leasehold improvements: Telephone lines and fences	17 518	155	-	(2 461)	15 212
Leasehold improvements: Roads	10 905	804	-	(1 050)	10 659
Capital work in progress	197	-	(5)	-	192
	253 083	**34 295**	**26 402**	**(52 689)**	**261 091**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment - Group - 2014

	Opening balance	Additions	Disposals	Other changes	Depreciation	Total
Land	4 030	-	-	-	-	4 030
Buildings and utilities	45 898	741	-	(10 215)	(5 984)	30 440
Leasehold improvements: Buildings and utilities	34 239	2 712	-	(21 452)	(2 491)	13 008
Plant and machinery	90 568	2 970	(627)	14 120	(18 051)	88 980
Furniture and fixtures	4 427	42	-	8 112	(1 176)	11 405
Motor vehicles	48 557	17 731	(9 320)	17 933	(10 919)	63 982
Computer equipment	5 611	953	(52)	8 995	(2 889)	12 618
Leasehold improvements: Telephone lines and fences	1 032	-	-	16 646	(160)	17 518
Leasehold improvements: Roads	19 274	5 659	-	(12 644)	(1 384)	10 905
Capital work in progress	14 935	3 451	-	(18 189)	-	197
	268 571	**34 259**	**(9 999)**	**3 306**	**(43 054)**	**253 083**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment - Company - 2015

	Opening balance	Additions	Other changes	Depreciation	Total
Leasehold improvements: Buildings and utilities	26	-	-	(2)	24
Plant and machinery	101	-	-	(14)	87
Furniture and fixtures	2 440	-	67	(317)	2 190
Motor vehicles	899	109	-	(143)	865
Computer equipment	902	-	999	(236)	1 665
	4 368	**109**	**1 066**	**(712)**	**4 831**

Reconciliation of property, plant and equipment - Company - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Leasehold improvements: Buildings and utilities	3 142	29	-	129	(2 580)	(694)	26
Plant and machinery	121	-	-	-	13	(33)	101
Furniture and fixtures	3 112	-	-	12	19	(703)	2 440
Motor vehicles	288	-	(15)	428	383	(185)	899
Computer equipment	772	-	-	104	589	(563)	902
Capital work in progress	343	-	-	(343)	-	-	-
	7 778	**29**	**(15)**	**330**	**(1 576)**	**(2 178)**	**4 368**

note 1

During the prior period (2014) Komatiland Forests SOC Limited and South African Forestry SOC Limited undertook an exercise to physically verify all of their fixed assets. At the end of the previous financial period, this exercise was not complete and as such the financial statements were not adjusted.

During the current year the exercise was completed and the accounting records were updated accordingly. This resulted in an adjustment to the prior period figures.

Refer to note 42 for the details of the prior period error.

Capitalised leased assets with a net book value of R 55.4 million (2014: R 35.5 million) are encumbered in terms of the finance lease obligations.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

5. Intangible assets

Group	2015			2014		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	66 254	(14 987)	51 267	7 136	(6 896)	240
Capital work in progress	-	-	-	56 919	-	56 919
Total	**66 254**	**(14 987)**	**51 267**	**64 055**	**(6 896)**	**57 159**

Company	2015			2014		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	59 298	(8 031)	51 267	180	(133)	47
Capital work in progress	-	-	-	56 919	-	56 919
Total	**59 298**	**(8 031)**	**51 267**	**57 099**	**(133)**	**56 966**

Reconciliation of intangible assets - Group - 2015

	Opening balance	Additions	Transfers	Other changes, movements	Amortisation	Total
Computer software	240	-	59 118	-	(8 091)	51 267
Capital work in progress	56 919	3 660	(59 118)	(1 461)	-	-
	57 159	**3 660**	**-**	**(1 461)**	**(8 091)**	**51 267**

Reconciliation of intangible assets - Group - 2014

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software	532	-	-	(292)	240
Capital work in progress	50 445	11 418	(4 944)	-	56 919
	50 977	**11 418**	**(4 944)**	**(292)**	**57 159**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Reconciliation of intangible assets - Company - 2015

	Opening balance	Additions	Transfers	Other changes, movements	Amortisation	Total
Computer software	47	-	59 118	-	(7 898)	51 267
Capital work in progress	56 919	3 660	(59 118)	(1 461)	-	-
	56 966	**3 660**	**-**	**(1 461)**	**(7 898)**	**51 267**

Reconciliation of intangible assets - Company - 2014

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software	64	-	-	(17)	47
Capital work in progress	50 445	11 418	(4 944)	-	56 919
	50 509	**11 418**	**(4 944)**	**(17)**	**56 966**

Other information

During the current year, the capital work in progress account was adjusted to remove all completed projects which resulted in an adjustment to prior period figures.

Refer to note 42 - Prior Period Adjustment.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000
6. Other financial assets				
Available-for-sale				
Investments	2 138	543	1 495	291
Non-current assets				
Available-for-sale	2 138	543	1 495	291

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	1 493	290	1 493	289
Level 3				
Transvaal Wattle Growers Co-Op Agriculture Company	1	1	1	1
KAAP Agri	1	1	1	1
NTE Investments	643	251	-	-
	645	**253**	**2**	**2**
	2 138	**543**	**1 495**	**291**

Reconciliation of financial assets measured at level 3

Reconciliation of financial assets measured at level 3 - Group - 2015

	Opening balance	Total
Transvaal Wattle Growers Co-Op Agriculture Company	1	1
KAAP Agri	1	1
NTE Investments	643	643
	645	**645**

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000

6. Other financial assets (continued)

Reconciliation of financial assets measured at level 3 - Company - 2015

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

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

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

Available for sale

Beginning of the year	543	3 037	291	2 787
Movement for the current year	1 595	(2 494)	1 496	(2 496)
	2 138	**543**	**1 787**	**291**

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	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000

7. 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:

	Group 2015 R '000	Group Restated 2014 R '000	Company 2015 R '000	Company Restated 2014 R '000
Deferred tax liability	(1 056 618)	(1 048 796)	-	-
Deferred tax asset	23 884	16 241	23 243	14 363
Total net deferred tax (liability) asset	**(1 032 734)**	**(1 032 555)**	**23 243**	**14 363**

Reconciliation of deferred tax asset / (liability)

	Group 2015 R '000	Group Restated 2014 R '000	Company 2015 R '000	Company Restated 2014 R '000
At beginning of year	(1 032 555)	(836 511)	14 363	630
Reversing / (Originating) temporary differences on property, plant and equipment	(15 617)	(26 951)	(928)	5 542
Reversing / (Originating) temporary differences on provisions	15 831	6 339	(31)	33
Reversing / (Originating) temporary differences on other allowances	7 435	(7 668)	-	446
Reversing / (Originating) temporary differences on fair value adjustments	(42 550)	(201 586)	-	-
Reversing / (Originating) temporary differences on retirement benefit asset	587	(572)	123	(73)
Reversing / (Originating) temporary differences on borrowings	12 114	10 629	-	(1 084)
Originating temporary differences on assessed loss	-	23 765	9 716	6 670
Foreign exchange on deferred tax - Ifloma	22 021	-	-	-
	(1 032 734)	**(1 032 555)**	**23 243**	**14 363**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000

8. Retirement funds

The South African Forestry Company SOC Limited Pension Fund is currently dormant and the South African Forestry Company SOC Limited Pension-Linked Provident Fund was liquidated during the 2013 financial year.

The employees were members of either the South African Forestry Company SOC Limited Provident Fund or the Forestry Workers Provident Fund at year end, the latter option is for members from forestry and related industries.

These plans are defined contribution funds.

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

The Employer surplus in the Provident Fund has been utilised during June 2014 for the employer and employee contribution holiday.

The following are the results of the actuarial valuation in terms of IAS 19 for the South African Forestry Company SOC Limited Pension Fund and the South African Forestry Company SOC Limited Pension-Linked Provident Fund.

	Group 2015	Group Restated 2014	Company 2015	Company Restated 2014
Non-current statement financial position				
Pension and provident fund	159	2 257	33	474
Statement of profit and loss and other comprehensive income				
Post retirement benefits - defined contribution	17 441	15 905	3 662	3 340
Key assumptions used				
The principal actuarial assumptions used were as follows				
Discount rates used	6.4%	6.6%	6.4%	6.6%
Expected rate of return on assets	5.4%	5.2%	5.4%	5.2%
Plan assets are comprised as follows: (SAFCOL Provident Fund)				
Cash	97%	65%	97%	65%
Bonds	3%	35%	3%	35%
	100	**100**	**100**	**100**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015 R '000	Restated 2014 R '000	2015 R '000	Restated 2014 R '000
9. Inventories				
At Cost				
Raw materials	10 824	5 953	-	-
Work in progress	12 464	3 860	-	-
Finished goods	17 800	24 532	-	-
Consumable Stores	23 982	18 580	216	187
At net realisable value				
Finished goods	5 294	8 030	-	-
At fair value				
Agricultural produce saw logs	6 404	12 287	-	-
	76 768	73 242	216	187
Inventories (write-downs)	(2 375)	(3 658)	-	-
	74 393	**69 584**	**216**	**187**

Inventory - write downs

An allowance of 15% for nursery stock due to non-germination has been made, this estimate is based upon historical data.

Inventory pledged as security

No inventories were pledged as security.

10. Loans to (from) group companies

	Group 2015 R '000	Group Restated 2014 R '000	Company 2015 R '000	Company Restated 2014 R '000
Subsidiaries				
Komatiland Forests SOC Limited	-	-	292 886	392 769

The loan is unsecured, bear interest at prime rate and have no fixed repayment terms.

11. Trade and other receivables

	Group 2015 R '000	Group Restated 2014 R '000	Company 2015 R '000	Company Restated 2014 R '000
Trade receivables	189 864	167 581	4 095	12 181
Prepayments	4 679	6 774	64	2 972
VAT	-	7 484	-	7 484
Provision for impairment of trade and other receivables	(9 615)	(13 188)	-	(752)
Other receivables	11 670	11 622	3 947	4 747
	196 598	**180 273**	**8 106**	**26 632**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000

11. Trade and other receivables (continued)

Fully performing trade and other receivables

As at 31 March 2015, trade receivables of the Group of R 112 million (2014: R 94 million) and of the Company of R 4 million (2014: R 12 million) were fully performing. Other receivables of the Group of R 3.7 million (2014: 3 million) and of the Company R 2.5 million (2014: R 2.5 million) were fully performing.

Trade and other receivables with no default history

Trade receivables				
Fully performing trade receivables	112 133	94 270	4 095	12 181
Fully performing other receivables	3 735	3 148	2 588	2 561
	115 868	**97 418**	**6 683**	**14 742**

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 77 million (2014: R 69 million) and for the Company R 1.4 million (2014: R 1.4 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:

Total trade receivables	70 923	64 674	-	-
Total other receivables	5 632	3 924	1 359	1 435
	76 555	**68 598**	**1 359**	**1 435**
Trade receivables				
31-60 days	50 757	35 642	-	-
60-90 days	5 174	10 945	-	-
90-120 days	3 707	1 636	-	-
120-150 days	1 823	1 704	-	-
150+ days	9 462	14 747	-	-
	70 923	**64 674**	**-**	**-**
Other receivables				
31-60 days	217	336	(158)	2
60-90 days	192	129	88	2
90-120 days	1 549	72	48	5
120-150 days	394	135	(6)	2
150+ days	3 280	3 252	1 387	1 424
	5 632	**3 924**	**1 359**	**1 435**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000

11. 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 9.6 million (2014: R 13 million) and Company (2014: 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:

Total impaired trade receivables	6 696	8 638	-	-
Total impaired other receivables	2 916	4 550	-	752
	9 612	**13 188**	**-**	**752**

Trade receivables

90-120 days	-	16	-	-
120-150 days	-	1 801	-	-
150+ days	6 696	6 821	-	-
	6 696	**8 638**	**-**	**-**

Other receivables

90-120 days	-	4	-	-
120-150 days	-	6	-	-
150+ days	2 916	4 540	-	752
	2 916	**4 550**	**-**	**752**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(13 188)	(12 027)	(752)	(984)
Impairment losses increase	2 599	(4 454)	-	(752)
Amounts written off as uncollectable	974	3 009	752	984
Amounts recovered during the year	-	117	-	-
Movement due to exchange differences	-	167	-	-
	(9 615)	**(13 188)**	**-**	**(752)**

The average credit period of the Group is 53 days (2014: 78 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 repayment of the debt. Trade receivables between 60 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	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000
12. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Bank balances	31 410	44 342	4 721	307
Short-term deposits	261 884	177 820	261 884	177 820
	293 294	**222 162**	**266 605**	**178 127**
13. Non-current assets held for sale				
Assets and liabilities				
Non-current assets held for sale				
Property, plant and equipment	25	25	-	-
Investments	372 420	372 730	37 216	37 526
	372 445	**372 755**	**37 216**	**37 526**
Investments				
Singisi Forest Products Proprietary Limited	111 552	111 552	32 760	32 760
Siyaqhubeka Forests Proprietary Limited	167 280	167 280	-	-
MTO Forestry Proprietary Limited	89 090	89 090	-	-
Amathole Forestry Company Proprietary Limited	4 498	4 808	4 456	4 766
	372 420	**372 730**	**37 216**	**37 526**

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. A partner has been indentified and currently the negotiations for the sale are ongoing. 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 board of directors of the investments.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

14. Financial assets by category

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

Group - 2015

	Loans and receivables	Available-for-sale	Total
Other financial assets	-	2 138	2 138
Trade and other receivables	197 509	-	197 509
Cash and cash equivalents	293 294	-	293 294
	490 803	**2 138**	**492 941**

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**

Company - 2015

	Loans and receivables receivables	Available-for-sale sale	Total
Loans to group companies	292 886	-	292 886
Other financial assets	-	1 495	1 495
Trade and other receivables	8 106	-	8 106
Cash and cash equivalents	266 605	-	266 605
	567 597	**1 495**	**569 092**

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**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000
15. 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
16. Foreign currency translation reserve				
Foreign exchange	(67 656)	(42 040)	-	-
	(67 656)	**(42 040)**	**-**	**-**
17. 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**
18. Revaluation reserve				
Adjustment to net asset valuation upon corporatisation	948	948	-	-
	948	**948**	**-**	**-**
19. 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**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000
20. Finance lease obligation				
Minimum lease payments due				
- within one year	19 131	13 586	-	-
- in second to fifth year inclusive	45 775	35 955	-	-
	64 906	49 541	-	-
less: future finance charges	(10 070)	(7 708)	-	-
Present value of minimum lease payments	**54 836**	**41 833**	**-**	**-**
Present value of minimum lease payments due				
- within one year	14 818	10 390	-	-
- in second to fifth year inclusive	40 018	31 443	-	-
	54 836	**41 833**	**-**	**-**
Non-current liabilities	40 018	31 443	-	-
Current liabilities	14 818	10 390	-	-
	54 836	**41 833**	**-**	**-**

Finance lease obligations are capitalised between prime plus 0.19% and prime less 0.16% (2014: prime plus 1.88% and prime less 0.11%).

The effective interest rate prevailing at year end ranged between 9.09% and 9.44% (2014: 8.89% and 10.88%). These lease terms are 5 years with between 1 and 5 years (2014: 1 and 1 years) remaining. These liabilities are secured by installment sale agreements over assets with a carrying value of R54 million (2014: R 35.5 million). Monthly repayments are R 1.3 million (2014: R 1.1 million).

	Group		Company	
21. Trade and other payables				
Trade payables	38 658	45 449	2 399	2 357
VAT	7 049	4 581	103	-
Other payables	2 804	412	223	261
Land Lease	94 061	-	-	-
Accrued leave pay	17 005	15 962	3 765	3 297
Accrued bonus	2 700	-	195	-
Accruals	40 512	24 540	6 623	5 495
	202 789	**90 944**	**13 308**	**11 410**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

22. Provisions

Reconciliation of provisions - Group - 2015

	Opening balance	Additions	Utilised during the year	Transfer	Change in discount factor	Total
Product claims	251	2 000	(251)	-	-	2 000
Land lease	60 410	46 419	-	(106 829)	-	-
Provisions - IFLOMA	16 608	2 514	-	-	37	19 159
	77 269	**50 933**	**(251)**	**(106 829)**	**37**	**21 159**

Reconciliation of provisions - Group - 2014

	Opening balance	Additions	Other - Note 1	Total
Product claims	-	251	-	251
Land lease	12 787	47 623	-	60 410
Provisions - IFLOMA	-	4 322	12 286	16 608
	12 787	**52 196**	**12 286**	**77 269**

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 has been confirmed in the current year and will therefore be paid in the new financial year. The amount has therefore been transferred to Trade And Other Payables.

Provisions - IFLOMA - The subsidiary restated the opening balance due to a correction of the 2014 balances.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

23. Financial liabilities by category

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

Group - 2015

	Financial liabilities at amortised cost	Total
Trade and other payables	202 792	202 792
Finance lease obligation	54 836	54 836
	257 628	**257 628**

Group - 2014

	Financial liabilities at amortised cost	Total
Trade and other payables	90 944	90 944
Finance lease obligation	41 833	41 833
	132 777	**132 777**

Company - 2015

	Financial liabilities at amortised cost	Total
Trade and other payables	13 308	13 308

Company - 2014

	Financial liabilities at amortised cost	Total
Trade and other payables	11 410	11 410

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015 R '000	Restated 2014 R '000	2015 R '000	Restated 2014 R '000
24. Revenue				
Timber sales	531 527	526 642	-	-
Sawn timber sales	295 425	292 125	-	-
Other	71 188	75 607	43 165	43 150
	898 140	**894 374**	**43 165**	**43 150**
25. Cost of sales				
Sale of goods				
Transport	(45 059)	(57 071)	-	-
Harvesting	(125 562)	(123 890)	-	-
Establishment	(19 249)	(25 960)	-	-
Tending	(24 662)	(24 964)	-	-
Protection	(94 817)	(93 285)	-	-
Overheads	(188 556)	(197 700)	-	-
Processing	(164 036)	(172 464)	-	-
Other	(12 189)	(4 157)	-	-
	(674 130)	**(699 491)**	**-**	**-**
26. Operating profit (loss)				
Operating profit (loss) for the year is stated after accounting for the following:				
Auditors Remmuneration				
Audit Fees	(3 954)	(1 189)	(2 990)	(62)
Over / Under provisions - prior year	-	(483)	-	-
	(3 954)	**(1 672)**	**(2 990)**	**(62)**
Fees for services				
Administrative and legal	(12 392)	(5 323)	(12 272)	(5 097)
Managerial	(1 069)	(1 107)	(358)	(5 214)
Technical	(37 105)	(31 070)	(10 385)	(18 772)
	(50 566)	**(37 500)**	**(23 015)**	**(29 083)**
Operating lease charges				
• Contractual amounts	(9 038)	(7 991)	(5 204)	(4 709)
Amortisation on intangible assets	(8 092)	(292)	(7 898)	(17)
Depreciation on property, plant and equipment	(53 112)	(43 054)	(712)	(2 178)
Asset Adjustment	17 872	-	507	-
Staff Costs				
Salaries and wages	(228 249)	(231 401)	(51 468)	(47 443)
Benefits and other costs	(36 405)	(26 636)	(15 141)	(15 427)
Employer contribution - Defined contribution plan	(25 428)	(15 724)	(4 791)	(3 159)
	(290 082)	**(273 761)**	**(71 400)**	**(66 029)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000
26. Operating profit (loss) (continued)				
Staff costs are included in operating expenses and cost of sales as follows:				
Cost of sales	159 092	162 015	-	-
Operating expenses	130 990	111 746	71 400	66 029
	290 082	**273 761**	**71 400**	**66 029**
Foreign exchange gains (loss)				
Realised	-	1 267	(2)	(3)
Other items contributing to operating profit (loss)				
Internal charges and recoveries	3 707	4 647	(1 222)	(1 114)
Settlement discount received	2 343	2 834	-	1
Travel and accommodation	(5 576)	(5 178)	(2 932)	(2 406)
Material management	(11 279)	(13 838)	(742)	(228)
Forestry contractors	(6 001)	(9 286)	(67)	(325)
Other asset management	(6 627)	(8 723)	(6 736)	(708)
Risk management	(9 771)	(10 863)	(442)	(1 187)
Selling expenses	(1 028)	(6 209)	(703)	(534)
Amounts written off and provided for	(3 260)	(6 190)	1 459	(2 368)
Other administrative costs	(17 096)	(17 619)	(5 517)	(6 917)
Socio and economic development	(6 296)	(8 226)	(5 750)	(6 643)
Other expenses	(356)	-	(761)	(55)
	(61 240)	**(78 651)**	**(23 413)**	**(22 484)**
Directors remuneration				
For services as directors	(2 555)	(2 556)	(2 555)	(2 556)
Managerial services	(3 654)	(2 888)	(3 654)	(2 888)
	(6 209)	**(5 444)**	**(6 209)**	**(5 444)**
Other income				
Profit on sale of assets	-	3 145	-	62
Write off - fines and penalities relating to withholding tax	-	5 470	-	-
Other	7 074	-	3 139	-
	7 074	**8 615**	**3 139**	**62**

27. Fair value adjustments				
Biological assets - (Fair value model)	144 544	698 757	-	-
Investments classified as non current assets held for sale	-	32 688	-	-
	144 544	**731 445**	**-**	**-**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015 R '000	Restated 2014 R '000	2015 R '000	Restated 2014 R '000
28. Investment revenue				
Dividend revenue				
Associates - local	41 813	4 125	41 813	4 125
Interest revenue				
Subsidiaries	-	-	3 570	13 415
Bank	13 615	8 685	13 616	8 685
Other interest	1 727	1 329	477	370
	15 342	**10 014**	**17 663**	**22 470**
	57 155	**14 139**	**59 476**	**26 595**
29. Finance costs				
Group companies	-	-	(284)	-
Finance leases	(4 164)	(2 739)	-	-
Bank	(25)	(50)	(25)	(50)
Other interest	(60)	(64)	-	(6)
	(4 249)	**(2 853)**	**(309)**	**(56)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000
30. Taxation				
Major components of the tax expense (income)				
Current				
Local income tax - current period	29 964	126	-	-
Deferred				
Originating and reversing temporary differences	248	196 048	(8 880)	(11 534)
	30 212	**196 174**	**(8 880)**	**(11 534)**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit / loss	200 230	704 109	(37 225)	(61 923)
Tax at the applicable tax rate of 28% (2014: 28%)	56 064	197 151	(10 423)	(17 338)
Tax effect of adjustments on taxable income				
Net effect of (income)/expenses that are not (taxable)/deductible in determining taxable profit	(1 393)	2 500	(9 704)	(1 331)
Effect of different tax rates of subsidiaries operating in different jurisdictions	7 774	(3 747)	-	-
Adjustments recognised in the current year in relation to the current year tax of prior years	(26 594)	(4 200)	(11 861)	(7 575)
Adjustments recognised in the current year in relation to the assets transferred to the group company	-	(94)	-	-
Tax losses (utilised) / carried forward	10 870	12 886	23 108	12 885
Tax effects on restated net profit	-	830	-	1 825
Effect of fair value adjustments	(16 509)	(9 152)	-	-
	30 212	**196 174**	**(8 880)**	**(11 534)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015 R '000	Restated 2014 R '000	2015 R '000	Restated 2014 R '000
31. Cash generated from (used in) operations				
Profit (loss) before taxation	200 230	704 109	(37 225)	(61 923)
Adjustments for:				
Depreciation and amortisation	60 781	43 346	8 610	2 195
Profit on sale of property, plant and equipment	-	(3 146)	-	-
Profit on sale of non-current assets held for sale	-	-	-	(62)
Dividends received	(41 813)	(4 125)	(41 813)	(4 125)
Interest received - investment	(15 342)	(10 014)	(17 663)	(22 470)
Finance costs	4 249	2 853	309	55
Fair value adjustments	(143 416)	(731 445)	-	-
Impairment on non-current assets held for sale	310	-	310	-
Reversal of impairment on non-current assets held for sale	-	(2 254)	-	(2 254)
Movements in retirement benefit assets	2 098	(128)	441	(261)
Movements in provisions	(56 110)	64 482	-	-
Non-cash items - Prior year adjustment	-	2 316	-	2 316
Revaluation of property, plant and equipment	78	(1 414)	-	-
Asset Adjustment	(25 021)	3 042	396	6 520
Changes in working capital:				
Inventories	(4 809)	16 447	(29)	(43)
Trade and other receivables	(16 325)	22 997	18 526	5 261
Trade and other payables	111 845	(12 206)	1 897	(12 923)
	76 755	**94 860**	**(66 241)**	**(87 714)**
32. Tax (paid) refunded				
Balance at beginning of the year	(115)	642	642	642
Current tax for the year recognised in profit or loss	(29 964)	(126)	-	-
Balance at end of the year	23 713	(631)	-	(642)
	(6 366)	**(115)**	**642**	**-**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

		Group		Company	
		2015	Restated 2014	2015	Restated 2014
		R '000	R '000	R '000	R '000

33. 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 (2014: 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 2015 and 2014 respectively were as follows:

Total borrowings					
Finance lease obligation	20	54 836	41 833	-	-
Total debt		54 836	41 833	-	-
Total equity		3 740 161	3 595 759	672 590	700 935
Total capital		**3 794 997**	**3 637 592**	**672 590**	**700 935**
Gearning ratio		1%	1%	-%	-%

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000

33. 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.

Classes of financial instruments

	Group 2015 R '000	Group Restated 2014 R '000	Company 2015 R '000	Company Restated 2014 R '000
Financial assets				
Other financial assets	2 138	543	1 495	291
Loans to group companies - Non-interest bearing loans	-	-	294 042	294 042
Loans to group companies - Interest bearing loans	-	-	-	98 727
Cash and cash equivalents	293 294	222 162	266 605	178 127
Trade receivables	196 598	180 273	8 106	26 632
	492 030	**402 978**	**570 248**	**597 819**

	Group 2015 R '000	Group Restated 2014 R '000	Company 2015 R '000	Company Restated 2014 R '000
Financial liabilities				
Finance lease obligation	54 836	41 833	-	-
Trade payables	202 792	90 944	13 308	11 410
Loans to group companies - Interest bearing loans	-	-	1 155	-
	257 628	**132 777**	**14 463**	**11 410**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

33. 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 2015	Carrying amount	Contractual amount	Less than 1 year	2-5 years	Total
Finance lease obligation	54 836	54 836	14 818	40 018	54 836
Trade and other payables	202 792	202 792	202 792	-	202 792
	257 628	**257 628**	**217 610**	**40 018**	**257 628**
At 31 March 2014					
Finance lease obligation	41 833	41 833	10 390	31 443	41 833
Trade and other payables	90 944	90 944	90 944	-	90 944
	132 777	**132 777**	**101 334**	**31 443**	**132 777**

Company

At 31 March 2015	Carrying amount	Contractual amount	Less than 1 year	2-5 years	Total
Trade and other payables	13 308	13 308	13 308	-	13 308
At 31 March 2014					
Trade and other payables	11 410	11 410	11 410	-	11 410

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

33. 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

33. Risk management (continued)

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.

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 %	2 138	-	2 138
Trade and other receivables	18	- %	-	196 598	196 598
Cash and cash equivalents	19	5 %	293 294	-	293 294
	-	-	295 432	196 598	492 030
Financial liabilities					
Trade and other payables	28	- %	-	(202 792)	(202 792)
Finance lease obligation	27	9 %	(41 833)	-	(41 833)
	-	**- %**	**253 599**	**(6 194)**	**247 405**
As at 31 March 2015					
Financial assets			295 432	196 598	492 030
Financial liabilities			(41 833)	(202 792)	(244 625)
			253 599	**(6 194)**	**247 405**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

33. Risk management (continued)

	Notes	Weighted average effective interest rate	Floating interest rate	Non-interest bearing	Total
Company					
Financial assets					
Other financial assets	13	4%	1 495	-	1 495
Loans to group companies - Non-interest bearing loans	17	-%	-	294 042	294 042
Cash and cash equivalents	19	5%	266 605	-	266 605
Trade and other receivables	18	-%	-	8 106	8 106
	-	-	268 100	302 148	570 248
Financial liabilities					
Trade and other payables	28	- %	-	(13 308)	(13 308)
Loans to group companies - Interest bearing loans	17	- %	(1 155)	-	(1 155)
	-	**- %**	**266 945**	**288 840**	**555 785**

As at 31 March 2015			
Financial assets	268 100	302 148	570 248
Financial liabilities	(1 155)	(13 308)	(14 463)
	266 945	**288 840**	**555 785**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

33. 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 2015 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

Sensitivity if interest rate increase by 200 basis points				
Increase in profit or loss	5 072	3 617	5 339	5 543
Sensitivity if interest rate decrease by 200 basis points				
Decrease in profit or loss	(5 072)	(3 617)	(5 339)	(5 543)
	-	-	-	-

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 2015 and 31 March 2014 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

33. 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:

	2015		2014	
Group				
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets			**543**	**543**
Other financial assets	-	-		
Cash and cash equivalents	293 294	293 294	222 162	222 162
Trade and other receivables	196 598	196 598	180 273	180 273
	489 892	**489 892**	**402 978**	**402 978**
Financial liabilities				
Finance lease obligations	54 836	54 836	41 833	41 833
Trade and other payables	202 792	202 792	90 944	90 944
	257 628	**257 628**	**132 777**	**132 777**

	2015		2014	
Company				
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Other financial assets	1 495	1 495	291	291
Cash and cash equivalents	266 605	266 605	178 127	178 127
Trade and other receivables	8 106	8 106	26 632	26 632
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
	570 248	**570 248**	**597 819**	**597 819**
Financial liabilities				
Loans to group companies - Interest bearing loans	1 155	1 155	-	-
Trade and other payables	13 308	13 308	11 410	11 410
	14 463	**14 463**	**11 410**	**11 410**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

33. 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 2015: 8% to 10%
- 31 March 2014: 8% to 10%

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000
34. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Property, plant and equipment	6 976	22 029	-	3 770

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	6 935	6 949	5 077	4 615
- in second to fifth year inclusive	8 510	15 445	8 510	13 587
	15 445	**22 394**	**13 587**	**18 202**

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

35. Contingencies

Land Claims

Approximately 61% percent of SAFCOL/KLF land is affected by land claims. This includes 14 claims in Limpopo, 17 in Mpumalanga and 1 in KZN. The total number of claims is 32 in all. The claims are at different stages of the restitution process.

The Abacus properties which are owned by SAFCOL and located in Ngome were valued by the KZN Land Claims Commission in 2007 in order to determine the market related value of the properties. Based on the report the land was valued at R 3 million and the standing timber was valued at R 28 million.

SAFCOL together with the Department of Rural Development and Land Reform (DRD&LR) are currently conducting workshops with all relevant stakeholders, including claimant communities on the proposed settlement model through which the land will be transferred in title to its rightful owners.

The purpose of these workshops has been to get the communities to understand, amongst others, the operational model of SAFCOL/KLF, the current status of the plantations (age class distribution), business operations, financials, what is required to manage the plantation etc.

There are draft settlement agreements that need to be finalised and signed by all parties involved, including land claimants.

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 (2014: R 0.75 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. There were no changes to the status of the matter throughout the 2015 period.

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. Subsequent to 31 March 2015 all cases related to the fires have been settled.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000
36. 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			
Related party balances				
Receivables from related parties				
Subsidiaries	-	-	4 095	12 181
Other State Owned Entities	1 858	5	-	-
Payables to related parties				
Subsidiaries	-	-	(690)	(461)
Other State Owned Entities	(1 025)	(723)	-	-
Related party transactions				
Services revenue				
Subsidiaries	-	-	(43 108)	(43 108)
Other State Owned Entities	(3 723)	(1 588)	-	-
Purchase of goods and services				
Subsidiaries	-	-	7 262	4 862
Other State Owned Entities	11 210	13 004	-	8
Interest received				
Subsidiaries	-	-	(3 570)	(13 415)
CDE (Proprietary) Limited	(45)	-	-	-
Interest paid				
Subsidiaries	-	-	284	-
Other State Owned Entities	43	16	-	-
Key management compensation				
Salaries and other short-term employee benefits	6 545	6 370	6 545	6 370

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

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 / from related parties - Interest bearing subsidiaries				
Opening balance	-	-	98 727	212 477
Loans (advanced) / repaid during the year	-	-	(99 882)	(113 750)
	-	**-**	**(1 155)**	**98 727**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015	Restated 2014	2015	Restated 2014
	R '000	R '000	R '000	R '000

37. 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.

38. Fruitless and wasteful expenditure

The Group incurred irrecoverable fines, penalties and interest in the current year. The Group will implement adequate controls to prevent future fruitless and wasteful expenditure.

Fruitless and wasteful expenditure movement				
Opening balance	1 842	14 090	140	360
Incurred during the year	366	1 842	1	140
Condoned during the year	(2 208)	(14 090)	(141)	(360)
Closing balance	**-**	**1 842**	**-**	**140**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015 R '000	Restated 2014 R '000	2015 R '000	Restated 2014 R '000
39. Irregular Expenditure				
Irregular expenditure movement				
Opening balance	17 867	1 476	3 876	145
Incurred during the year	29 708	16 391	7 016	3 731
Incurred during the year - prior year	42 475	-	14 270	-
Condoned during the year	(90 050)	-	(25 162)	-
	-	-	-	-
Irregular expenditure awaiting condonation	**-**	**17 867**	**-**	**3 876**
Details of irregular expenditure				
Three quotations not obtained	1 451	7 248	-	1 050
No contracts in place with the relevant supplier before purchases were made	44	364	-	-
Authorisation to procure was not obtained	5 411	319	100	-
Tenders not advertised for 21 days	-	2 052	-	-
Tax clearance certificates not obtained	15 937	6 408	50	2 681
ERP Related Activities				
2012/2013 Financial year	3 032	-	3 032	-
2013/2014 Financial year	8 906	-	8 906	-
2014/2015 Financial year	6 866	-	6 866	-
ICT Related Activities				
2011/2012 Financial year	311	-	311	-
2012/2013 Financial year	529	-	529	-
2013/2014 Financial year	1 492	-	1 492	-
Services not included in the contracts - Mabuza				
2005/2006 Financial year	741	-	-	-
2006/2007 Financial year	3 826	-	-	-
2007/2008 Financial year	7 303	-	-	-
2008/2009 Financial year	8 051	-	-	-
2009/2010 Financial year	1 183	-	-	-
2010/2011 Financial year	1 203	-	-	-
2011/2012 Financial year	3 422	-	-	-
2012/2013 Financial year	1 681	-	-	-
2013/2014 Financial year	794	-	-	-
	72 183	**16 391**	**21 286**	**3 731**

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.

There are three contractors which are currently under investigation and two contractors are referred for investigation, with the outcome expected in 2015/2016 financial year. However the outcome may impact 2014/2015 financial year.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Group		Company	
	2015 R '000	Restated 2014 R '000	2015 R '000	Restated 2014 R '000
40. Material losses incurred				
Amounts provided for				
Losses identified	1 662	1 074	-	-
Amounts recovered	-	(1 074)	-	-
	1 662	**-**	**-**	**-**

During the current financial year, investigations were undertaken which resulted in payment of discounts that were authorised by a former employee in contradiction to the sales procedure B-BBEE compliance.

41. Non-compliance with the procurement process

A letter of award was issued to a supplier prior to board approval of awarding the contract.

The contract was subsequently approved by the board. There were no services rendered or expenditure incurred during this period.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. 2014 prior period adjustment

	As previously reported	Prior period error	As restated
Group			
Statement of Financial Position			
Intangible Assets	62 103	(4 944)	57 159
Property, plant and equipment	251 191	1 892	253 083
Trade and other payables	(93 466)	2 522	(90 944)
Retained Earnings	(3 190 994)	530	(3 190 464)
Reserves	(99 568)	12 286	(87 282)
Provisions	(64 983)	(12 286)	(77 269)
Statement of Profit and Loss and Other Comprehensive Income			
Profit before tax	706 954	(2 845)	704 109
Company			
Statement of Financial Position			
Intangible Assets	61 910	(4 944)	56 966
Property, plant and equipment	5 944	(1 576)	4 368
Trade and other payables	(13 726)	2 317	(11 409)
Retained Earnings	(258 752)	4 204	(254 548)
Statement of Profit and Loss and Other Comprehensive Income			
Profit before tax	(43 869)	(6 520)	(50 389)

During the prior period, the Group undertook an exercise to physically verify all of their fixed assets however at the end of previous financial year, the exercise was not complete therefore the financial statements were not adjusted (Komatiland Forests SOC Limited and South African Forestry SOC Limited).

During the current year, the exercise was completed and accounting records were updated accordingly. This resulted in an adjustment to the prior period figures.

As part of economic upliftment, the Group assisted Enterprise Development contractors to start their own businesses in the form of cooperatives. As part of this exercise, the members were provided advances. These were subsequently offset against the creditors balances. In the previous year the advances were allocated to salaries and wages instead of to an advance account (trade receivables).

Therefore, the balances have been adjusted against the salaries and wages in the prior year (Komatiland Forests SOC Limited and South African Forestry SOC Limited).

During the current year, the capital work in progress account was adjusted to remove all completed projects which resulted in an adjustment to prior period figures.

During the current year, IFLOMA restated the opening balances due to the correction of 2014 balances, as a result provisions and foreign currency reserves balances were restated.

LIST OF ABBREVIATIONS

Abbreviation	Description
AET	Adult Education and Training
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BoD	Board of Directors
CAMCORE	Central America and Mexico Coniferous Resources Cooperative
CAR	Corrective Action Request
CEO	Chief Executive Officer
CSIR	Council for Scientific and Industrial Research
DAFF	Department of Agriculture, Fisheries & Forestry
DPE	Department of Public Enterprises
DPSA	Department of Public Service and Administration
DRDLR	Department of Rural Development and Land Reform
DTI	Department of Trade & Industry
ED	Enterprise Development
ERP	Enterprise Resource Planning
EXCO	Executive Committee
FET	Further Education & Training
FP&M Seta	Fibre Processing and Manufacturing SETA
GIBS	Gordon Institute of Business Science
ha	Hectares
ICFR	Institute for Commercial Forestry Research
IUFRO	International Union of Forest Research Organisations
IFLOMA	Indústrias Florestais de Manica, SARL
IFRS	International Financial Reporting Standards
IR	Industrial Relations
King III	King Report on Corporate Governance for South Africa, 2010
KLF	Komatiland Forests (Pty) Ltd
KPIs	Key Performance Indicators
KZN	KwaZulu-Natal
LCC	Land Claims Commission
MPE	Minister of Public Enterprises
NGP	New Growth Path
NDP	National Development Plan
NOSA	National Occupational Safety Association

Abbreviation	Description
OECD	Organisation for Economic Co-operation & Development
PFMA	Public Finance Management Act
Prolit	Project Literacy
R&D	Research and Development
SA	South Africa
SED	Socio-economic Development
SIS	Strategic Intent Statement
SAFCOL	South African Forestry Company Ltd
LSARS	South African Revenue Services
SMME	Small Medium and Micro Enterprises
SOC	State Owned Company
TPCP	Tree Protection Corporate Programme
TR	Treasury Regulation

ADMINISTRATION AND CONTACT DETAILS

Head Office – Pretoria

Tel:	+27 [0] 12 436 6300
Postal address:	P.O Box 1771; Silverton; 0127
Physical address:	Podium at Menlyn, 43 Ingersol Road, Lynnwood Glen, Pretoria, 0081

Nelspruit Operational Office

Tel:	+27 [0] 13 754 2700
Fax:	+27 [0] 13 753 3584
Postal:	Private Bag X11201, Nelspruit, 1200
Physical address:	10 Streak Street, Nelspruit, 1200

Marketing Office

Tel:	+27 [0] 12 436 6350
Postal address:	P.O Box 1771, Silverton, 0127
Physical address:	Podium at Menlyn; 43 Ingersol Road, Lynnwood Glen, Pretoria, 0081

Research Centre

Tel:	+27 [0] 13 764 3493
Fax:	+27 [0] 13 764 1239
Postal address:	KLF Research, PO Box 574, Sabie, 1260

Eco-Tourism Booking & Enquiries

Tel:	+27 [0] 13 754 2724
Fax:	+27 [0] 13 754 2790
E-mail:	ecotour@klf.co.za
Postal address:	Private Bag X11201, Nelspruit, 1200
Physical address:	10 Streak Street, Nelspruit, 1200

Platorand Training Centre

Tel:	+27 [0] 13 764 1058
Fax:	+27 [0] 13 764 2071
E-mail:	csieling@klf.co.za

ISBN: **978-0-620-66154-6**

South African Forestry Company Limited

Registration number: 1992/005427/30

Podium at Menlyn

43 Ingersol Road

Lynnwood Glen

Pretoria

Tel: +27 12 436 6300

Fax: +27 12 804 3716

E-mail: info@safcol.co.za

www.safcol.co.za