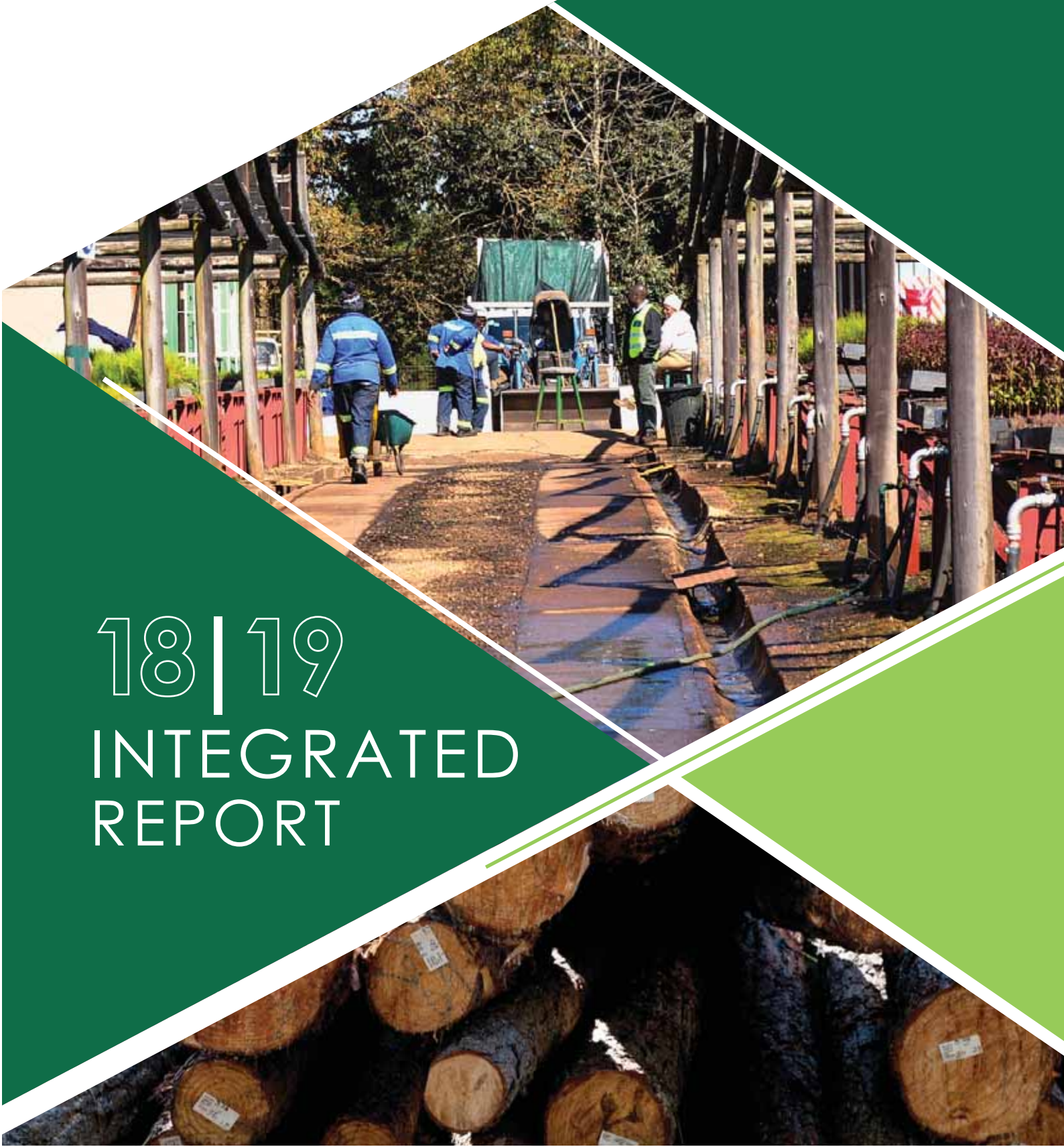




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INTEGRATED
REPORT

South African Forestry Company SOC Limited

2018 | 2019

INTEGRATED REPORT

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PART A: ABOUT THIS REPORT

PART A: ABOUT THIS REPORT

SAFCOL's Integrated Report is prepared based on the principles contained in the International Integrated Reporting Framework published by the International Integrated Reporting Council and some elements of the National Treasury Annual Report Guide for Public Entities.

A.1 SCOPE

This Integrated Report presents the financial, technical, operational, social and environmental performance of the company for the 2018/19 financial year (1 April 2018 to 31 March 2019). Our progress towards integrated thinking is reflected in our performance indicators that cover financial and non-financial matters, as well as our strategy, material matters and associated risks. This Report should be read in conjunction with our full set of Annual Financial Statements as this offers a comprehensive overview of our financial performance. The information contained therein refers to the performance of SAFCOL, which includes the Komatiland Forests SOC Ltd and its subsidiary operations of Indústrias Florestais de Manica, SARL, based in Mozambique.

A.2 FORWARD-LOOKING STATEMENTS

The company's forward-looking statements constitute current expectations based on reasonable assumptions, data or methods, and are not a guarantee of future results. Actual results may differ materially from those projected in any forward-looking statements due to various events, risks, uncertainties and other factors. SAFCOL neither intends to, nor assumes an obligation to update or revise any forward-looking statements, arising from either new information, future events or otherwise.

A.3 ASSURANCE PROVIDERS

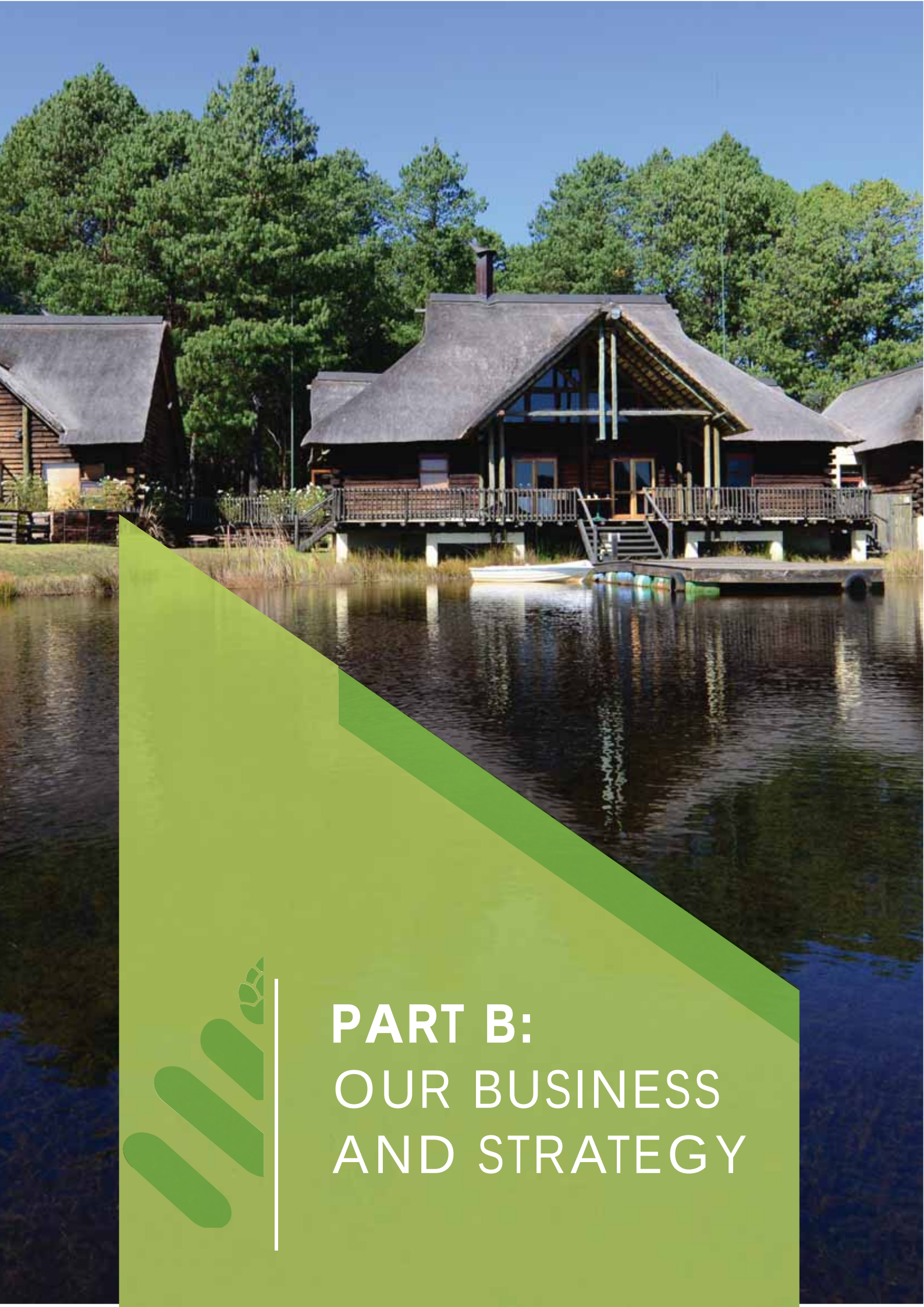
SAFCOL's assurance is provided to the Board of Directors by management, internal and external assurance providers which include:

- a) SAFCOL Risk and Compliance function;
- b) SAFCOL Internal Audit function;
- c) SAFCOL Safety, Health, Environment and Quality function;
- d) Independent Broad-Based Black Economic Empowerment verification agencies;
- e) Forest Stewardship Council® Certification; and
- f) Auditor-General of South Africa.

A.4 BOARD RESPONSIBILITY AND APPROVAL

The Board is accountable for the integrity and completeness of the Integrated Report and any supplementary information, and is supported by various Board Committees.

The Board approved the 2018/19 Integrated Report and Annual Financial Statements on 23 August 2019, after having considered the completeness of the material items dealt with and the reliability of information presented and the assurance process followed. The consolidated financial statements were prepared and audited in accordance with International Financial Reporting Standards as well as the requirements of the Public Finance Management Act of 1999 and Companies Act of 2008.



PART B: OUR BUSINESS AND STRATEGY

PART B: OUR BUSINESS AND STRATEGY

B.1 WHO WE ARE

SAFCOL was established in 1992, under the Management of State Forests Act No. 128 of 1992. In terms of Section 3 of the MSFA, the objectives of SAFCOL are described as, “the development in the long-term of the forestry industry according to accepted commercial management practice”. The entity is an integrated forestry business operating in South Africa and has a footprint in Mozambique.

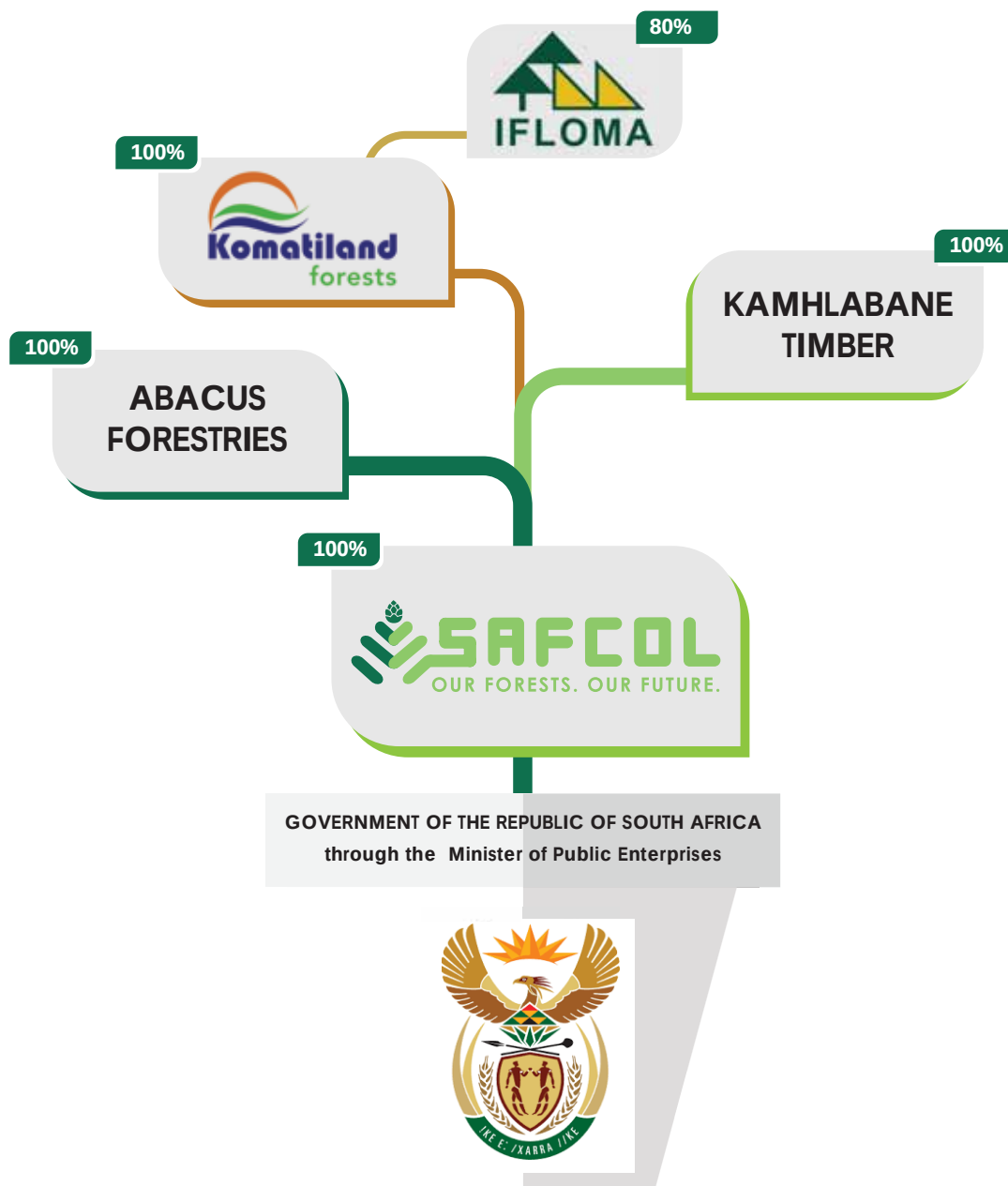


Figure B.1: SAFCOL's current structure

SAFCOL further holds minority shares on behalf of other beneficiaries in four companies, namely:

- a) Siyaqhubeka Forests (Pty) Ltd (25.00%);
- b) Amathole Forestry Company (Pty) Ltd (16.00%);
- c) MTO Forestry (Pty) Ltd (17.58%); and
- d) Singisi Forest Products (Pty) Ltd (10.90%).

SAFCOL intends to reposition IFLOMA to be a direct subsidiary of it, and operationalise the dormant entities (Abacus and Kamhlabane) to grow the business.

B.1.1 OUR OPERATIONS

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

KLF is the main operating entity and generator of income within the group, managing 15 prime timber plantation assets in Mpumalanga, Limpopo and KwaZulu-Natal. KLF's commercial and non-commercial operations cover a land area of 189 760ha. In addition, KLF manages a R&D facility, a tree nursery, Timbadola Sawmill, Platorand Training Facility as well as ecotourism facilities.

KLF's products are certified by the international organisation FSC®, whose primary role is to monitor, and ensure that the company practices sustainable management of its plantations, in a way that preserves the natural ecosystem, and benefits the lives of local communities and employees, whilst ensuring that it sustains its economic viability.

IFLOMA manages a total area of 82 547ha in Mozambique of which 46 109ha is plantable for commercial operations. The IFLOMA forestry operations comprises of four plantations Rotanda, Bandula, Penhalonga and Mavonde situated in the West of Manica Province with a warehouse located in Maputo as well as a sawmill in Messica. Part of the IFLOMA forestry operations is the Fibre Project in Muanza District.

KLF and IFLOMA total operations are outlined in Table B.1 below:

Table. B.1: Total areas of operation of KLF and IFLOMA SAFCOL Group areas of operation

Areas of Operation	Total Area	Nominal Plantable Area	Planted Area	TU (ha)	Still to be planted	Conservation
South Africa	189 760	121 055	118 631	2 423		68 705
Mozambique	82 547	17 405	15 655	1 750	28 704	36 438

B.1.2 SAFCOL'S VALUE CHAIN

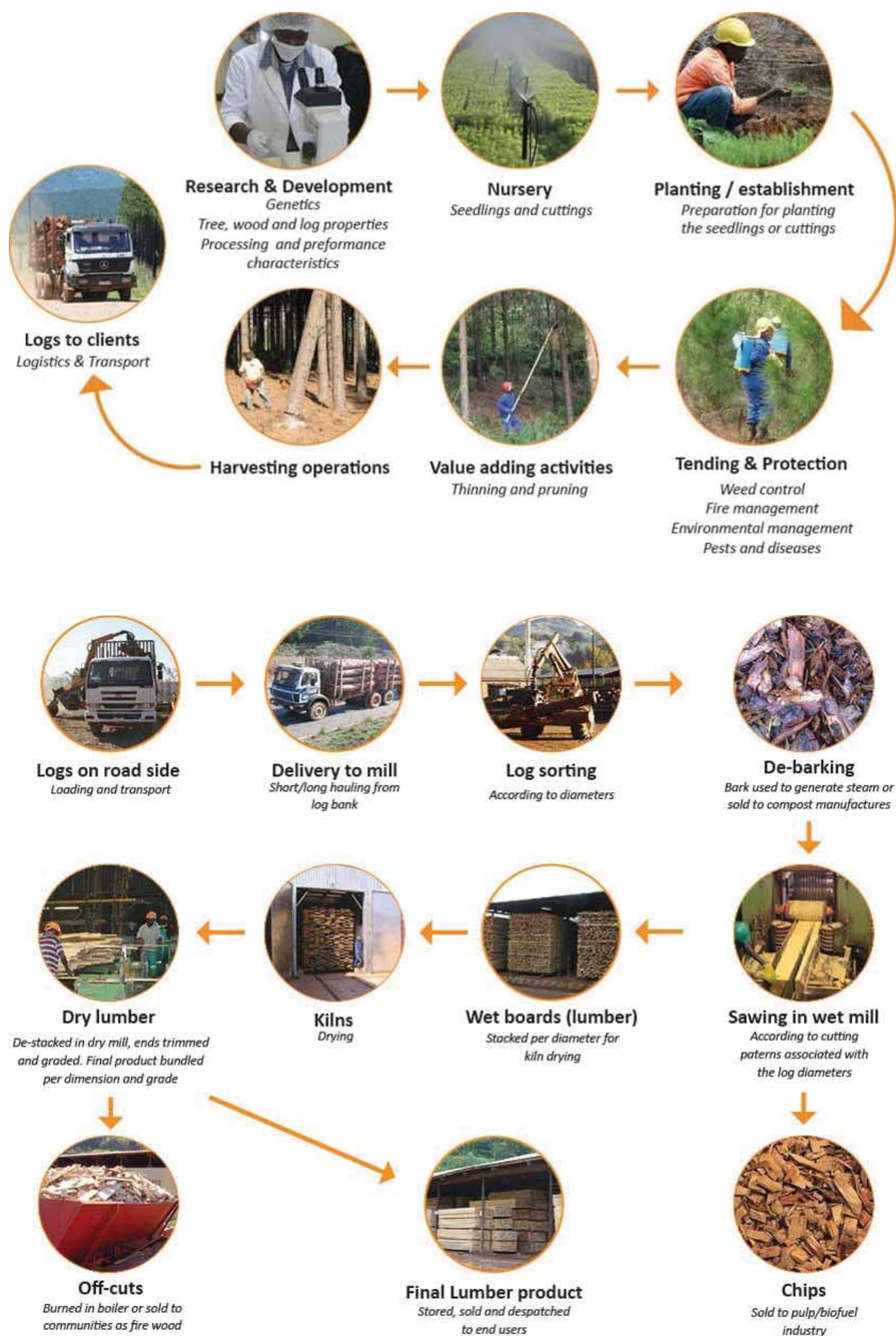


Figure B.2: SAFCOL Plantations and Sawmill Value Chain

B.1.3 WHERE WE OPERATE

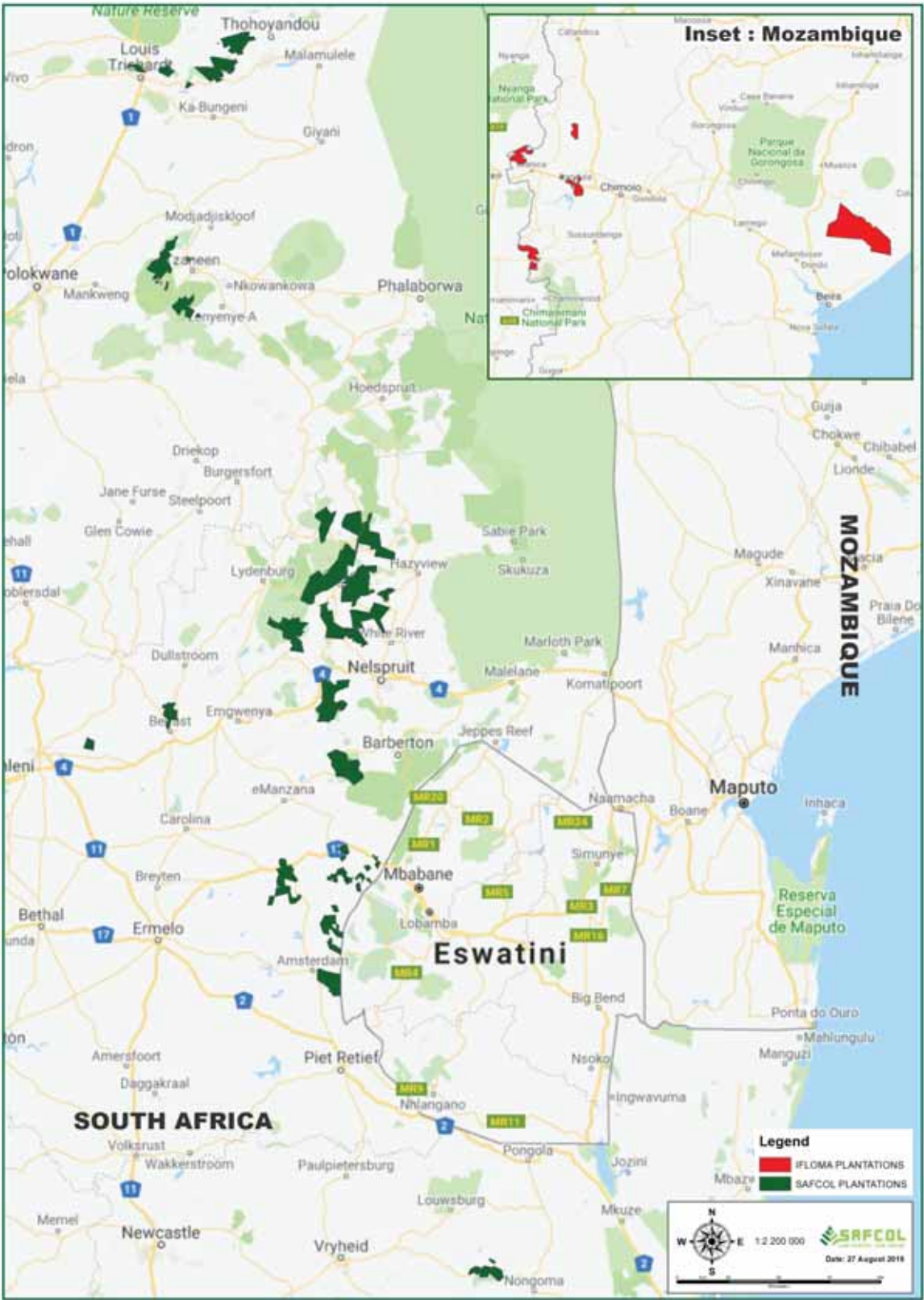


Figure B.3: KLF plantations in South Africa and IFLOMA plantations in Mozambique

B.2 CHAIRPERSON'S STATEMENT



Mr. Mpho Makwana
Board Chairperson

It is the duty of every Board of Directors to maximise value, not only for the shareholder(s) but to maximise sustainable value to the benefit of all stakeholders.

As a new collective of leaders, we were entrusted with this, the smallest SOC that is South African Forestry Company Limited (SAFCOL). We place an important price on the responsibility entrusted upon us by the Shareholder Minister, The Hon Dr Pravin Gordhan; Minister of Public Enterprises.

Upon assuming office on 1 October 2018, we took note of a number of trends that impact on the timber industry globally. Equally, we took cognisance of the local historical context within which SAFCOL operates in South Africa, the African Continent and particularly in Mozambique where SAFCOL is a majority shareholder in a strategic asset, IFLOMA.

In many nations of the world, the timber industry makes a significant national contribution to GDP; trends show rapid market growth with increasing demand, with developed countries such as the US, UK under pressure to import structural timber, while China's demand has also increased so exponentially that there is a need to import timber. This is a testament of the global potential that lies within this sector.

SAFCOL needs to optimise volume output, with a clear focus on being cost-competitive, if it is to maximise long term sustainability and profitability.

It is for this reason that SAFCOL's board, in October 2018, reviewed the existing strategy and adopted a forward-looking integrated approach towards laying a foundation for long-term sustainability. This approach now guides the business performance for the 2019/20 financial year for which measurable results will be reported in the referred reporting year. The revised strategy focuses on various outputs – the stabilisation of the business, revenue growth off the existing asset base as well as through expansion, continuously striving to create shared value for the benefit of communities and all stakeholders. SAFCOL is recovering from an era of non-performance after the global economic downturn in 2008 which affected industries far and wide. With this strategic approach as an enabler, we will uphold our mandate to our shareholder. The strategy implementation has taken effect pivoted on our six capitals.

The core foundation of SAFCOL's strategy are:

- a) Driving organisational efficiencies and turnaround.
- b) Collaborating with industry.
- c) Horizontal Integration through accessing other plantations.
- d) Reviewing the organisation's harvesting policies in order to potentially increase volumes.
- e) Increasing processing capacity by investing in the upgrade and modernisation of the Timbadola sawmill.
- f) Cultivating a wood culture in South Africa.
- g) Developing new products to extract maximum value from its logs, including collaboration with the industry.
- h) Increasing capacity in the organisation.
- i) Driving rural economic development and enterprise development.
- j) Effectively utilising SAFCOL's abundant forestry assets to grow its eco-tourism business.

Our Mandate

As a State-Owned Company (SOC), we have a dual mandate of commercial viability, as well as that of socio-economic development. Our mandate is to conduct the commercial forestry business, and realise an effective return, to our Shareholder, whilst contributing to economic development mainly in rural areas.

Mr. Mpho Makwana
SAFCOL Board Chairperson

B.3 CHIEF EXECUTIVE OFFICER'S OVERVIEW



Mr. Tsepo Monaheng
Chief Executive Officer



SAFCOL's strategy:

Reposition the business beyond being a supplier of sawlogs and lumber, to ensure growth, financial sustainability and championing of forestry industrialisation and transformation in forestry sector.

Performance review

I am delighted to present the overview of the company's performance during the financial year under review. It was a challenging year for business; recovering from a period of financial underperformance, the company improved the top line revenue year-on-year, and operating expenses as a percentage of revenue decreased largely due to continuing cost containment. The operating expenses to revenue proportion improved from 97% the previous year to 89% during this reporting period. Revenue increased by 12.5% from previous financial year to R1.042 billion. The revenue was however lower than budget due to unrealised lumber sales as a result of a failure to acquire further processing capacity.

Subdued spend in the local economy impacted most companies and SAFCOL was not an exception to this trend. While there remains a high-value proposition for growth, demand for timber which is mainly used in infrastructure related projects declined. In addition, construction activity dropped remarkably over the last 36 months, a factor that largely affected SAFCOL's financial performance. Manufacturing, inclusive of wood processing, was one of the industries that recorded a second consecutive quarter of negative growth. The timber market is almost only price-driven and it is therefore difficult to be profitable due to ever-increasing production costs.

Strategic focus

The first phase for the company's strategy is to stabilise and fix the business in preparation for a sustainable growth. We are pleased to realise that the company continues to recover from an era of non-performance and the re-alignment has certainly put the company on a firm growth trajectory. The new operating model was developed and is being applied to improve efficiency and reliability. A project to change the culture in the business was initiated driven by the need to achieve a values-based culture. The new company culture, when successfully implemented, will have a powerful impact on how the employees feel about their jobs, their motivation to excel, and in-turn, the overall success of the company.

SAFCOL's importance to South Africa's developmental agenda cannot be over-emphasised. During this period the company was a driver for rural economic development which creates employment opportunities for youth and women in areas in which we operate.

Operations

Our objective remains to ensure that the company becomes self-sufficient in the short term and achieves sustainable excellence and growth in the long term. This focus, which is already bearing fruits, is evident in the fact that we managed to finance all operational and capital requirements from our balance sheet. SAFCOL management will continue to

inculcate a culture of excellence, which is driven by customer centricity, respect for all stakeholders and ethical behaviour among employees.

Given our focused effort to manage safety in our operations, we recorded a remarkable improvement towards reducing the disabling injury frequency rate (DIFR). The actual DIFR was 1.6, which was an improvement against a Shareholder's Compact target of 1.8. We are pleased to report that there was no loss of life recorded in our operations during the year.

The Temporarily Unplanted (TU) Percentage of 2% against the Shareholder's Compact target of 3% for South African operations was achieved during the reporting period under review. The TU Percentage target was exceeded despite the hot and dry weather experienced at the beginning of the planting season.

Business Highlights

In ensuring that the strategy is implemented and objectives are achieved, KLF has maintained its Forest Stewardship Council (FSC®) certification for over 20 consecutive years, including the Chain of Custody certification at the Timbadola Sawmill. Sales and customer satisfaction was a key focus area for the year, including customer engagements which were held to discuss how best to strengthen the relationships for mutual benefit. Engagements with DAFF were prioritised and a partnership to revive their unproductive plantations is being explored. We managed to close the long-outstanding forensic investigations. Investment in production equipment improved the capability for the company to deliver products to customers. Cost saving initiatives were implemented and these yielded positive results during the year. Opportunities to increase revenue, improve efficiency and profitability were explored, and important work was concluded in order to leverage some of these opportunities including new revenue streams and embarking on strategic partnerships.

SAFCOL continues to invest in community development programmes and collaborate with communities to create jobs and improve economic participation by local communities. During the year under review, the company invested more than R11 million in community development programmes. A formal supplier development programme was implemented in partnership with the University of Mpumalanga.

Future Focus

After stabilisation of the business and implementation of the new operating model, we intend to embark on an aggressive growth plan, which in turn will result in the creation of value for all stakeholders. In the process, we also intend to train our workforce to ensure that our company becomes a 21st century global entity.

In our efforts to root out corrupt and malfeasant practices, recommendations from the forensic investigations reports, whose revelations laid bare a permeating culture of unethical behaviour among some employees, were implemented. A disciplined and dedicated workforce is critical for us to advance the objectives of our strategy. As the state entity tasked with among other things to facilitate the sustainable economic empowerment of rural based communities, we shall continue to leverage on the strength and policy guidance from our shareholder.

Acknowledgment and Appreciation

As we prepare for yet another challenging period ahead, we want to thank our clients, suppliers, employees, Board of directors and the shareholder representative, Minister of Public Enterprises, Honourable Pravin Gordhan for support as we continue to reposition the company for a successful future. We remain committed to delivering on the mandate that government through its shareholder representative has tasked us with.



Tsepo Monaheng
SAFCOL Chief Executive Officer

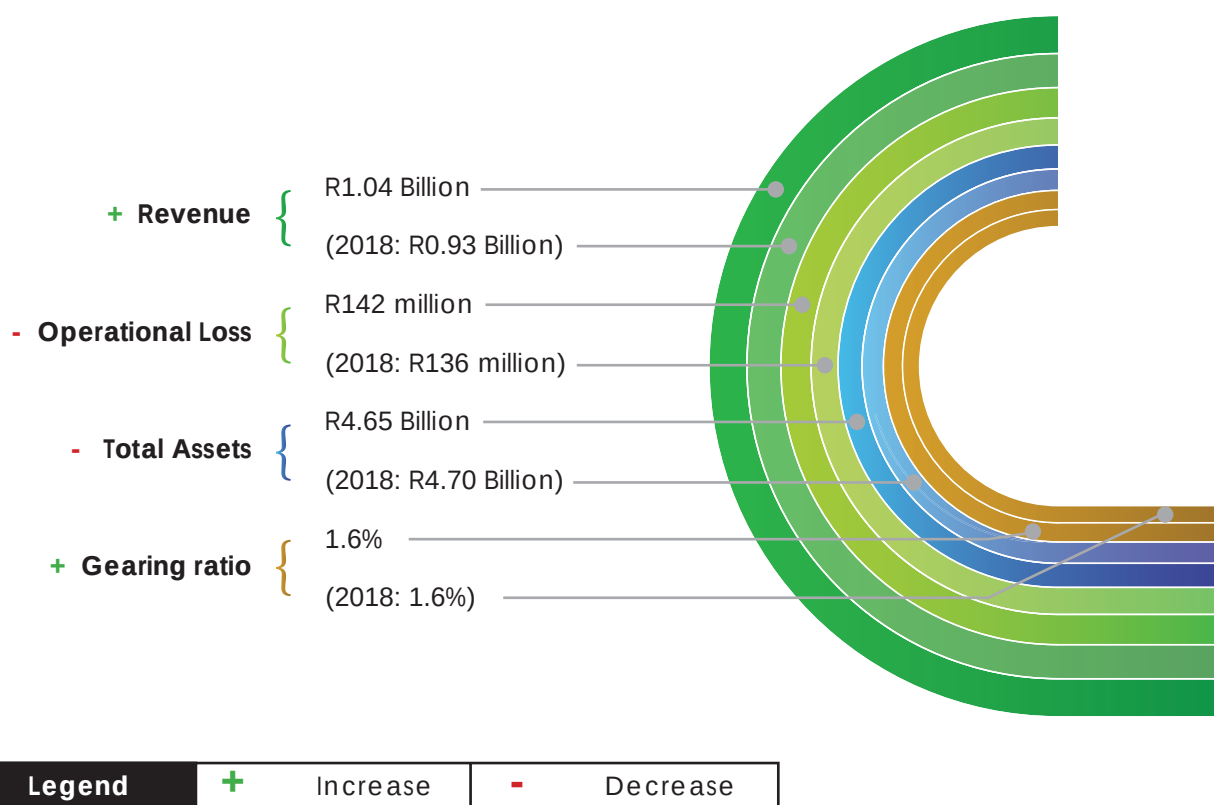
B.4 ACTING CHIEF FINANCIAL OFFICER'S REPORT



Mr. John Maruma
Acting Chief Financial Officer

Overview

The ever-rising costs of production had a significant impact on our current year performance despite a positive increase in revenue. The relatively low business investment activity within the construction and mining sectors meant that the company was not able to achieve its projected revenue targets. In addition, substantial currency weakness placed an upward pressure on prices of imported capital equipment and intermediate inputs, further increasing the Company's operational costs. During the year, the company formulated an operational strategy as part of a turnaround plan to reverse the negative financial performance. The strategy, which involves cost management and the diversification of revenue streams, is at various levels of implementation.



Internal Controls

The company received a qualified audit opinion due to the completeness element of the disclosure of irregular expenditure. As a result of the previous year results, the company has enhanced its internal control processes and policies, and has confidence in the processes and controls that have been adopted in the current year. Management believes that the internal control processes put in place will result in the company being able to identify all its irregular expenditure items which will ultimately result in the reduction of irregular expenditure.

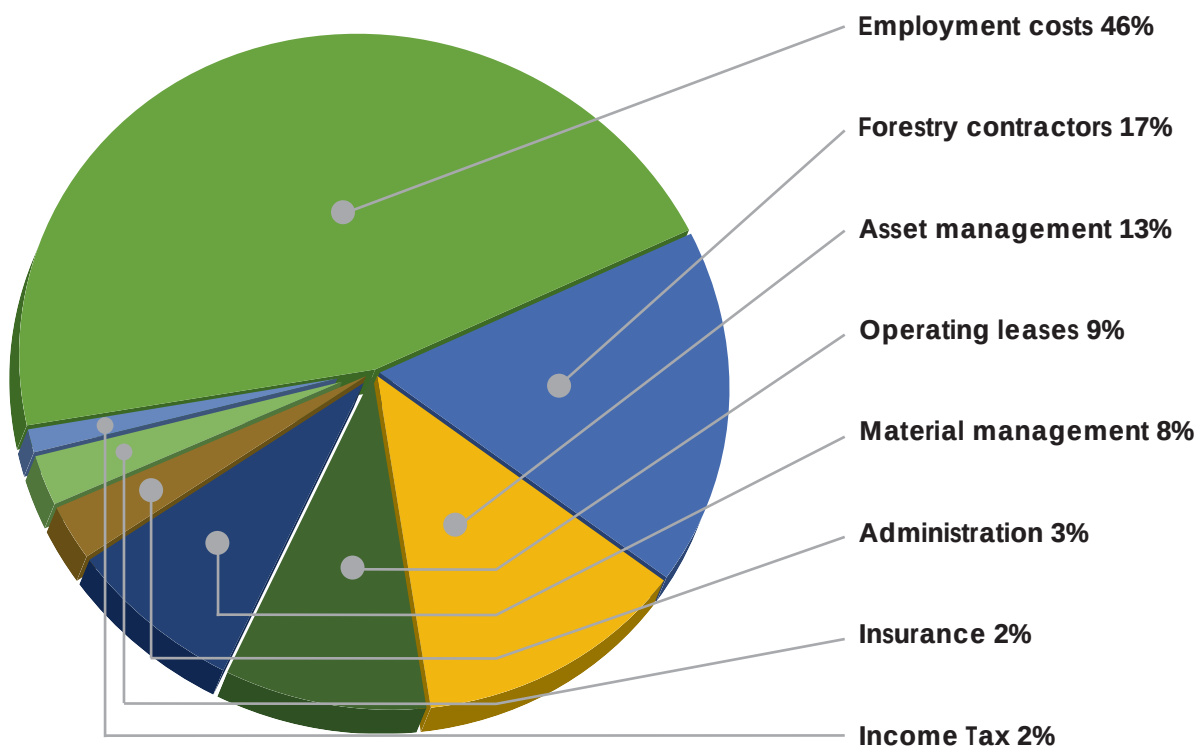
Operational expenses

Employment and contractor costs remains the major cost contributors in the company. Employment costs increased in the current financial year due to an increase in regulated minimum wages. The company has experienced inflationary increases on other operational input costs. Management has put in place controls to manage costs to ensure that they are within budgeted limits.

Growth

In the current year the company adopted a new growth strategy and is confident that the new strategy will significantly improve the operational and financial position of the company. Notwithstanding the unfavourable economic environment, our plans to diversify our product range are progressing and this will enable us to compete favourably by expanding our market share.

2018/19 Operational Costs



The planned product diversification is projected to increase SAFCOL's revenue streams by more than 25%. Other than the mooted introduction of new products and sales of alternative products to the market, the company is also working with the communities in which it operates to help them fast-track and conclude the land claims process that will empower them to benefit further from forestry on their newly acquired land.

Crucial to SAFCOL's success is the projected improvement in the economic outlook in Sub-Saharan Africa – underpinned by increasing investment activity and household spending, which presents us with a new growth frontier. The discovery of large gas fields in Mozambique and the anticipated infrastructure boom puts us on a firm ground to explore a new growth frontier in that market.

SAFCOL's controlling equity in Mozambique's IFLOMA forestry company places us in a position of advantage. In addition, the central and favourable geographic location of Mozambique means that IFLOMA is well positioned to respond to the needs of customers in the export market.

Prospects

The growth path that we have adopted is underpinned by our new strategy; as such, we shall continue with our efforts to reposition the company enabling it to withstand the emerging competitive terrain. While the economic prognosis in the short-term paints a challenging picture, we will continue to support government's programmes which among others aim to be reliant upon rural-based companies such as SAFCOL to create employment opportunities.

We look forward to ramping up our support of localised initiatives whose objective in this context is to benefit, among others, timber products by supplying raw materials to rural based SMME's, which in the process increases women and youth participation in the main stream economy. It remains our stated objective to use SAFCOL's footprint to further empower previously disadvantaged communities.



Mr. John Maruma
SAFCOL Acting Chief Financial Officer

B.5 OUR STRATEGY

Forestry is one of the key drivers to developing South Africa's economy, particularly in rural areas where poverty is compounded by a lack of employment opportunities. The industry employs approximately 158 400 people, to which 88 200 jobs are attributed to the forestry sector, particularly the sawmilling, mining timber, pulp and paper with other related industries accounting for the remaining 70 200 jobs (Forestry SA, 2017).

South Africa's forest plantations are based in Limpopo, Mpumalanga, KwaZulu-Natal (KZN), Eastern Cape and Western Cape, with 81% of the growing stock located in Mpumalanga and KZN. SAFCOL manages about 10% of the country's forestry land. Forest plantations can be classified into two main categories, that is, hardwood (Eucalyptus and Wattle) and softwood (Pine) (Forestry SA, 2017).

B.5.1 STRATEGIC INTENT STATEMENT

The Strategic Intent Statement for SAFCOL is summarised below:

- Leveraging State capabilities to improve sustainability and economic viability;
- Securing the economic future of the community and stakeholders it serves;
- Enhancing co-ordination between SOC's to unlock real value in support of the NDP goals;
- Optimising the social and economic impact of all interventions undertaken in the SOC in the achievement of these objectives;
- Horizontal Integration: to increase the management of plantation areas to ensure the sustainable supply of sawlogs to the country;
- Vertical Integration: participation in processing activities within the timber value chain; and
- IFLOMA: optimisation of the existing operations and investment for growth.

B.5.2 STRATEGY FOR GROWTH



B.5.3 STRATEGIC OBJECTIVES

Table B.2: Progress made towards achieving Strategic Objectives during 2018/19

STRATEGIC OBJECTIVES		PROGRESS MADE TOWARDS ACHIEVING STRATEGIC OBJECTIVES
Growth and new markets	a) Business development and growth.	Business development opportunities were identified and explored but few were implemented during the year.
	b) Grow current market share.	SAFCOL's lumber market share was at 5% during the year under review.
	c) Diversification of products and services.	The implementation of new products was explored but the production and delivery thereof was not realised during the year.
	d) Diversification into new markets.	Achieving SAFCOL's market expansion strategy was not fully achieved, although new customers and markets were explored.
	e) Horizontal and Vertical Integration.	Engagement with DAFF and other forestry companies took place to implement the horizontal integration strategy. The recommissioning of some DAFF plantations was explored.
Financial sustainability	a) Revenue.	SAFCOL Group revenue for the year ended 31 March 2019 was R1 042.11 million, which represents a 12.5% increase year-on-year.
	b) Financial management.	The SAFCOL Group posted a loss of R117.6 million for the year ended 31 March 2019.
	c) Increase operating profit.	Total operating costs of R933.18 million were incurred for the year. Most of the costs are not directly linked to revenue generation, but are rather incurred to sustainably maintain the biological assets.
Operational Excellence	a) Establish cutting-edge processing facilities.	Necessary repairs and upgrades were effected at the Timbadola, while suitable service providers and partners were sourced to recapitalise Timbadola Sawmill.
	b) Continuous improvement of silviculture and harvesting practices.	There has been a drive to improve operational excellence and this is evident in the reduced number and severity of audit findings during internal and FSC® audits. Limited silviculture capacity in some of the plantations reduced the achievement of some targets.
	c) Support all business processes with R&D.	R&D uses the best in-house genetic material available when plants are grown for the re-establishment operations.
	d) Develop consultancy and advisory services.	Engagements with DAFF for the management of their forests are underway, but no agreements were concluded.
Rural Development	a) Be a catalyst in rural and economic development.	SAFCOL has invested more than R11 million towards community development projects which have contributed towards job creation and the reduction of poverty .
	b) To lead in environmentally sustainable forestry.	100% FSC® Certification has been retained for 20 consecutive years.

B.5.4 HOW WE CREATE VALUE

B.5.4.1 The Six 'Capitals'

For the purposes of SAFCOL's Integrated Report, the six 'Capitals' can be categorised and described as follows:

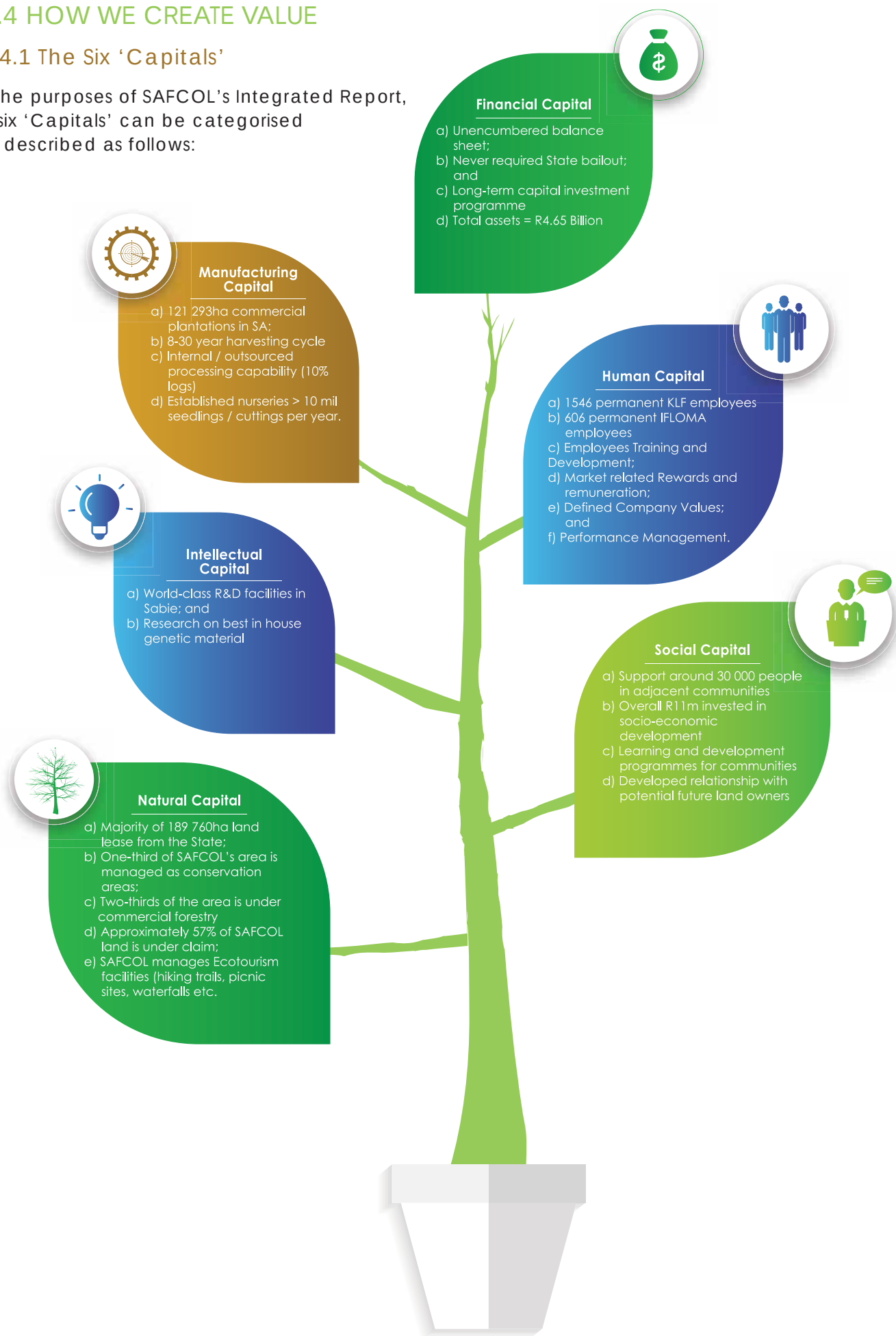


Figure B.4; The Six Capitals

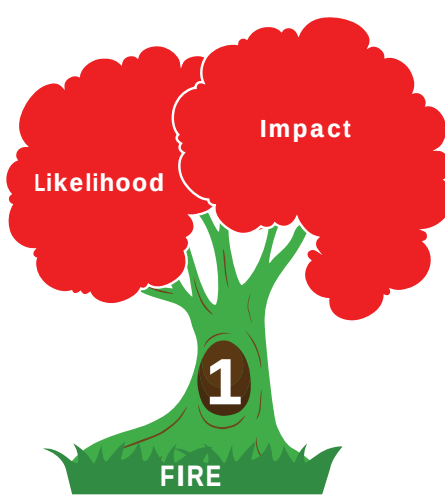
B.6 RISKS AND OPPORTUNITIES

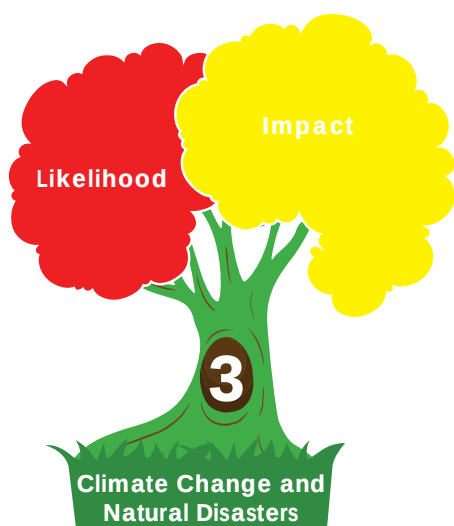
Indicated in the following two sections are the top five “Key Risks” that affect our company’s ability to create value in the short, medium and long-term, as well as the “Key Opportunities” that we have identified to contribute to the achievement of our objectives.

B.6.1 OUR KEY RISKS

Table B.3: Key risks

HIGH
MEDIUM
LOW

RISK TYPE AND RANK	WHAT ARE WE DOING ABOUT IT?
 Unfavourable weather conditions, and other natural and unnatural causes result in our plantations being vulnerable to fires.	SAFCOL works with Forestry South Africa (FSA) to ensure the integration of firefighting strategies for the industry. We also conduct fuel reduction activities during the rainy season, using scientific methods to reduce the risk of fires significantly. We are members of local Fire Protection Agencies and actively support our neighbours to minimise the risk and spread of fires. We partner with communities to assist in protecting our assets.
 The geographical spread of our plantations have made theft of timber and illegal logging a significant risk. Baboon damage to plantations is a challenge for the entire forestry industry, as the animals severely damage the bark of trees, resulting in lower than expected volumes. The Sirex wood wasp has done some damage to our Pine trees on quite a few plantations from Ngome plantation in the South to Entabeni plantation in the North. A fungus causing Pitch Canker in Pine trees has affected our tree survival percentages.	We are currently engaged in negotiations with potential stakeholders to explore state-of-the-art technology in order to have an overview of all plantation sites’ daily operational activities. We work with the Baboon Damage Working Group and other industry stakeholders to find sustainable solutions to the problem. Biological control agents have been deployed such as nematodes and wasps that feed on the problematic wasps. Trees are inoculated and are regularly monitored, and signs of improvement can be seen by the number of trees that require inoculation every year. We introduced disease-resistant hybrids, which improved our tree survival rate.



Changes in weather patterns can have a significant impact on forests, especially considering the climate changes that occur over a period of three decades, which is the same period as SAFCOL's horizon for tree life cycles.

SAFCOL operations do not contribute materially to the phenomenon of climate change since forestry operations by their nature are sequesters of carbon. However, the effect of climate change on our biological assets including drought, increased fire risk, pests and diseases could be catastrophic if not properly mitigated and managed. Forestry plantations are vulnerable to natural disasters, such as drought and heavy storms.

Our R&D team works with experts in the industry and academia to highlight major trends in climate change and to develop strategies to mitigate against the impact of climate change.

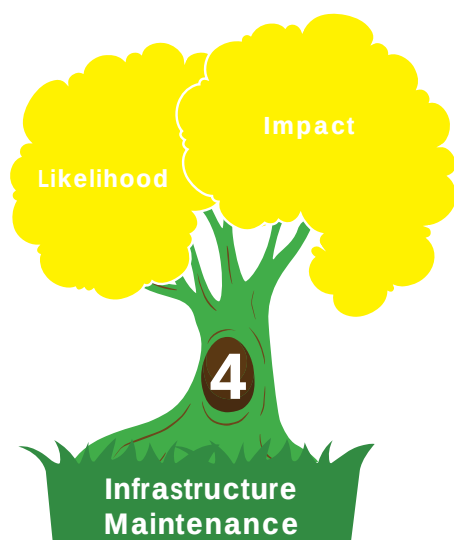
R&D is targeted to the development of drought resistant species able to better withstand the effects of climate change.

We have reviewed our Climate Change Strategy and a three-year Response Plan approved by the Board is in place in an effort to address aspects of climate change relevant to forestry operations.

Plantation Managers continuously review and update SAFCOL's strategies and protocol for all eventualities.

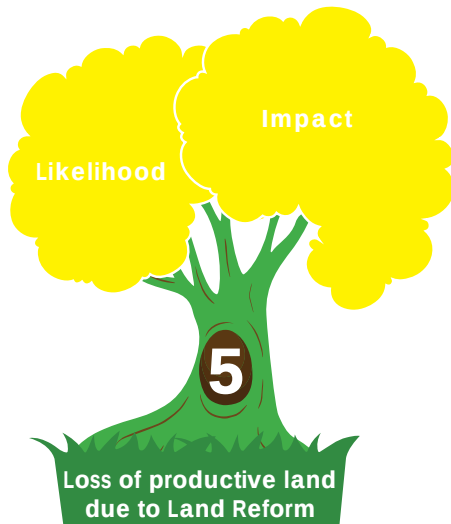
Opportunity:

SAFCOL is a sequester of carbon and during the review period a model was developed enabling us to quantify the carbon storage capacity of our forests. An opportunity exists to leverage possible carbon credits.



Ageing infrastructure that is key to SAFCOL's operations, presents a safety risk and results in inefficient operations.

We are evaluating the upgrade of our key infrastructure to result in increased productivity volumes and higher quality products.



In terms of Government land that SAFCOL leases from DAFF for forestry business activities within the Komatiland package, there are 23 land restitution claims in Limpopo, 20 in Mpumalanga and one in Kwa-Zulu Natal.

These claims are at different stages of the restitution process. Information indicates that at least 57% of Government leased land is subject to the Land Claims Commission (LCC's) land restitution process.

The forestry business that SAFCOL conducts is essentially land based. Therefore, the Company is confronted with a potential risk of losing useable land for its own business should it not carefully manage the impact of the South African land reform programme.

SAFCOL is working closely with the Land Claims Commission (LCC) and monitors the processes of the LCC on the research and validation of land claims.

Opportunity:

SAFCOL has identified opportunities of partnerships with the beneficiaries of the land reform programme to accelerate the transformation of the forestry industry by increasing the participation of the previously disadvantaged individuals in the forestry value chain.

SAFCOL is also positioning itself as the partner of choice to the land reform beneficiaries to embark on community forest initiatives, agro-forestry initiatives and develop black industrialists in the forestry sector for purposes of transformation, vertical and horizontal growth.

SAFCOL is exploring various economic empowerment initiatives for communities that are located adjacent to its forestry operation. The explored economic empowerment initiatives intended to fully integrate these communities into the business value chain services and supplies that are consumed by SAFCOL in its forestry business.

B.6.2 OUR KEY OPPORTUNITIES

Table B.4: Key opportunities

	WHY IS THIS AN OPPORTUNITY?	WHAT ARE WE DOING ABOUT IT?
Research and Development.	R&D serves as a means to diversify our product offering, revenue streams and client base through greater participation in the overall timber value chain. Other options also exist with research into important community projects to the benefit of both the Company and adjacent communities.	Our R&D teams ensures that: a) The best genetic material available is planted; b) Research initiatives with higher education institutions on pests and diseases and new downstream product development are implemented; and c) Agro and social forestry research projects on ground nuts and other agricultural crops are conducted.
Strategic Partnerships.	Partnerships aim to look into diversifying our revenue streams and become more involved in downstream activities with not only communities in our areas of operation, but also with government and private entities.	We continue to strive for value adding partnerships that will assist SAFCOL to venture into new products, services and markets to grow revenue and market share. Partnership focus areas include revenue growth, expansion of planted area, increase timber processing capabilities, bio-energy, skills development and sector development.

B.7 STAKEHOLDER MANAGEMENT

The table below shows the nature of stakeholder engagements.

Table B.5: SAFCOL Stakeholder Engagements

STAKEHOLDERS	COMMUNICATION MESSAGE / AREA OF INTEREST	COMMUNICATION CHANNEL	COMMUNICATION FREQUENCY
Minister of Public Enterprise (Shareholder).	a) SAFCOL is a strong and sustainable business; and b) SAFCOL complies with accepted business practices and adheres to the forestry industry regulations and practices, PFMA and other Government policies.	a) Reports: Monthly, Quarterly, Integrated Report, Shareholder's Compact and Corporate Plan; b) Annual General Meeting (AGM) or Briefings; and c) Event and project involvements.	a) Monthly; b) Quarterly; c) Annually; and d) Ad hoc.
Customers.	a) SAFCOL is a supplier of good quality products at a market related price.	a) Direct selling; b) Face to face contacts; c) Forestry events/exhibitions; d) Brochures; e) Customer days; f) Website; g) Media; and h) Social media.	a) Mainly daily.
Suppliers.	a) SAFCOL is a partner of choice for suppliers.	a) Newspapers (i.e. tenders); b) E-tender portals; and c) Face-to-face contact.	a) As and when the need arises.
Communities.	a) SAFCOL is a partner of choice and cares about its communities.	a) Joined Community Forums (JCF) meetings; b) Community events; c) Website; and d) Media.	a) Monthly; and b) Ad hoc.
Media.	a) SAFCOL is a vehicle for Rural and Economic Development; and b) SAFCOL is a strong and sustainable business.	a) Press conferences; b) Press releases; c) Media stakeholder events; d) Website; e) Media interviews; and f) Responses to media enquiries.	a) As and when the need arise.
Portfolio Committees.	a) SAFCOL is a strong and sustainable business; and b) SAFCOL delivers on its legislative mandate.	a) Parliament appearances; b) Responses to Parliamentary enquiries; and c) Integrated Report.	a) As and when the need arise.
Organised labour/unions.	a) SAFCOL cares about its employees and their needs; and b) SAFCOL adheres to the country's labour laws.	a) Union and management meetings.	a) Monthly; b) Quarterly; and c) Ad hoc.
Employees.	a) SAFCOL cares about its employees' needs; b) SAFCOL strives to adhere to the country's labour laws; and c) SAFCOL rewards and encourages excellent performance.	a) Team meetings/ Dialogues, b) Workshops (information sessions); c) Intranet; d) E-mailers; e) Newsletters: Newsflash and SAFCOL News; f) Events: Employee days, SA key holidays/special days (Mandela Day, Heritage Day, Women's Day, Youth Day); and g) Wellness Programme.	a) As and when the need arise.



Figure B.5: Minister of Public Enterprises, Dr Pravin Gordhan, launches the Matsila arts and crafts centre in Limpopo built by SAFCOL, accompanied by Cassel Mathale (Deputy Minister of Small Business Development), Tsepo Monaheng (SAFCOL CEO), Livhuwani Matsila (Ha-Matsila Chief) and Mavhungu Luruli Ramakhanya (Executive Mayor of Vhembe District Municipality)



PART C: PERFORMANCE INFORMATION

PART C: PERFORMANCE INFORMATION

C.1 AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against pre-determined objectives is included in the report to management, with material findings being reported under the pre-determined objectives heading in the report on other legal and regulatory requirements section of the Auditor's Report.

Refer to page 102 under Part H: Auditor-General's Report.

C.2 2018/19 PERFORMANCE INFORMATION

C.2.1 OVERALL PERFORMANCE AGAINST SHAREHOLDER'S COMPACT

The company concluded a Shareholder's Compact for the 2018/19 financial year with the Minister of Public Enterprises (the Shareholder Representative) which sets out agreed performance objectives, measures and indicators in line with the Treasury regulations issued under the PFMA. The SAFCOL Group performance is measured by 57 KPIs for the 2018/19 financial year. During the year under review, 30 KPIs (53%) were achieved and 27 (47%) were not achieved. Figure C.1 below shows performance information for the four quarters and the annual targets of the current financial year.

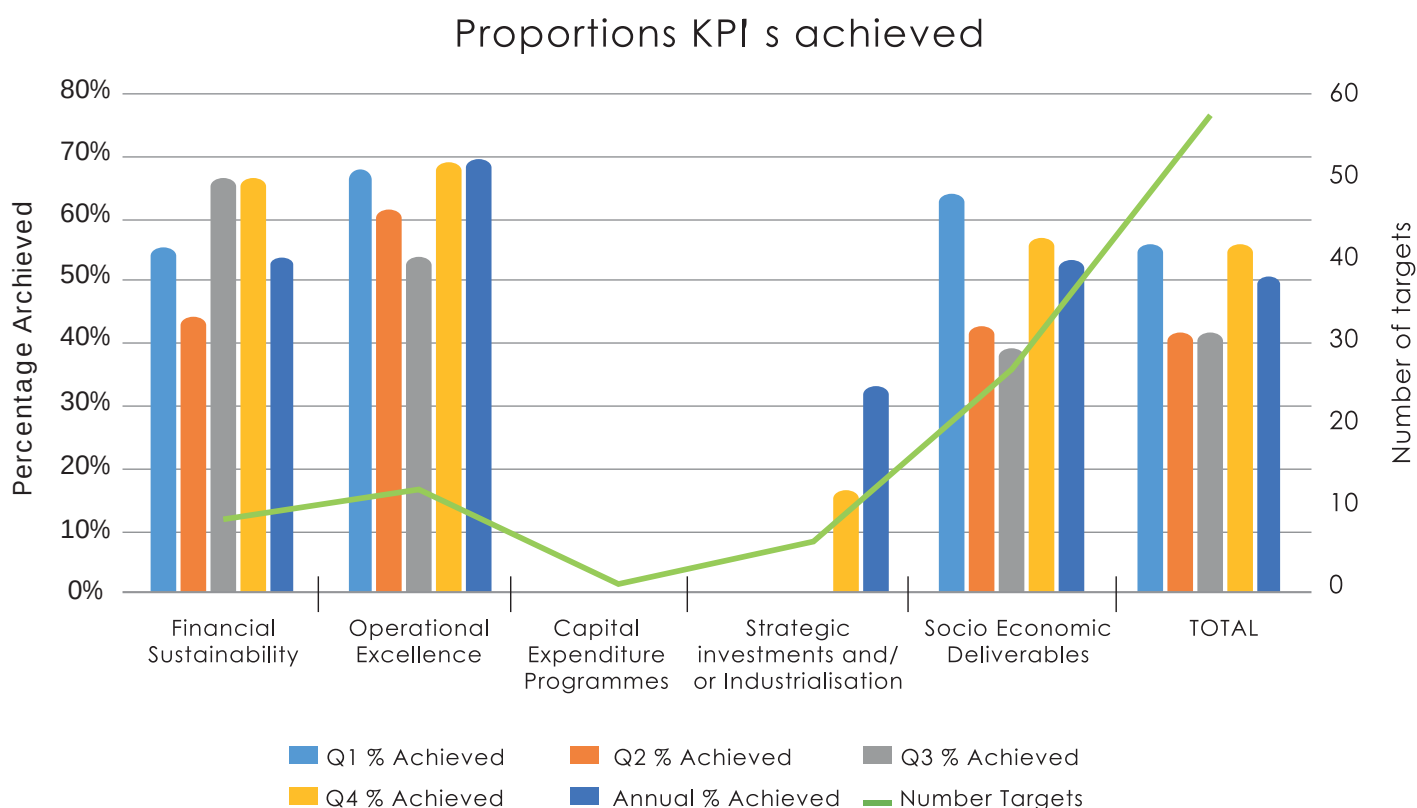
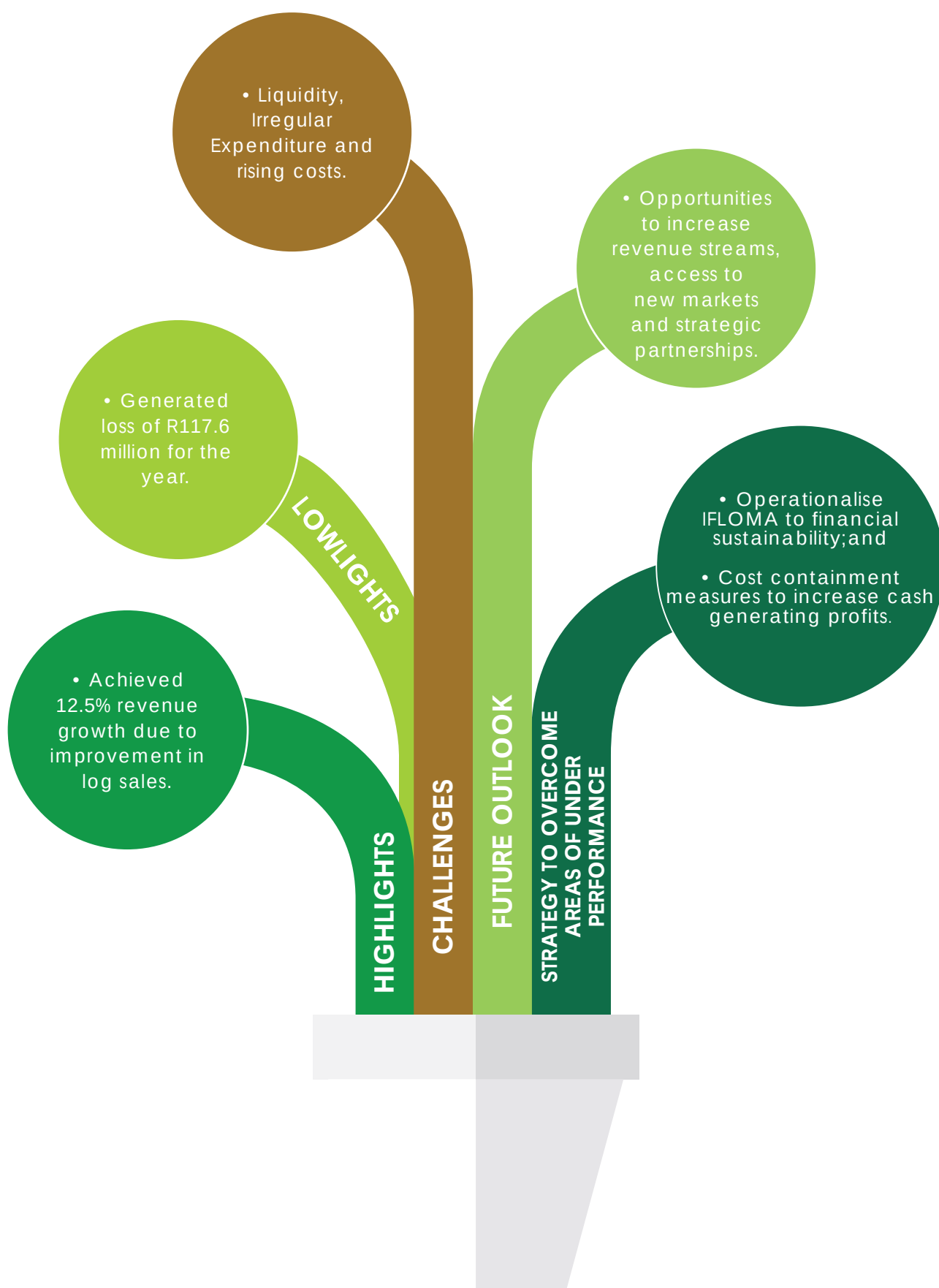


Figure C.1: Comparison of performance for Q1, Q2, Q3, Q4 and annual performance information

C.2.2 FINANCIAL SUSTAINABILITY



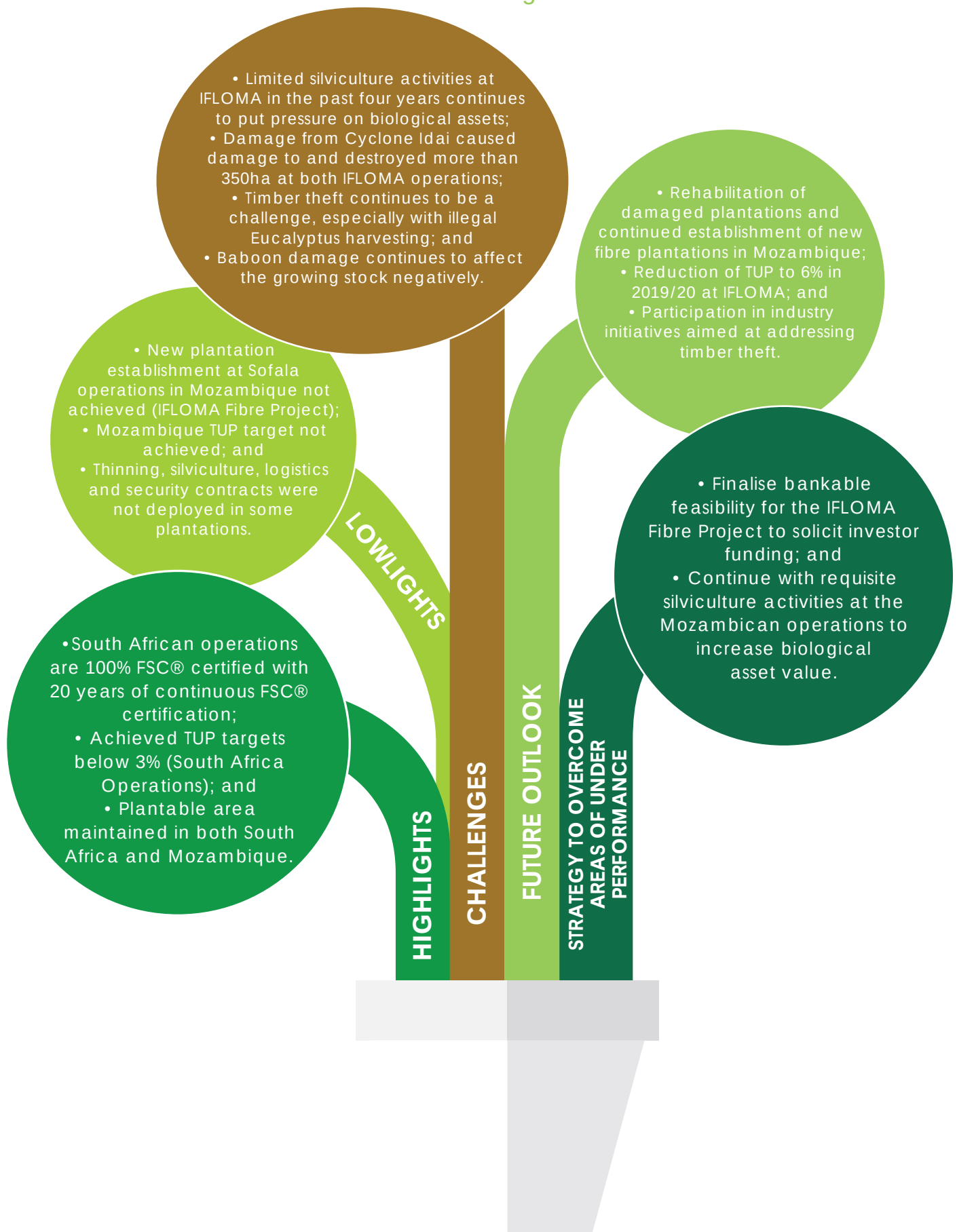
C.2.2.1 Key Performance Indicators, planned targets and actual achievements

Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
Financial Sustainability	Financial Returns	EBITDA / Revenue [%]	36%	5%	-7.5%	Not Achieved	-12.5%	Target not met mainly due to missed revenue targets.
		Revenue growth [%]	-9%	2%	12.5%	Achieved	+10.5%	Achieved due to improvement in Log sales as a result of standing sales at year end.
		Overhead Reduction [%]	-13%	5%	-3.4%	Not Achieved	-8.4%	Prior year operating activities were below budget. The missed target is due to the catch-up and increase in operational activities this year compared to last year and also due to CPI increases.
	Credit-worthiness	Cash Interest Cover ¹	n/a	1	1	Achieved	n/a	Cash interest cover ratio is not applicable as the net finance cost for the group is positive i.e. interest income exceeds interest expense, hence the ratio cannot be calculated.
		Current Ratio	0.5	<3.5	1.8	Achieved	+1.7	Target is achieved mainly due to increases in trade receivable levels due to log standing sales at year end.
	Working Capital Management	Cash Ratio	2	1	0.4	Not Achieved	-0.6	Target not met due to lower revenue and cash inflows for the group.
		Debtor's Days	137	60	161	Not Achieved	-101	The missed target is due to forward standing log sales which were concluded at year-end.
		Creditor's Days	37	30	30	Achieved	0	Payments to suppliers processed timeously.
		Inventory Days	36	40	24	Achieved	+16	Stock levels are reducing due to improvement on Lumber sales.

1. Cash interest cover ratio is not applicable as the net finance cost for the group is positive i.e. interest income exceeds interest expense.

C.2.3 OPERATIONAL EXCELLENCE

C.2.3.1 Area of Forest under Management



C.2.3.1.1 Key Performance Indicators, planned targets and actual achievements

Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
Operational Excellence	Area of Forest under Management	Total gross stocked area²						
		South Africa: Maintain Plantable Area [ha]	121 293	120 500	121 055	Achieved	555	Less plantable area was delineated than planned.
		Mozambique: Maintain current plantable area (Manica) [ha]	16 275	16 080	16 282	Achieved	202	Current plantable area is above target due to smaller area being delineated than anticipated.
	South Africa: TUP	Temporarily Unplanted Area (TUP)³						
			2.0%	3%	2%	Achieved	1%	A huge effort was placed on the re-planting of compartments after clearfelling. Therefore, more area was planted than planned and thus the lower TU figure.
		Mozambique current operations: TUP	8.2%	5%	7.8%	Not Achieved	-2.9%	The 2018 /19 financial year was characterised by low rainfall, which hampered planting and ultimately compromised the achievements of the target of 5% TU.

² Total Gross Stocked Area – Remaining area for delineation to be submitted with Corporate Plan

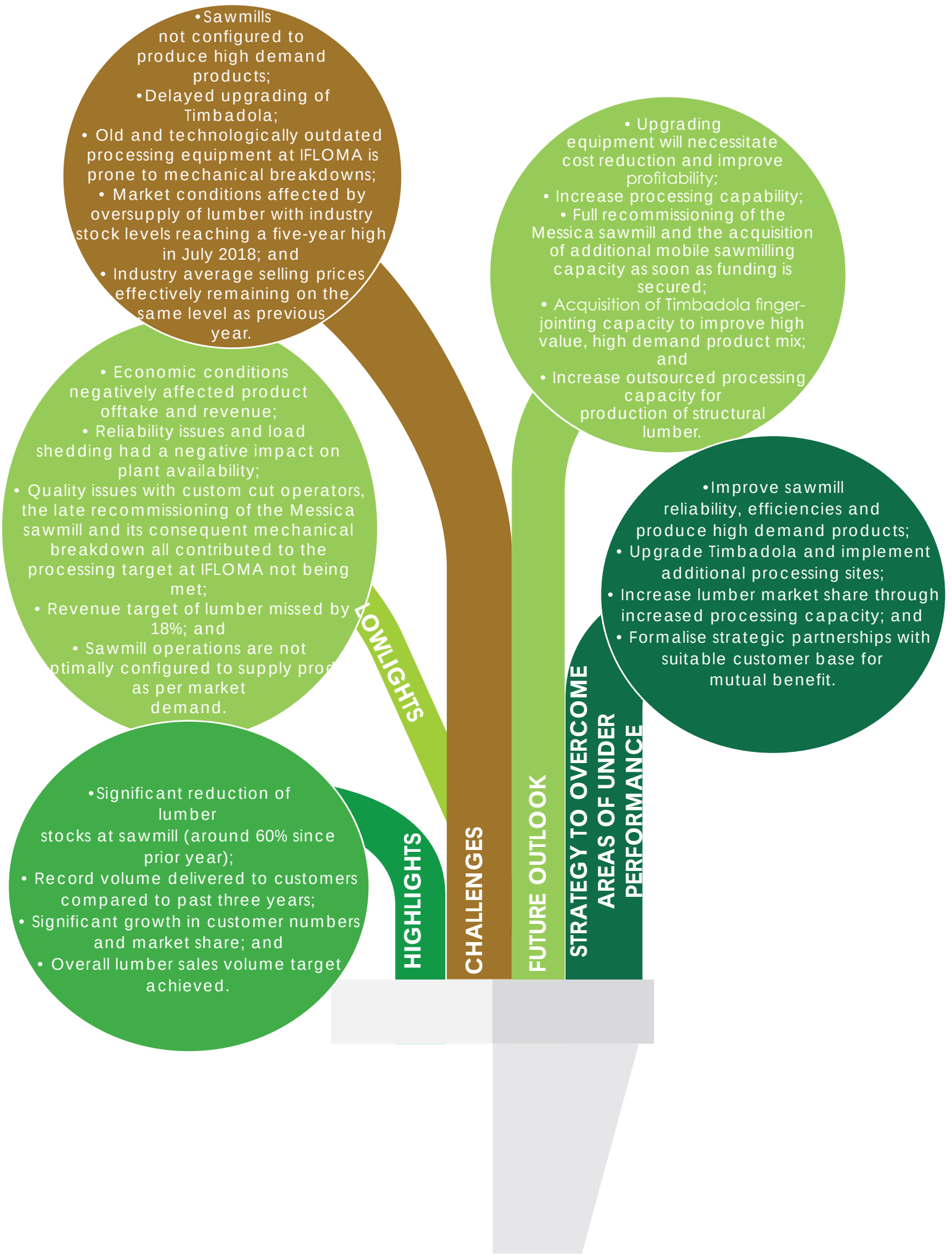
³ TUP is an annual target as at 31 March (measured at year-end)

C.2.3.1.1 Key Performance Indicators, planned targets and actual achievements (Continued)

Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
Operational Excellence	Area of Forest under Management	Expansion of planted area ⁴						
		Mozambique: new establishment (Sofala) [ha]	158	2 000	211.95	Not Achieved	-1 788.05	The 2018/19 financial year was characterised by low rainfall that compromised the achievement of the target of 2 000ha. Cyclone Idai also caused significant damage at Galinha, compromising access to planting compartments that needed to be planted.
		Forest Stewardship Council (FSC®) Certification						
		% of total forest area in South Africa fully certified to FSC® or PEFC standard and submission of annual FSC® report.	100%	100%	100%	Achieved	n/a	n/a

⁴ Area to be planted to be determined in line with licensing conditions or agreement with Mozambique government

C.2.3.2 Timber Processing



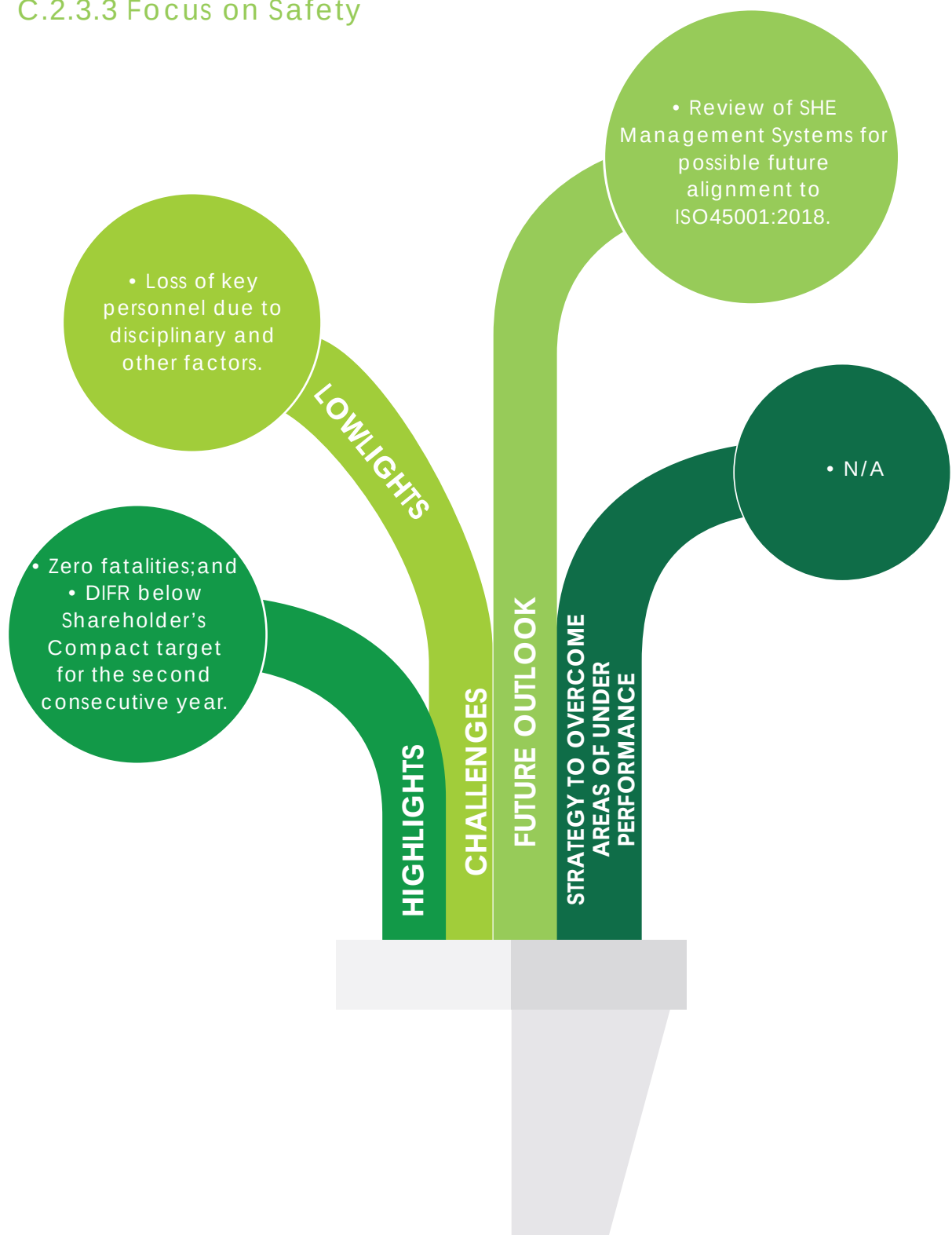
Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
Operational Excellence	Timber Processing	Intake Volume – South African Operations						
		Timbadola Sawmill [m ³] ⁵	70 765	40 000	107 497	Achieved	67 497	Target based on the assumption that the sawmill upgrade would have ensued in the 2 nd Quarter of 2018/19 financial year and production would be scaled down.
		Additional Sawmill Processing (m ³) ⁶	51 336	50 000	49 128	Not Achieved	872	Load shedding and undersupply of logs.
		Intake Volume – Mozambique Operations						
		Mozambique IFLOMA Processing	0	10 000	2 594	Not Achieved	-7 406	Challenges with quality and recovery rates of custom cut operators, the late recommissioning of the Messina sawmill and its consequent breakdown all contributed to the processing target not being met.
		Lumber Sales – South African operations						
		Lumber Volume Sold [m ³]	42 497	43 000	87 342	Achieved	44 342	Sales not yet affected by Timbadola upgrade.
		SA Lumber Market Share [%] ⁷	2.6%	3%	5%	Achieved	2%	Sales not yet affected by Timbadola upgrade.

⁵ Dependent on impact to operations and final implementation of Timbadola Upgrade Project

⁶ New sawmill processing through partnerships, custom-cut or acquisitions and greenfield operations in the longer-term (Sabie complex)

⁷ Based on Crickmay April 2016 annual budgeted production capacity of the formal sawmilling industry (1 628 000 m³)

C.2.3.3 Focus on Safety

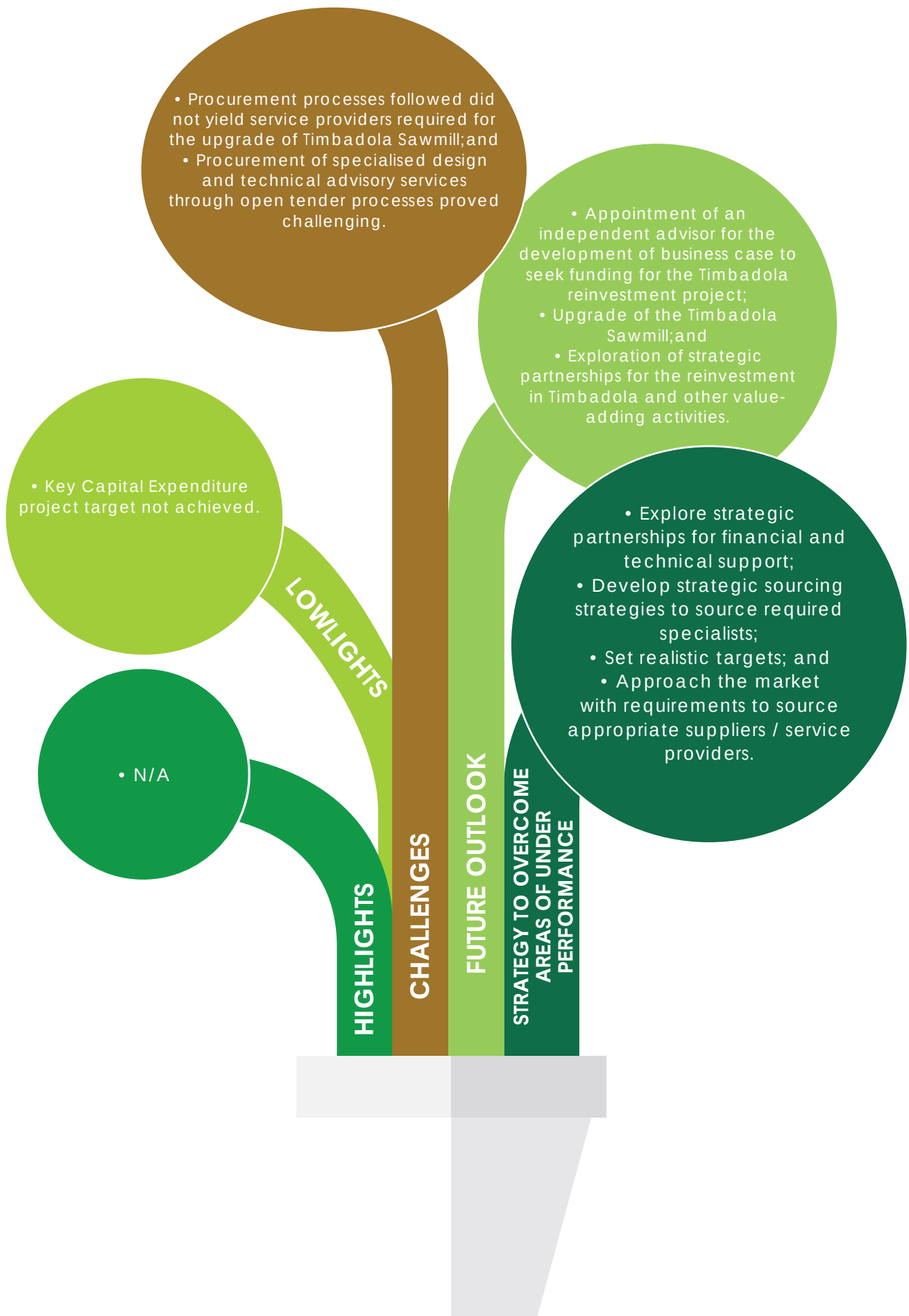


C.2.3.3.1 Key Performance Indicators, planned targets and actual achievements

Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
Operational Excellence	Focus on Safety ⁸	Fatalities index	1	0	0	Achieved	n/a	n/a
		Disabling Injury Frequency Rate (DIFR)	1.57	1.8	1.6	Achieved	0.2	n/a

⁸ SAFCOL payroll only and not contractors/visitors to facilities – check word document with explanatory notes

C.2.4 CAPITAL EXPENDITURE PROGRAMMES

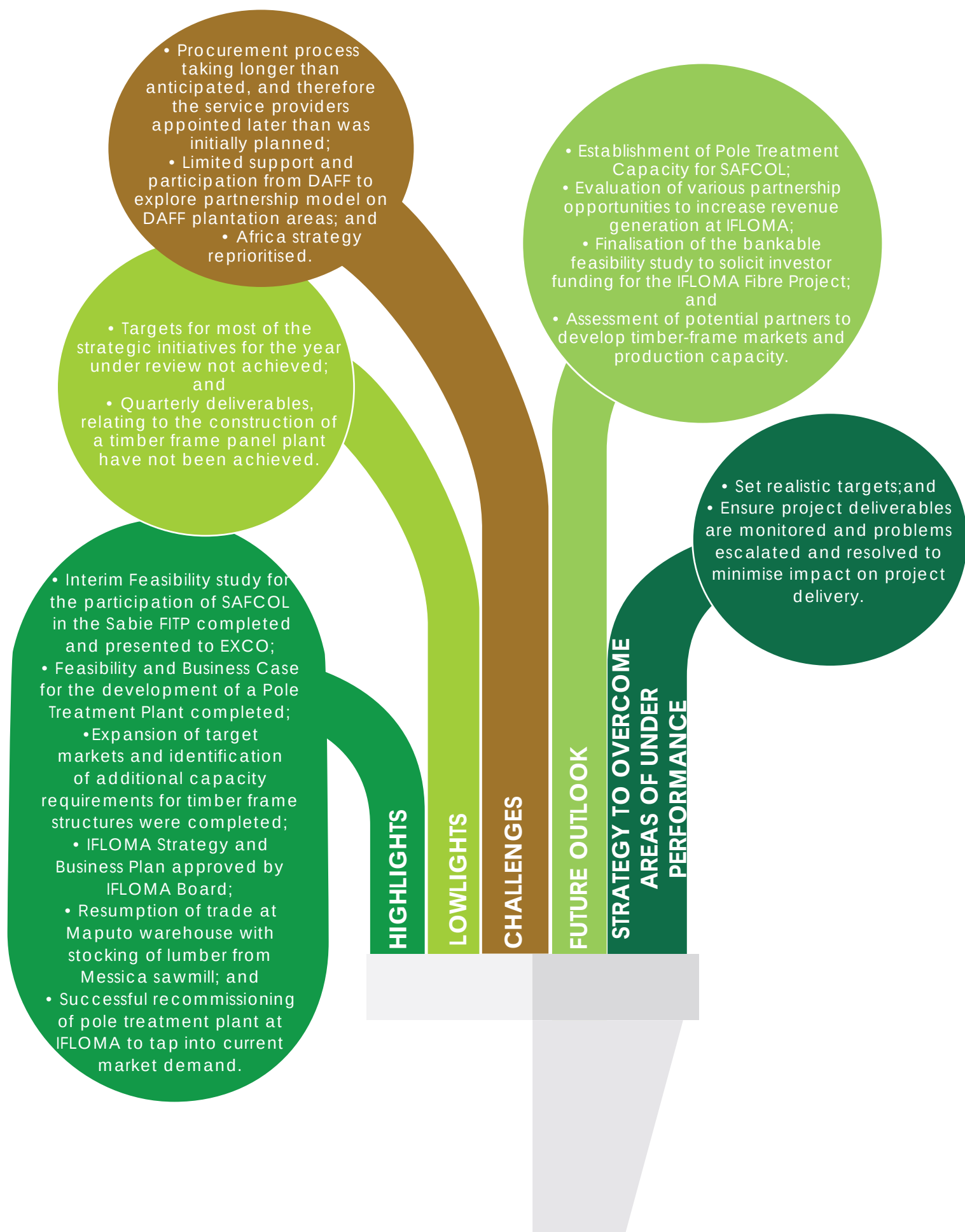


C.2.4.1 Key Performance Indicators, planned targets and actual achievements

Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
Capital Expenditure programme	Vertical Integration	Timbadola Upgrade ⁹	Not Achieved	Strategy finalised; relevant processes and implementation plan development and approvals concluded.	Strategy and development of implementation plan - Not achieved; Revised approach approved by EXCO; TOR and RFQ issued for the appointment of independent advisor; RFI issued and response received; RFI report presented to EXCO; Combined TOR for the appointment of a service provider for Timbadola bankable business case and Sabie sawmill feasibility drafted; BSC conducted for appointment of service provider; and BAC for the appointment of an independent advisor concluded. However, budget was cited as a major risk and the matter referred back to BSC to re-evaluate the deliverables and choose one that is of priority.	Not Achieved	Different approach undertaken due to non-responsiveness of the initial tenders that were issued; BAC for the appointment of an independent advisor concluded. However, budget was cited as a major risk and the matter referred back to BSC to re-evaluate the deliverables and choose one that is of priority.” As at the 31 March 2019, the BSC had not convened to ratify the re-evaluated specification.	The tenders that were evaluated for the appointment of a service provider to conduct a feasibility study, draft detailed plant design and implementation plan were non responsive (mandatory and technical requirements). Therefore a different approach taken.

⁹ Will include a co-generation plant dependent on approval from various state approvals

C.2.5 STRATEGIC INITIATIVES AND/OR INDUSTRIALISATION



C.2.5.1 Key Performance Indicators, planned targets and actual achievements

Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
Strategic Initiatives and/or Industrialisation	Vertical Integration	Participation in the Sabie Techno Park initiative by Mpumalanga Provincial Government (including timber value addition such as pole treatment, timber-frame plant and other timber value-adding activities), as well as expansion of sawmill processing capacity in Sabie through various means (e.g. partnership etc.).	Not Achieved	Implementation plan developed; agreements and approvals drafted and submitted.	Implementation plan developed; agreements and approvals drafted and submitted - Not Achieved; Service provider appointed for the feasibility study on the potential involvement of SAFCOL in the techno park; Inception report approved for the feasibility study; Workshops, meetings with relevant stakeholders and site visits conducted; Research report finalised; Stakeholder engagements concluded; Interim Feasibility study report developed and presented to EXCO; and Final report finalisation underway.	Not Achieved	Interim feasibility study finalised and presented to EXCO; and Final Feasibility report including implementation plan to be concluded in first week of April 2019.	Contract for the feasibility study finalised in September 2018.
		Industrialise production of Timber framed structures.	Not Achieved	Target markets expanded and required additional capacity identified based on market demand and business case viability	The annual target for the "expansion of target markets and identification of additional capacity requirements" - achieved.	Achieved	n/a.	n/a

C.2.5.1 Key Performance Indicators, planned targets and actual achievements

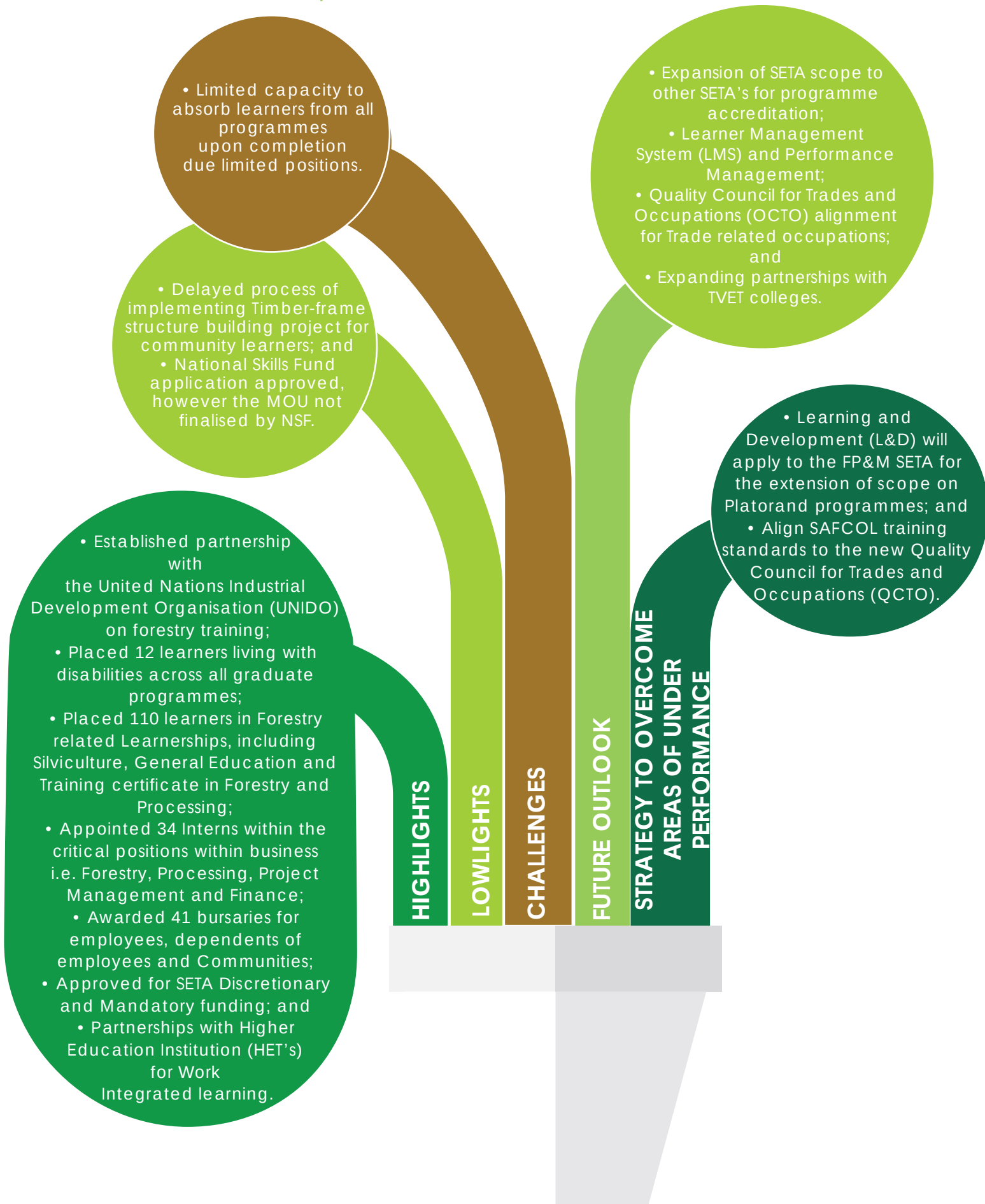
Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
	Pole manufacturing plant.		Not Achieved	Pole manufacturing capacity implemented and operationalised.	Pole manufacturing capacity implemented and operationalised - Not achieved; Service provider appointed for the development of a feasibility study, technical specifications and implementation plan; Financial model finalised; and Feasibility study and Business plan finalised.	Not Achieved	Feasibility study and Business plan finalised.	Contracting for the appointment of a service provider to conduct feasibility study, technical specifications and implementation plan concluded in September 2018.
	DAFF Plantations Areas.		Not Achieved	Strategic Implementation plan approved.	Strategic Implementation Plan approved - Not achieved; Memorandum of Understanding (MoU) drafted; and The visit to Mpumalanga plantations and a meeting with DAFF conducted on 26 March 2019.	Not Achieved	Engagements with DAFF underway.	Further engagements with DAFF to be conducted in order to come to an agreement on the way forward.

C.2.5.1 Key Performance Indicators, planned targets and actual achievements

Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
	IFLOMA	Consider and approve options to improve IFLOMA profitability (Manica).	A Draft Turnaround and Draft Strategy has been developed and will be presented to the IFLOMA Board for approval.	Approved strategic plan implemented.	The IFLOMA Strategy was approved by the Board. Short-term priorities were developed at the beginning of the year and implemented throughout the year.	Achieved	n/a	n/a
	Business Development expansion	SAFCOL Africa Strategy.	Not Achieved.	A detailed plan developed.	Detailed plan developed - Not achieved.	Not Achieved	The tender that was to be awarded was referred to EXCO. A resolution was taken to go ahead with the project, however the validity period had lapsed.	SAFCOL determined that there is no internal capacity to develop the Africa strategy and plan. A new approach to be determined to be guided by the new strategy of the organisation.

C.2.6 SOCIO ECONOMIC DELIVERABLES

C.2.6.1 Skills Development

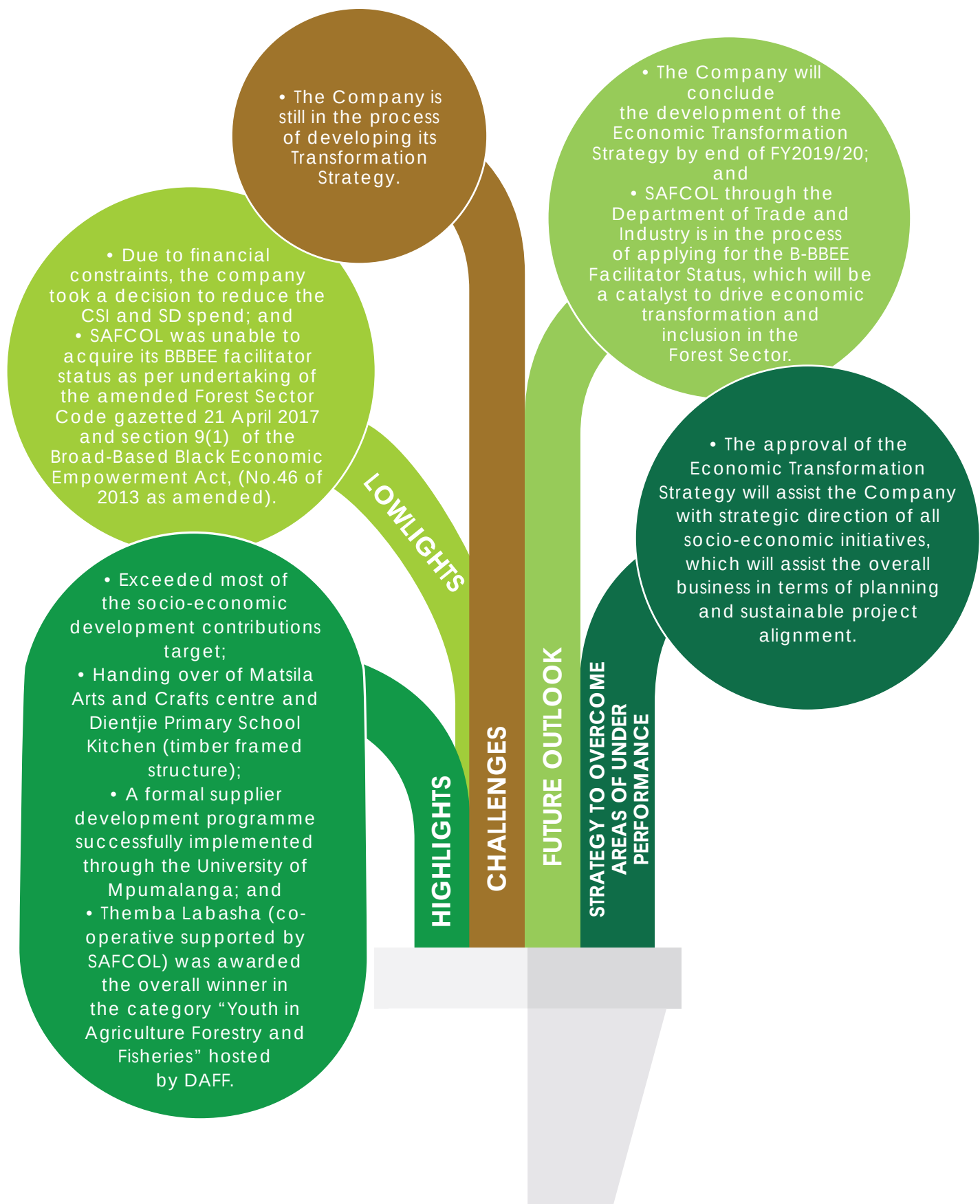


C.2.6.1.1 Key Performance Indicators, planned targets and actual achievements

Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achievement for 2018/2019	Comment on deviations
Socio Economic Deliverables	SOCIAL IMPACT	Improve Human Capital transformation on the following programmes and ensure skills development objectives are met as follows						
	Skills Development	Learners Intake – Target number of new entrants in FY						
		Number Apprenticeship Trainees ¹⁰ .	28	25	25	Achieved	n/a	n/a
		Number Forestry, Wood Technology, Engineering and Industry-related bursaries.	21	21	21	Achieved	n/a	n/a
		Number Internships.	33	35	34	Not Achieved	1	Thirty five interns were appointed for the year under review however, one intern could not proceed with workplace learning due to ill health.
		Number Sector specific scarce and critical skills e.g. Forestry, Processing and Industry-related Learnerships ¹¹ .	119	110	110	Achieved	n/a	n/a
		Semi-Skilled and Skilled Workers Learnerships						
	Percentage of training spend (including 1% levy) amount.	8.7%	6%	6.9%	Achieved	0.9%	Ad-hoc training request in line with NOSA and FSC® Audit findings.	

¹⁰ Apprenticeship targets reflects the total of apprentices in the pipeline at any time. The targets to be reviewed with the upgrade of the Timbadola Sawmill, Sabie complex as more apprentices may be accommodated if more Artisans are appointed.

¹¹ Learnerships targets reflect the total number of learnerships in the pipeline at any time.



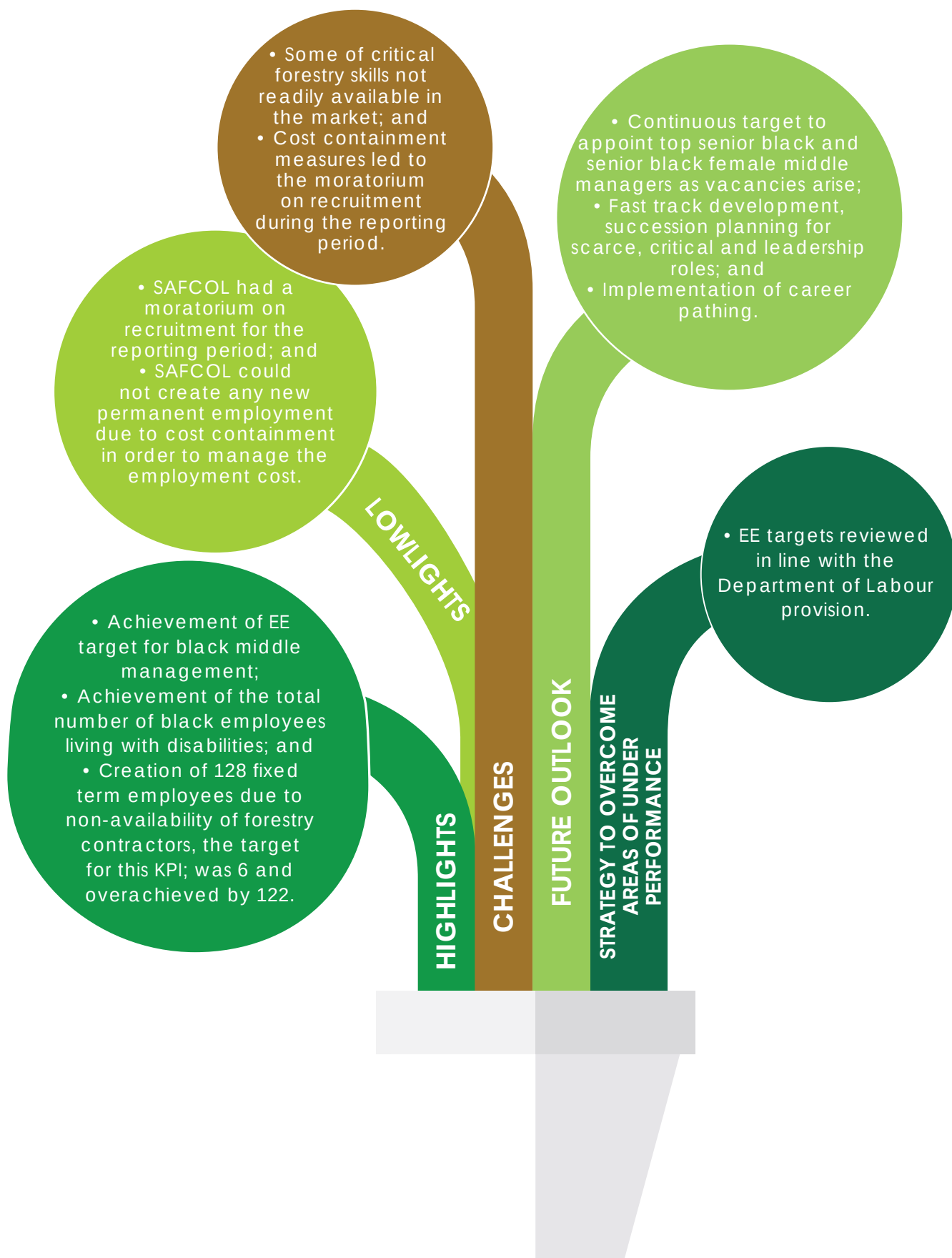
C.2.6.2.1 Key Performance Indicators, planned targets and actual achievements

Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
Socio Economic Deliverables	ECONOMIC IMPACT							
	CSI	Rand Value: Total CSI Budget for CSI Projects / Initiatives.	R10 004 303	R11 500 000	R5 582 033	Not Achieved	R5 917 967	Business decision to reduce expenditure due to current financial position of the company.
	Job Creation	Number of indirect jobs created through CSI and other.	167	100	126	Achieved	26	More labour sourced by contractors than initially planned but no financial implications on SAFCOL.
	Enterprise and Supplier Development	Expenditure on Supplier Development.	R2 630 413	R2 558 792	R2 342 186	Not Achieved	-R216 606	Expenditure reduced due to current financial position of the company.
		Expenditure on Enterprise Development.	R2 494 843	R2 485 780	R3 753 111	Achieved	+R1 267 331	n/a
		Number rural black owned enterprise businesses established and supported.	2	3	11	Achieved	8	An opportunity was available for cleaning conservation areas.
		Number rural black owned supplier businesses established and supported.	3	4	17	Achieved	13	There were additional requests from communities to establish and support suppliers (EME) than planned.

C.2.6.2.1 Key Performance Indicators, planned targets and actual achievements

Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
		Assessment and development of implementation plan towards agroforestry business.	3 Agroforestry projects started with three communities.	5 Agroforestry projects with five communities started.	10	Achieved	5	There were additional requests received from communities which had no financial implications on SAFCOL.

C.2.6.3 Job Creation



C.2.6.3.1 Key Performance Indicators, planned targets and actual achievements

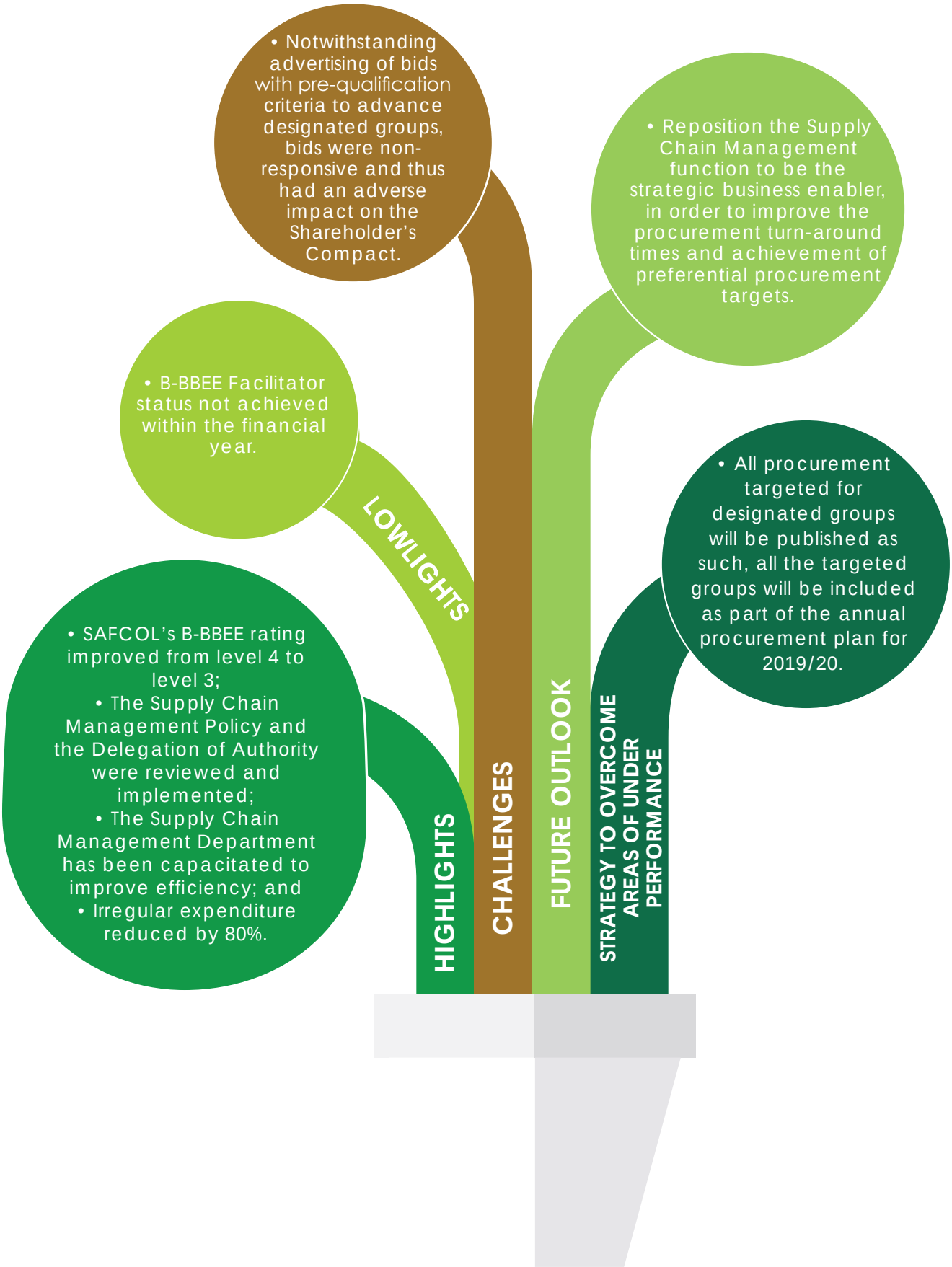
Element of Strategic Intent	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
Socio Economic Deliverables	ECONOMIC IMPACT						
	CSI	Number of Direct Jobs Created (new).	Permanent	24	32	0	Not Achieved
			Contract	28	6	128	
	Job Creation	EE targets in line with the EE Plan					
		% Total Black Top and Senior Managers ¹² .		73%	79%	74%	Not Achieved
		% Total Black Female Top and Senior Managers.		28%	36%	26%	
							Due to the approved structure and in line with the budget, SAFCOL has limited Top and Senior Manager vacancies available to improve female representation of this category. SAFCOL implemented a moratorium on recruitment in order to reduce costs and management of headcount.
							Due to the approved structure in line with the budget, SAFCOL has limited Top and Senior Manager vacancies available to improve the representation of this category. In terms of EE category levels SAFCOL top management is 100% Black of which 40% male and 60% female. SAFCOL implemented a moratorium on recruitment in order to reduce costs and management of headcounts.
							Due to the approved structure and in line with the budget, SAFCOL has limited Top and Senior Manager vacancies available to improve female representation of this category. SAFCOL implemented a moratorium on recruitment in order to reduce costs and management of headcount.

¹² Senior Management target on the SC Top Management and Senior Management has been combined as per the EE Plan in one category.

C.2.6.3.1 Key Performance Indicators, planned targets and actual achievements

Element of Strategic Intent	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
	% Total Black Middle Managers.	77%	69%	75%	Achieved	6%	Previous year achievement reduced from 77% to 75% due to the resignation of seven Black managers and the retirement of one white male which assisted in maintaining the above target achievement of 75% since the number of white managers were lowered and that boosted the number of black manager's..
	% Total Black Female Middle Managers.	30%	30%	29%	Not Achieved	-1%	Target not achieved due to resignation of Specialist: Forensics, Manager: Health & Safety and Manager: Purchasing. SAFCOL implemented a moratorium on recruitment in order to reduce costs and management of headcount.
	% Black employees with disabilities.	2.6%	2%	2.5%	Achieved	0.5%	Previous year achievement lower with 0.1% due to the resignation of two employees living with disabilities but the over achievement is maintained at 0.5% instead of 0.6%.

C.2.6.4 Preferential Procurement



C.2.6.4.1 Key Performance Indicators, planned targets and actual achievements

Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
Socio Economic Deliverables	Procurement	Preferential procurement Spend on Marginalised groups	4	2	3	Not Achieved	-1	The identified key factors to the Company not achieving level 2 are: • Imbalance of representation in management levels in relation to National EAP; • Training spend on Coloured and Indian people; • Training spend on PwD's and the absorption of learners at the end of learnerships; and • Preferential Procurement spend from QSE's, 51% Black owned and 30% Black women owned suppliers.
		% Spend on Local Content.	66%	85%	0%	Not Achieved	-85%	No procurement for goods and services designated for local content was made during the quarter under review (as per Preferential Procurement Regulation Number 9 of 2017).

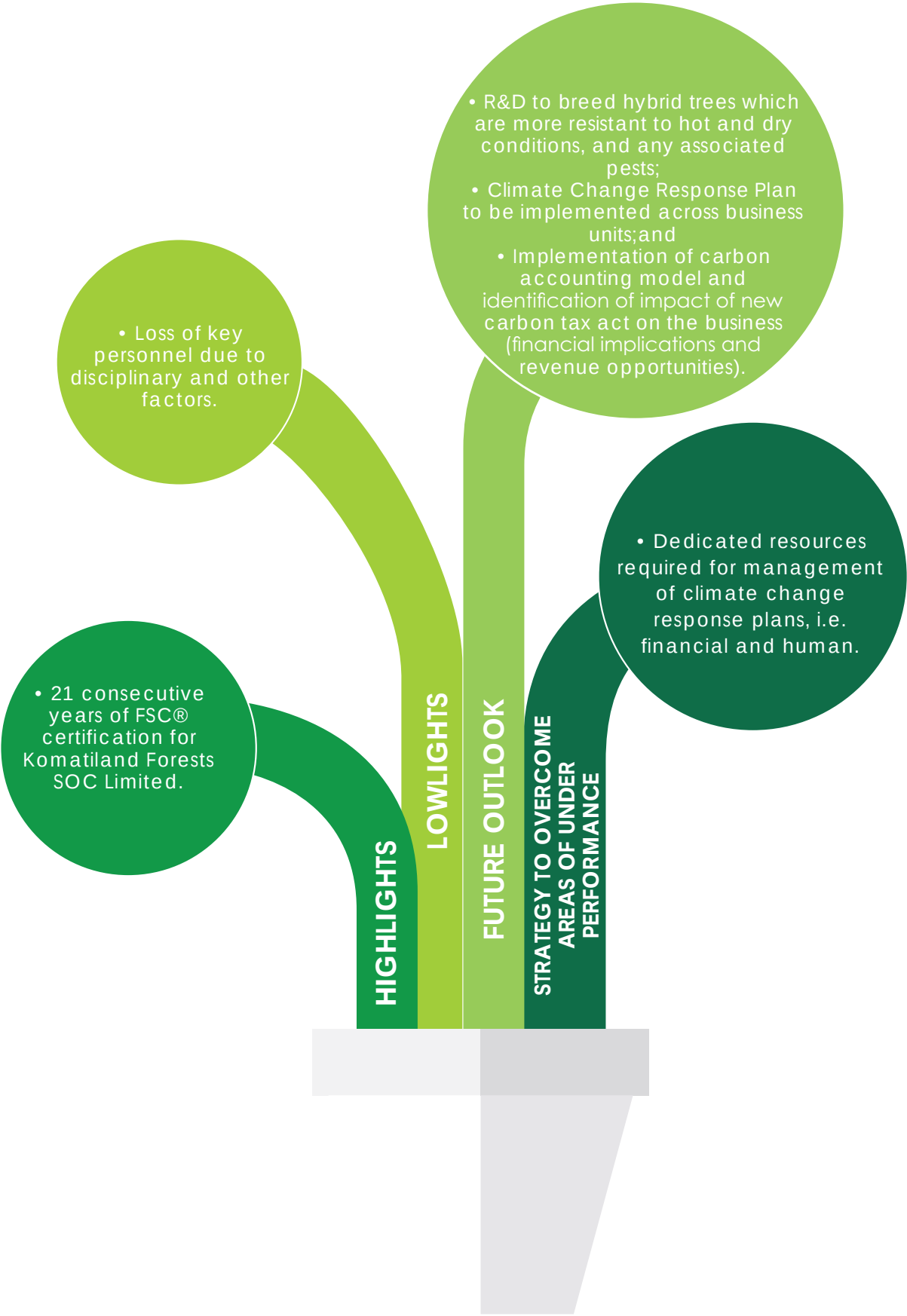
C.2.6.4.1 Key Performance Indicators, planned targets and actual achievements (Continued)

Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
		% B-BBEE Spend on QSE's.	18%	40%	17%	Not Achieved	-23%	Invitations were extended to service providers, with emphasis on targeting QSE in order to advance their interests. Forestry industry is still dominated by established companies, however SAFCOL is driving to develop and support small businesses.
			21%	30%	27%	Not Achieved	-3%	
		% spent on Black Women Owned Suppliers.	21%	44%	14%	Not Achieved	-30%	This was mainly due to the decentralisation of the Supply Chain Management (SCM) function, quotations were requested by end-users from any category service providers without specific targets; however the SCM function has since been centralised and these targets will improve in future.
		% spent on Youth Owned Suppliers.	4%	5%	3%	Not Achieved	-2%	

C.2.6.4.1 Key Performance Indicators, planned targets and actual achievements (Continued)

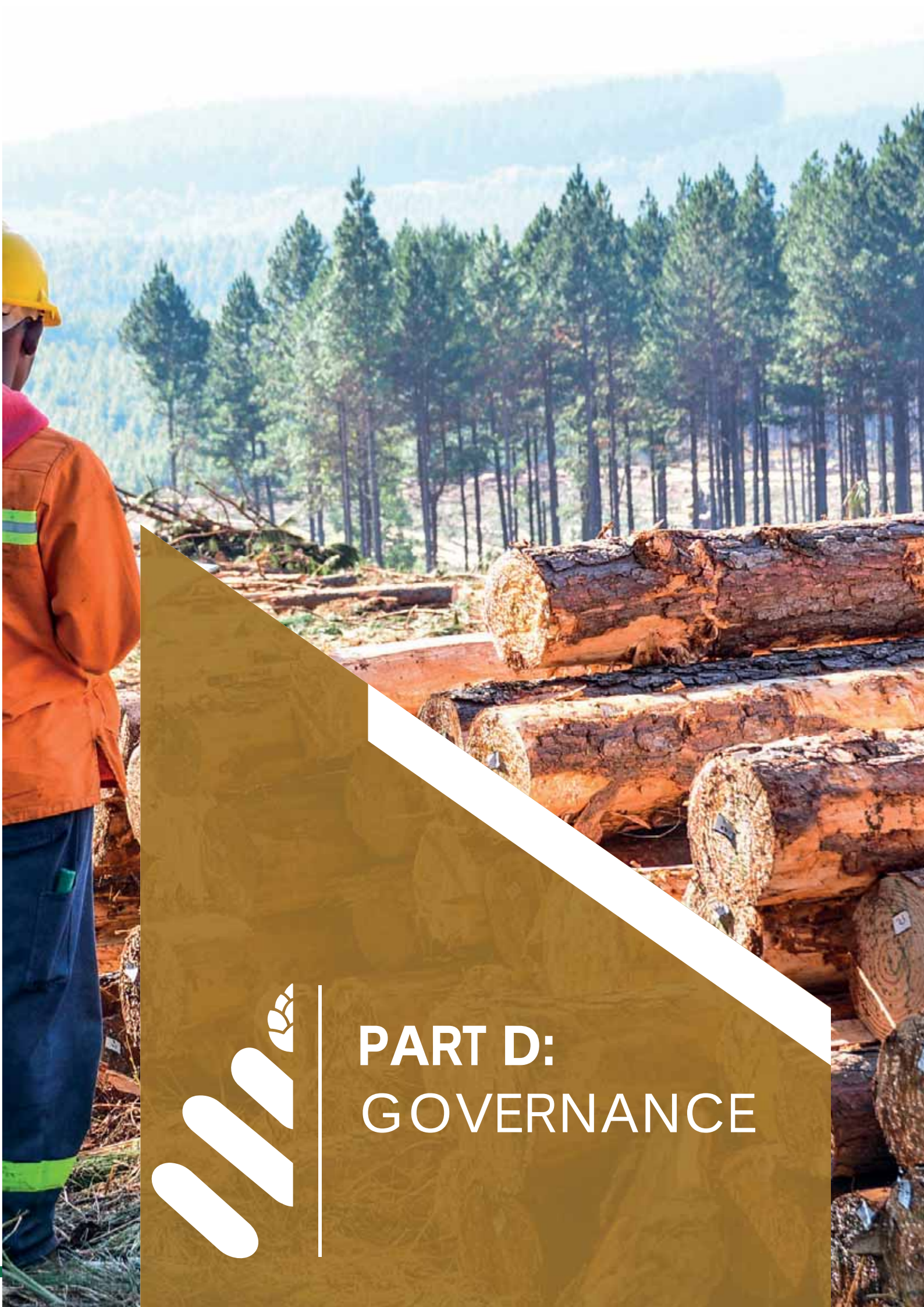
Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
		% spent on Disabled Owned Suppliers.	0%	1%	0%	Not Achieved	-1%	All bids that are advertised by SAFCOL includes the pre-qualification criterion, where people living with disabilities are targeted. The response is generally poor; in most instances the bids tend to be non-responsive. However, SAFCOL in collaboration with the National Government is in the process of establishing a database of people living with disabilities, who will be given an opportunity as and when items are procured.

C.2.6.5 Climate Change Response



C.2.6.5.1 Key Performance Indicators, planned targets and actual achievements

Element of Strategic Intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Actual Achieved 2017/2018	Planned Target 2018/2019	Actual Achieved 2018/2019	Status	Deviation from planned target to Actual Achieved for 2018/2019	Comment on deviations
Socio Economic Deliverables	Climate Change Response.	Implementation of Climate Change Response Plan.	Board approved Climate Response Strategy and 3 year Climate Change Response Plan have been submitted to the Shareholder.	Implementation of the approved plan.	Carbon accounting model finalised and carbon storage calculated for all plantations. Some food security initiatives have been implemented in communities (e.g. veggie gardens). Various "quick win" initiatives are ongoing at the Business Units.	Achieved	All achievable elements of the plan were accomplished to a greater or lesser degree. Some are ongoing and will always be in development due to required behaviour / habit changes, which take time to entrench.	Year 1 was a learning / development period in which the realities and practicalities of the plan were revealed. Unrealistic / unnecessary elements in the plan due to lack of knowledge at time of compilation are identified and these are to be removed.
	Resources and emissions consumption and efficiency.	Measure baseline on: Emissions; Water consumption; Electricity consumption; and Fuel consumption.	Board approved plan has been submitted.	Implementation of the approved plan.	Electricity, water and diesel fuel consumption data has been recorded.	Achieved	All achievable elements of the plan were accomplished to a greater or lesser degree. Some are ongoing and will always be in development due to required behaviour / habit changes, which take time to entrench.	Year 1 was a learning / development period in which the realities and practicalities of the plan were revealed. Unrealistic / unnecessary elements in the plan due to lack of knowledge at time of compilation are identified and these are to be removed.



PART D: GOVERNANCE

PART D: CORPORATE GOVERNANCE

SAFCOL was established as a SOC in terms of the Companies Act No. 71 of 2008, and is a Schedule 2 Public Entity in terms of the PFMA. As a SOC, SAFCOL derives its mandate from legislation, with the primary legislation being the Management of State Forests Act of 1992. The company also adheres and complies with other legislation and regulations relevant to its operations while ensuring that it fulfils its role in the broader transformation and development of our economy. SAFCOL's Board remains committed to the principles of the King IV Report. Sound corporate governance practices are implicit in the values, culture, policy and processes of the Company. In addition, the Board promotes compliance and good governance in every aspect of the business.

D.1 LEGISLATIVE FRAMEWORKS AND OTHER MANDATES

Table D.1: Legislative frameworks and other mandates

CATEGORY	LEGISLATION AND OTHER MANDATES
Statutory Mandates	a) Management of State Forests Act (No. 128 of 1992). b) National Forests Act (No. 84 of 1998).
Governance Frameworks	a) Constitution of the Republic of South Africa. b) Public Finance Management Act (No.1 of 1999). c) Companies Act, 2008 (Act No. 71 of 2008). d) Memorandum of Incorporation (Mol). e) Significance and Materiality Framework (SMF). f) Shareholder Compact. g) King IV on Corporate Governance for South Africa, 2016. h) Protocol on Corporate Governance for the Public Sector 2002. i) SOC Remuneration Guidelines. j) Delegation of Authority Framework.
National Policy Frameworks Guidelines	a) The New Growth Path (NGP). b) The National Development Plan (NDP) Vision 2030. c) The Industrial Policy Action Plan (IPAP). d) Medium Term Strategic Framework (MTSF), (2014-2019).

D.2 THE BOARD OF DIRECTORS

The Minister of Public Enterprises appoints the Board of SAFCOL as the Shareholder Representative. During the year under review, the Minister appointed a new Board effective from 01 October 2018 upon expiry of the previous board's term of office whose tenure ended on 30 September 2018. Majority of the directors are non-executive directors to ensure independence, objectivity in decision-making and oversight. Only the CEO and CFO are executive directors of the Board.

Further to this, the Minister emphasised the need to embrace diversity of the board in order to enhance the range of directors' perspectives and experience, all of which are key to ensuring that the company meets its mandate. Non-executive directors were also appointed for their leadership expertise in corporate governance. Most of all, the Board's composition is premised on the principles of transformation and gender representative of the country. The Board operates within the ambit of a Charter, which inter alia sets out its objective during its term of office as it regards good and ethical governance as a vital component of a sustainable business.

Table D.2: Composition of the previous Board of Directors

Board Members	Gender		Race				Tenure	Status	
	M	F	A	I	C	W		Executive Director	Non-Executive Director
Mr. RL Mabece (Chairperson)	*		*				Effective from 18 August 2015 to 30 September 2018		*
Mr. GC Theron	*					*	Effective from 18 August 2015 to 30 September 2018		*
Ms. S Baduza		*	*				Effective from 18 August 2015 to 31 August 2018		*
Dr. PM Mahlangu	*		*				Effective from 18 August 2015 to 30 September 2018		*
Dr. PE Molokwane		*	*				Effective from 18 August 2015 to 30 September 2018		*
Mr. SM Mnguni	*		*				Effective from 18 August 2015 to 30 September 2018		*
Ms. CPM Ngwenya		*	*				Effective from 18 August 2015 to 30 September 2018		*
Mr. MJ Rachidi	*		*				Effective from 18 August 2015 to 30 September 2018		*
Ms V Tlale (Acting CFO)		*	*				Effective from 05 June 2017 to 31 May 2018	*	
TOTAL	5	4	8			1		1	8

Table D.3: Composition of the current Board of Directors

Board Members	Gender		Race				Tenure	Status	
	M	F	A	I	C	W		Executive Director	Non-Executive Director
PM Makwana (Chairperson)	*		*				Effective from 01 October 2018		*
MF Baleni	*		*				Effective from 01 October 2018		*
N Balton	*			*			Effective from 01 October 2018		*
P Derby		*	*				Effective from 01 October 2018		*
B Hanise		*	*				Effective from 01 October 2018		*
L Mnisi		*	*				Effective from 01 October 2018		*
Adv L Mokgatle	*		*				Effective from 01 October 2018		*
Y Pillay	*			*			Effective from 01 October 2018		*
J Yawitch		*				*	Effective from 01 October 2018		*
ZP Zathu ZP Zatu		*	*				Effective from 01 October 2018		*
Mr OT Monaheng (CEO)	*		*				Effective from 01 December 2017	*	
Mr J Maruma (Acting CFO)	*		*				Effective from 1 June 2018	*	
TOTAL	7	5	9	2	0	1		2	10

D.2.1 BOARD OF DIRECTORS

PROFILES OF THE PREVIOUS BOARD OF DIRECTORS



Mr. RL Mabece -
Board Chairperson

Appointed

18 August 2015

Profession

Attorney of the High Court of South Africa.

Qualifications

- LLB;
- B. Proc; and
- Higher Certificate Project Management: Damelin Management School.



Mr. GC Theron

Appointed

18 August 2015

Profession

n/a

Qualifications

- B.Com. Hons. Internal Auditing; and
- B.Com. Informatics.



Ms. S Baduza

Appointed

18 August 2015

Profession

Chartered Accountant South Africa CA (SA).

Qualifications

- M.Com. Taxation;
- B.Com. Honours (Accounting Sciences); and
- B.Com. Accounting Sciences.



Dr. PM Mahlangu

Appointed

18 August 2015

Profession

n/a

Qualifications

- Ph.D. Educational Leadership, Management and Development, Curriculum and Instruction, Philosophy, and History of Education;
- M.Ed. Education in Third World Countries and Political Economy; and
- B.Ed. Education in Third World Countries and Political Economy.



Dr. PE Molokwane

Appointed

18 August 2015

Profession

PR.Sci.Nat.

Qualifications

- Ph.D. in Chemical Technology Environmental Engineering;
- M.Sc. Applied Radiation Science & Technology; Post Graduate Diploma in Applied Radiation Sciences and Technology; and
- B.Sc. Physics.

PROFILES OF THE PREVIOUS BOARD OF DIRECTORS (continued)



Mr. SM Mnguni

Appointed

18 August 2015

Profession

n/a

Qualifications

- B. Admin. Honours;
- B. Admin;
- Leadership Development Programme (NQF 6); and
- CPMD.



Ms. CPM Ngwenya

Appointed

18 August 2015

Profession

n/a

Qualifications

- B.A. Social Work;
- M.A. Development Studies;
- Certificate in Policies for the Promotion of Small, Medium Enterprises; and
- Introduction to Corporate Citizenship (NQF 6).



Mr. MJ Rachidi

Appointed

18 August 2015

Profession

n/a

Qualifications

- Management Development Programme;
- Computer Operations and Programming; and
- Primary Teachers Certificate.



Ms Vuyo Tlale

Appointed

05 June 2017

Profession

n/a

Qualifications

- B.Com. Accounting Sciences:
University of South Africa.

PROFILES OF THE CURRENT BOARD OF DIRECTORS (Continued)



Mr. PM Makwana
(Chairperson)

Appointed
01 October 2018

Profession
n/a

Qualifications

- B. Admin Honours (Public Administration);
- Bachelor of Administration;
- Postgraduate Diploma in Retail Studies; and
- Executive Development.



Mr. MF Baleni

Appointed
01 October 2018

Profession
n/a

Qualifications

- BA (Social Development Studies); and
- Diploma: Political Science and Trade Unionism.



Mr. N Balton

Appointed
01 October 2018

Profession
n/a

Qualifications

- MSc (Public Policy and Management);
- Bachelor of Education (B Ed); and
- Bachelor of Arts (Education).



Ms. P Derby

Appointed
01 October 2018

Profession
n/a

Qualifications

- Master of Business Administration (MBA); and
- BSC (Hons.) Economics.

PROFILES OF THE CURRENT BOARD OF DIRECTORS (Continued)



Ms. B Hanise

Appointed

01 October 2018

Profession

CA(SA)

Qualifications

- B. Com Honours;
- B Com; and
- Postgraduate Certificate in Accounting.



Ms. L Mnisi

Appointed

01 October 2018

Profession

Admitted Attorney

Qualifications

- LLB; and
- B. Proc.



Adv L Mokgatle

Appointed

01 October 2018

Profession

Admitted Attorney

Qualifications

- LLB.



Mr. Y Pillay

Appointed

01 October 2018

Profession

n/a

Qualifications

- B. Soc. Science (Politics and Economics).

PROFILES OF THE CURRENT BOARD OF DIRECTORS (Continued)



Ms. J Yawitch

Appointed

01 October 2018

Profession

n/a

Qualifications

- MSc (Agricultural Development);
- MA (Development Studies);
- BA Honours; and
- BA.



Ms. ZP Zatu

Appointed

01 October 2018

Profession

CA (SA)

Qualifications

- B. Com; and
- Higher Diploma in Accountancy.



Mr T Monaheng
(CEO)

Appointed

01 December 2017

Profession

n/a

Qualifications

- Master of Business Administration;
- Bachelor of Science in Electronic Engineering; and
- Bachelor of Science in Physics and Mathematics.



Mr J Maruma
(Acting CFO)

Appointed

01 June 2018

Profession

CA (SA)

Qualifications

- CTA; and
- B. Com (Hons) Banking.

D.2.2 BOARD ACTIVITIES FOR THE YEAR

During the year under review, the Board considered and approved the following matters:

- | | |
|---|---|
| 1. SAFCOL Four quarterly performance information reports (Q1, Q2, Q3 and Q4); | 19. Revised 2018/19 Internal Audit Plan; |
| 2. 2018/19 Board Charter and Committees Terms of Reference; | 20. Growth strategic direction to improve operational efficiency and financial sustainability; |
| 3. Provident Fund Administration and Risk Benefits; | 21. 2018/19 EBITDA lift initiatives to improve operational efficiency, financial sustainability, and profitability; |
| 4. Medical Aid Benefit Alignment Project; | 22. 2019/20 Annual Meeting Schedule; |
| 5. Reviewed SAFCOL Structure; | 23. 2019/20 Shareholders Compact and Technical Indicator Descriptions; |
| 6. 2017/18 Interim Management Reports for SAFCOL and KLF; | 24. 2018/19 Shareholders Compact Non-Achievement of Targets; |
| 7. 2017/18 and Irregular Expenditure Register; | 25. Corporate Plan for the 2019/20-2021/22; |
| 8. 2017/18 Draft Annual Financial Statements for SAFCOL and Subsidiaries; | 26. 2019/20 Annual Budget; |
| 9. Tender for the provision of silviculture services for a period of three years; | 27. 2018/19 Corporate Strategy; |
| 10. 2018/21 Internal Audit Three Year Rolling Plan; | 28. Request for direct and/or Indirect Financial Assistance for KLF and SAFCOL; |
| 11. 2017/18 Internal Audit Charter; | 29. Reviewed Internal Audit Structure; |
| 12. SAFCOL Technical Indicator Descriptions; | 30. 2019/20 Board Charter and Board Committees terms of reference; |
| 13. 2017/18 Integrated Annual Report; | 31. Reward and Remuneration Policy; |
| 14. 2017/18 Audited Annual Financial Statements; | 32. Performance Incentive Bonus Policy; |
| 15. Condonation of Irregular Expenditure for DAFF Rental Payment; | 33. Conditions of Employment Policy; |
| 16. Allocation of Directors' Responsibilities to the Board Committees; | 34. Disciplinary Code and Procedure Policy; |
| 17. Establishment of SHEQ Committee as a Committee of the Board; | 35. Recruitment and Selection Policy; |
| 18. 2017/18 Delegation of Authority Framework; | 36. Employment Equity Policy; and |
| | 37. Protocol for appointment of professionals by the Board and its Committees. |

D.2.3 CHANGES TO THE BOARD

The term of the previous Board expired on 30 September 2018. The Minister of Public Enterprises subsequently appointed the new Board effective from 01 October 2018. Given the nature of SAFCOL's business, the Safety, Health, Environment and Quality Committee was established as a Board Committee in the year under review, to assist the Board in ensuring that the company continues to safeguard the health and safety of its employees and others as well as the impact it has on the environment and mitigation thereof. Due to a skills shortage identified by the previous Board, the Social and Ethics Committee was merged with the Human Resources and Remuneration Committee. However, the newly appointed Board has opted to separate these two Committees.



Figure: D.1 After appointment of the new Board, a formal induction and site visits were conducted to familiarise the new directors with the company's operations.

D.2.4 BOARD COMMITTEES

The Board established its Committees, to assist it in exercising its statutory duties and objectives set out in the Board Charter which are described below. These Board Committees operate within the ambit of the approved terms of reference, which set out their specific duties that are aligned to corporate governance principles and Board objectives as set out in the Board Charter. The terms of reference of Board Committees were also reviewed as part of the annual review process to align with new changes and best governance practice.

The report of the Board Committees are included in this report under section E3 and part G.

D.2.5 BOARD AND COMMITTEE ATTENDANCE

The Board and Committee meetings were attended by Directors for the year under review as detailed below.

Table D.4: Previous Board and Committee meeting attendance from 01 April 2018 to 30 September 2018

Board Members	Board	ARMC	SEHRC	FINCO
RL Mabece (Board Chair)	6/6			
GC Theron	3/6		1/2	
S Baduza (ARMC Chair)	5/6	1/3		
PM Mahlangu	6/6	3/3	2/2	
PE Molokwane (FINCO Chair)	3/6			2/2
SM Mnguni	4/6		1/2	1/2
CPM Ngwenya	5/6	3/3	2/2	
MJ Rachidi (SEHRC Chair)	4/6		2/2	2/2

Table D.5: Current Board and Committee meeting attendance from 01 October 2018 to 31 March 2019

Board Members	Board	ARC	HR&REMCO	FINCO	SHEQC	SEC
PM Makwana (Board Chair)	6/6		1/2	1/4		
MF Baleni (SHEQC Chair)	4/6		2/2		2/2	0/1
N Balton	3/6			4/4	2/2	1/1
P Derby	4/6	6/7		4/4		
B Hanise (HR&REMCO Chair)	5/6	4/7	2/2			
L Mnisi	6/6	7/7		4/4	2/2	
Adv L Mokgatle	4/6		2/2		2/2	1/1
Y Pillay	5/6	6/7	2/2	1/4		
J Yawitch (SEC Chair)	3/6	5/7			1/2	1/1
ZP Zatu (ARC Chair)	5/6	7/7		4/4		
OT Monaheng (CEO)	12/12					
J Maruma (Acting CFO)	11/12					

D.2.6 COMPANY SECRETARY



The Company Secretary is responsible for all governance related matters at SAFCOL. The Company Secretary maintains an arms-length relationship with the Board and Executives. The former Company Secretary, Anastasia Machobane, resigned on 25 September 2018. Due to her resignation, the Company Secretary statement in the annual financial statements was signed by Shadrack Shilenge who took over the position of acting Company Secretary, effective 26 September 2018. To ensure that all directors remain informed about pertinent matters, continuous training and updates were provided in the year under review. In addition, a formal Board evaluation of the previous Board was conducted in July 2018 and the results were presented at the AGM held on 23 October 2018.

D.2.7 REMUNERATION OF BOARD MEMBERS

Table D.6: Previous Board Members remuneration fees breakdown

Board Member	01 April 2018 – 31 September 2018		
	Board Fees (R)	Reimbursements (R)	2018/19 (R)
RL Mabece		0	397 686
S Baduza		1 473	127 250
MJ Rachidi		5 588	156 521
GC Theron		1 268	109 118
PM Mahlangu		1 952	152 885
PE Molokwane		1 791	146 085
CPM Ngwenya		0	159 049
SM Mnguni		3 834	111 683

Table D.7: Board Members remuneration fees breakdown

Board Member	October 2018 – March 2019		
	Board Fees (R)	Reimbursements (R)	2018/19 (R)
PM Makwana (Chairperson)	447 397	0	447 397
MF Baleni	197 912	4 889	202 802
N Balton	153 869	2 004	155 873
P Derby	168 355	710	169 064
B Hanise	168 355	2 953	171 308
L Mnisi	171 291	1 980	173 271
Adv L Mokgatle	153 868	6 722	160 590
Y Pillay	171 291	1 051	172 342
J Yawitch	191 364	2 963	194 327
ZP Zatu	171 480	3 467	174 947

D.3 EXECUTIVE COMMITTEE

The Board has delegated management of the day-to-day business and affairs to the CEO. The CEO who is accountable for the performance of the Company, has since established the Executive Committee to assist him with developing and implementing the Strategy, Shareholder's Compact, policies and budgets; monitoring operational and financial performance of the Company; prioritising and allocating investments and resources; managing and developing talent including the risk profile of the Company. Ultimate decision making powers remain vested with the CEO and all members of the Committee exercise powers in accordance with their delegated authority.

D.3.1 COMPOSITION OF SAFCOL'S EXECUTIVE COMMITTEE

PROFILES OF THE EXECUTIVE COMMITTEE



Mr T Monaheng
- CEO Executive Director

Appointed
01 December 2017

Profession
n/a

Qualifications

- Master of Business Administration;
- Bachelor of Science in Electronic Engineering; and
- Bachelor of Science in Physics; and Mathematics.



Mr. J. Maruma
Chief Financial Officer (Acting)

Appointed
01 June 2018

Profession
CA (SA)

Qualifications

- CA (SA);
- CTA; and
- B. Com (Hons) Banking.



Mr. OR Kwape
Executive: Strategy, Innovation and Marketing

Appointed
15 September 2017 to December 2018

Profession
n/a

Qualifications

- Masters of Public Administration;
- Masters of Business Administration;
- B. Admin Honours in Industrial Psychology; and
- B. Admin

PROFILES OF THE EXECUTIVE COMMITTEE (Continued)



Ms. K. Ross
Executive:
Strategy, Innovation and Marketing (Acting)

Appointed
09 November 2018

Profession
Candidate Professional Engineer (ECSA)

Qualifications
• B. Eng. (Industrial-Electronic Engineering).



Ms. D. Motseko
Executive:
Human Capital

Appointed
02 January 2018

Profession
Registered Psychometrist

Qualifications
• Master in Business Leadership;
• Bachelor of Social Sciences (Honours) in Industrial Psychology;
• Bachelor of Social Sciences in Industrial Psychology; and
• Advanced Programme in Organisational Development.



Mr. K. Mokobane
General Manager Operations
Acting Chief Operating Officer
(1 June 2016 to 28 May 2018)

Appointed
1 June 2016 to 28 May 2018

Profession
n/a

Qualifications
• M.Sc. Forest Science;
• B.Sc. Forest Science;
• Management Development Programme; and
• Balance Scorecard Professional.

Ms Vuyo Tlale

Appointed
05 June 2017

Profession
n/a

Qualifications
• B.Com. Accounting Sciences:
University of South Africa.



PROFILES OF THE EXECUTIVE COMMITTEE (Continued)



Mr S Mpontshana
Executive:
Legal, Risk and Compliance

Appointed
01 June 2018

Profession
Admitted Attorney

Qualifications

- LLM in Commercial Law; and
- LLB;



Ms B Sathekge
Head: ICT

Appointed
16 November 2017

Profession
n/a

Qualifications

- Master's in Business Administration;
- Management Development Programme (MDP); and
- ND Information Technology.



Mr. L Nonyane
GM: Processing (Acting)

Appointed
06 June 2018

Profession
n/a

Qualifications

- MBA (General), ND: Wood Technology;
- Senior Management Programme; and
- Accelerated Management Development Programme.

PROFILES OF THE EXECUTIVE COMMITTEE (Continued)



Mr Chris De Beers
GM: Ecotourism & Property
(Acting)

Appointed

06 June 2018 to
30 September 2018

Profession

-

Qualifications

- Dip. Nature Conservation;
- FGASA Levels 1, 2 & 3;
- Cert. Game Lodge Management & Economics;
- NQF Theta TGSP2 TG01, TG08, TG11, TG12, TG17 Tourism & Guiding;
- Cert. Wildlife Management; and
- NQF Theta TGS16 Level 6 Dangerous Animals.



Mr. P Bezuidenhout
GM: Ecotourism & Property
(Acting)

Appointed

01 October 2018 to
31 March 2019

Profession

n/a

Qualifications

- MBL;
- BCompt.(Hons)/CTA; and
- BCom(Acc).

D.3.2 EXECUTIVE COMMITTEE REMUNERATION

Table D.8: Executive Committee Remuneration

Category and Position	April 2018 – March 2019			
	TGP (R)	Acting Allowance (R)	Reimbursements (R)	2018/19 (R)
Mr OT Monaheng Chief Executive Officer	3 041 925	0	2 576	3 044 501
Ms ED Motseko Executive: Human Capital	1 555 021	0	0	1 555 021
Ms V Tlale Acting Chief Financial Officer (From 01 April 2018 – 31 May 2018)	108 884	0	0	108 884
Mr J Maruma Acting Chief Financial Officer (From 01 June 2018 – 31 March 2019)	1 314 644	147 079	0	1 461 723
Mr OR Kwape Executive: Strategy, Innovation and Marketing (From 01 April 2018 – 10 December 2018)	1 346 931	0	4 527	1 351 458
Ms K Ross Acting Executive: Strategy, Innovation & Marketing (From 09 November 2018 – 31 March 2019)	1 323 178	42 878	6 362	1 372 418
Mr K Mokobane General Manager Operations / Acting Chief Operating Officer (From 1 June 2016 to 28 May 2018)	1 910 975	46 915	0	1 957 890
Mr L Nonyane GM: Processing (From June 2018 – 31 March 2019)	745 703	90 653	0	R836 356
Mr C De Beer GM: Ecotourism & Property (Acting) (From June 2018 to 30 September 2018)	303 077	29 037	0	R332 114
Mr P Bezuidenhout GM: Ecotourism & Property (Acting) (From 01 October 2018 to 31 March 2019)	640 435	51 346	0	R691 487
Mr S Mpontshana Executive: Legal, Risk and Compliance	1 662 433	0	8 608	1 671 041
Ms B Sathekge Head: ICT	1 487 522	0	30 844	1 518 366

D.4 COMBINED ASSURANCE

D.4.1 RISK MANAGEMENT

Objectives of SAFCOL's risk management strategy is to manage risks that may impact sustainability of the business in the context of internal and external factors. The company's risk management process, also covers our Annual Risk Plan which informs all activities of the risk management function within SAFCOL. Risk assessments are conducted on a quarterly basis to determine the effectiveness of the risk management strategy and identify new and emerging risks. SAFCOL Management and Board report transparently on the company's performance to the shareholder on a monthly, quarterly and annual basis.

D.4.2 INTERNAL AUDIT

SAFCOL's Internal Audit has a specific mandate from the ARC which is to independently appraise the adequacy and effectiveness of the company's risk management processes, internal controls and governance processes. It submits its findings to the Executive Committee, senior management, the external auditors and the ARC. The internal audit coverage plan is based on the results of the Group-wide risk assessment and the approved Group strategy. The coverage plan is updated annually considering risk assessments, internal and external emerging strategic issues and the results of audits performed. This ensures that the audit coverage focuses on identified risks.

D.4.3 FRAUD AND CORRUPTION

During the year in review the SAFCOL Fraud Hotline was managed by KPMG Services (Pty) Ltd for the two first quarters of the financial year. KPMG was subsequently, replaced by Deloitte hotline for the remainder of the reporting period. In this period, 13 fraud and corruption related allegations were recorded indicating a decrease in the number of reported allegations compared to the previous corresponding period.

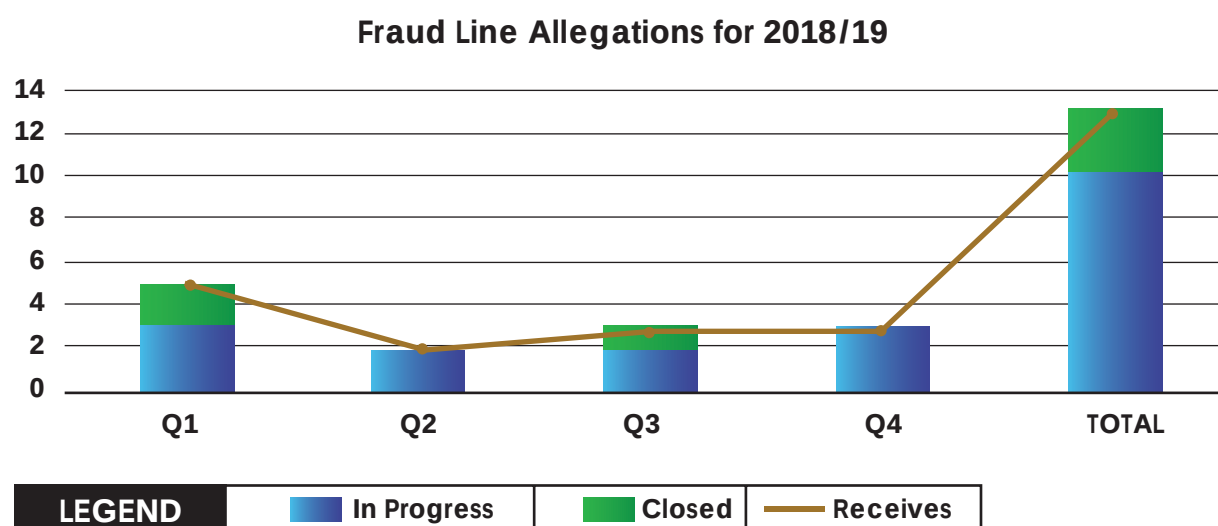
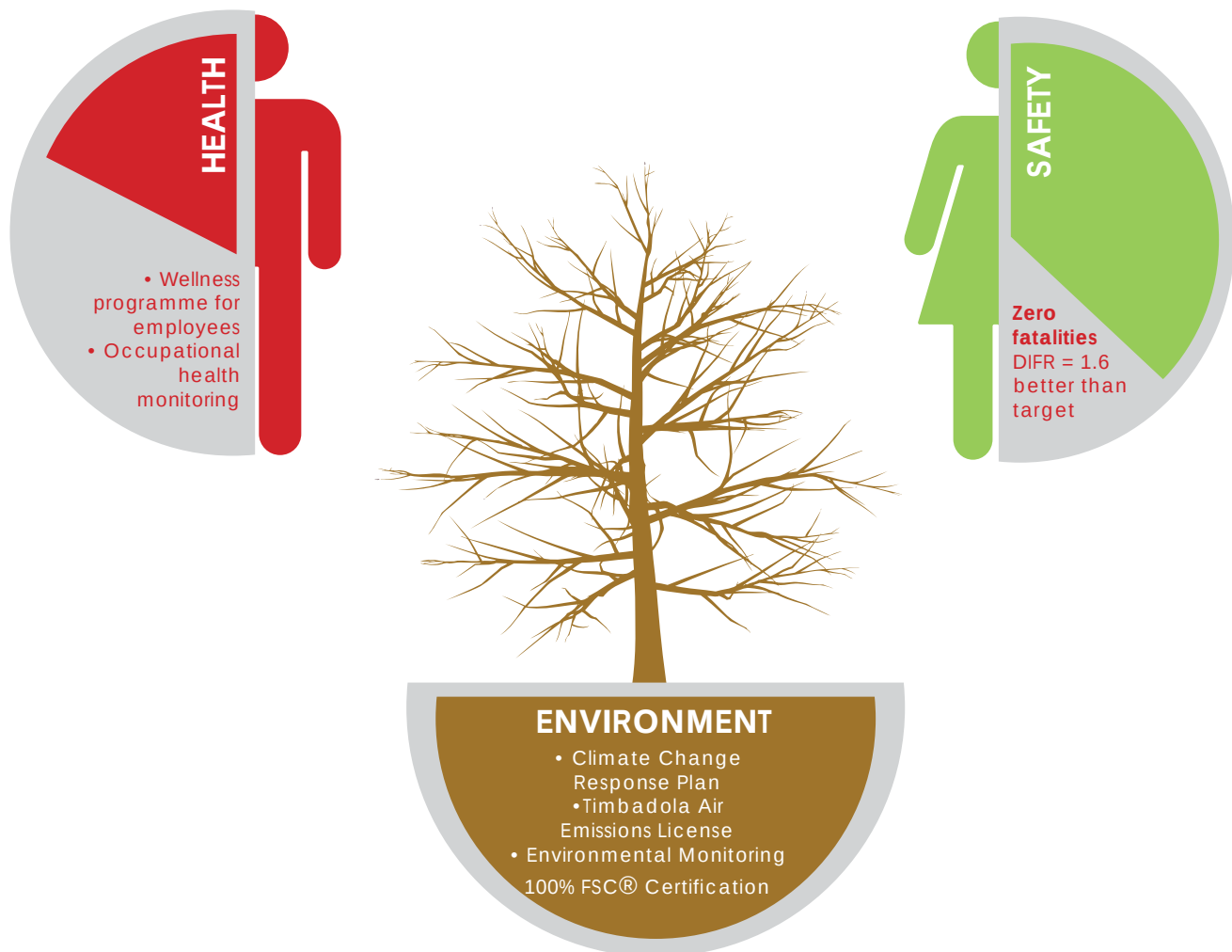


Figure D.1: Progress in resolving 2018/19 Fraud Line Allegations

D.4.4 CODE OF CONDUCT

SAFCOL is committed to the highest standards of conduct and business ethics. We have adopted a code of conduct that compels the company to conduct all its business dealings in respect to laws pertaining to countries in which we operate. We believe that our success in markets in which we operate is built on integrity. Management as part of internal control ensures that all employees adhere to the appropriate code of conduct thereby enhancing the reputation of the company. SAFCOL strives to prevent any situation that may compromise these principles in its dealings with customers, suppliers and other stakeholders.

D.4.5 HEALTH, SAFETY AND ENVIRONMENTAL RESPONSIBILITY



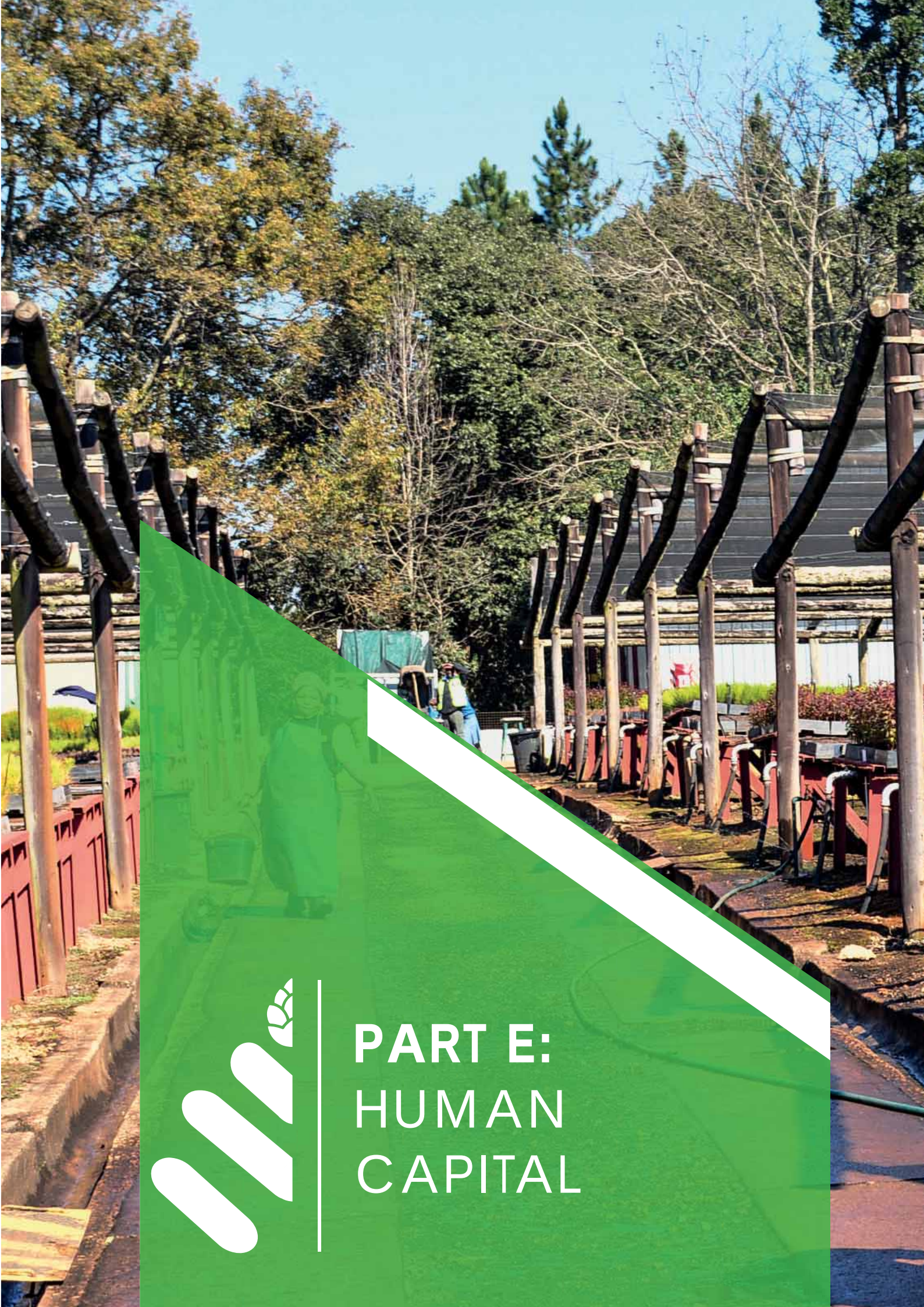
D.4.5.1 Our Environmental Responsibility

SAFCOL by its very nature is a sequester of carbon and contributes very little to the causes of climate change. Of greater concern, though is the potential effect that climate change may have on the future growth of stock, largely due to raised temperatures and reduced rainfall etc. This is being addressed through the established Research and Development programmes seeking to breed hybrid trees which are more resistant to hot and dry conditions, and any associated pests which may occur as a result. The SAFCOL three-year Climate Change Response Plan is being implemented within the business, despite some resistance to change. The Climate Change Response plan also include the consumption of resources (electricity, water and fuel) at Timbadola in order to plan reduction strategies. A project to finalise a methodology for carbon accounting, which will enable SAFCOL to quantify the value of its carbon absorption, was finalised in the 2018/19 financial year and a pilot project was run at Ngome plantation to test the assumptions. The project was rolled-out across all plantations in the last quarter of 2018/19 financial year and a report has been received.

The finalisation of the Atmospheric Emissions Licence (AEL) for Timbadola during the financial year enables the company to establish specific emission limits and monitor compliance within the constraints of available technology. The age of existing sawmill technologies negates the economic installation of fixed continuous monitoring systems, and although opportunities for reduction under current operating conditions are few, this will form an integral part of any expansion or modernisation programme in the future.

Our FSC® Certification was retained for the 21st consecutive year. An essential component of SAFCOL's FSC® Certification is monitoring the impact of the forestry operations on the affected environments and ecosystems, as well as heritage sites and rare, threatened and endangered species. Sixteen monitoring projects were identified and initiated in the 2018/19 financial year, including monitoring of water quality and stream conditions in identified catchments, assessment of grasslands, veld and grazing capacities, and ongoing monitoring of known Rare, Threatened and Endangered species, both floral and faunal, on our plantations.





PART E: HUMAN CAPITAL



PART E: HUMAN CAPITAL

Our People, our Talent, our Future

We believe that an engaged workforce is more likely to focus on attaining profitability, a strong financial position, customer satisfaction, competitive positioning and shareholder return on investment, and thus the mission is to attract and retain a fulfilled and engaged workforce that delivers on the key drivers of the strategy. An extensive effort was undertaken to examine how the HC programs and delivery systems can be improved to better meet the strategic needs of the company. The figure below provides a graphical presentation of SAFCOL's Human Capital strategic drivers identified for the financial year under review.



Figure E.1: HC Strategic Drivers for 2018/19 FY

In 2018/19, SAFCOL met its Human Capital objectives by aligning the people practices across the group, setting the tone and direction, and developing company-wide people strategies and processes. The emphasis was on driving synergies across the business from both a cost and a time/effort perspective, and ensuring that corporate governance is upheld.

The HC key strategic drivers are aimed at ensuring alignment between the SAFCOL's strategic objectives and the people strategies which are linked to the business objectives. There are seven strategic drivers that have been identified linked to deliverables, and these are depicted in the table below:

Table E.1: 2018/19 Human Capital Strategic Drivers and Key Deliverables

Strategic Driver	2018/19 Deliverables	Future Look and Actions to Enhance Delivery
People Management 	• During 2018/19, SAFCOL had a total of 1 546 permanent employees and 606 for IFLOMA; • Employee staff turnover at the end of period was at 1.8%; • Number of training interventions provided to SAFCOL employees and communities is 3 881; • Training spend in Rand value R31 151 527; • Training Interventions provided include Learnerships, Internships, Apprenticeships, Bursaries, Community and Employees Short Skills Programmes;and • There are no fatalities reported during the year under review.	• Continued Employee Value Proposition enhancement; • Continuous review of job roles to ensure alignment to the strategy ; • Automation of Human Capital Information, Systems and Processes; and • Conduct Skills Audit.
Inculcate High Performance Culture 	• During 2018/19, the performance management policy was reviewed to ensure alignment of the Company's Corporate Plan, Shareholders Compact and individual key deliverables; • The focus was on inculcating a high performance culture by ensuring that teams and individuals understand, monitor and manage performance within the framework of clearly defined goals that are specific, measureable, attainable, relevant, and time bound;and • SAFCOL undertook a drive to ensure strategic alignment by cascading and aligning corporate and divisional strategy; and align individual performance objectives with functional and divisional objectives to build a high-performance organisation.	• Continuous performance monitoring
Capacity Development 	• The SAFCOL training centre (Platorand) is committed to create a safe environment and continue to prioritise training interventions to capacitate not only SAFCOL's employees but also communities as part of the social compact investment;and • For 2018/19 financial year, Learning & Development focused on Silviculture, Harvesting, Processing, Health & Safety, Environmental and Fire-related training, this does not only contributed to an effective workforce, but also builds a talent pipeline for a broader Forestry Sector.	• Continuous investment in capacity development for both employees and communities;and • Establishment of Silviculture centre of excellence.

Table E.1: 2018/19 Human Capital Strategic Drivers and Key Deliverables (continued)

Strategic Driver	2018/19 Deliverables	Future Look and Actions to Enhance Delivery
Partnerships and Collaboration with Higher Education Institutions 	• During year under review, SAFCOL partnered with the United Nations Industrial Development Organisation (UNIDO) on skills development, with the aim to promote and develop forestry qualifications within SAFCOL and the communities; • To strengthen partnerships with Institutes of higher learning, the Company has a representation on the Advisory Board of the Saasveld Campus of the Nelson Mandela University (NMU); • Within the reporting period, Platorand Training Centre maintained its accreditation with the Fibre Processing & Manufacturing SETA (FP&M SETA) as well as the Media, Information and Communication Technology SETA (MIC SETA); and • SAFCOL is affiliated with the Forest Industries Training providers Association.	• Strengthen collaboration with TVET, HET and drive Private Forestry Industry Partnerships.
Talent Management and Succession Planning 	• During the year under review, SAFCOL developed and executed a people centred talent management strategy and plans to ensure that the company is well resourced and that SAFCOL's current and future people needs are met; • Competency assessments for all employees within the critical and scarce skills workforce segment was conducted in order to address the forestry technical skills shortage within the market; • Key strategic roles were identified and targeted for talent pools and succession planning; and • The introduction of dual career pathing and development of employee value proposition aims to assist the company's recruitment and retention initiatives.	Enhancement of Talent Management and Succession Planning Process.

Table E.1: 2018/19 Human Capital Strategic Drivers and Key Deliverables (continued)

Strategic Driver	2018/19 Deliverables	Future Look and Actions to Enhance Delivery
Building a Value Based Culture 	- SAFCOL conducted a Culture Survey to gain insights on how to drive SAFCOL's strategy and deliver the company's desired performance excellence; - During the year under review, continued emphasis was placed on creating a values-based culture, and the company reviewed its company values to instil a values-based and ethical culture across SAFCOL; and - Human Capital policies were reviewed, updated and approved during this period. Furthermore, workshops were facilitated on all approved HC policies to ensure adherence.	Implementation of culture survey results focusing on inculcating high performance culture, leadership development, performance optimisation, enhancing organisational effectiveness, and instilling pride in being a SAFCOL employee and in delivering towards the company strategy.
Reward & Remuneration 	For the 2018/19 financial year, the company reviewed and updated the Reward and Remuneration Policy with the view to align with the Remuneration Guide of 2018. The company followed a phased approach in ensuring alignment with the new REM guide of 2018, the below initiatives were concluded at part of alignment exercise: - SAFCOL Company Sizing Report and results, linked to the 2018 DPE Guidelines and new sizing matrix; - New and revised SAFCOL remuneration policies; - SAFCOL Reward and remuneration Policy; - Prescribed Officers (POs) and Executive Directors (EDs) Guaranteed remuneration Policy - Non-Executive Directors (NEDs) Fees Policy; and - SAFCOL Incentive Scheme Bonus Policy, inclusive POs and EDs incentive structure	Remuneration Areas of Focus for 2019/20 Financial year: - Executive pay scales and bonus structure for Executive Directors, Prescribed Officers and senior management; - Executive Directors and Prescribed Grading System and Structure; - Non-Executive Directors new remuneration dispensation in line with the 2018; guidelines prescripts - Introduction of the Medical Aid scheme and subsidy structure for all SAFCOL employees; and - Revision and alignment of the Admin and Management provident fund benefits and standardisation across employee category.

E.1 HUMAN CAPITAL OVERSIGHT AND STATISTICS

Figure E.2: below reflect the Human Capital Statistics for the 2018/2019 financial year.

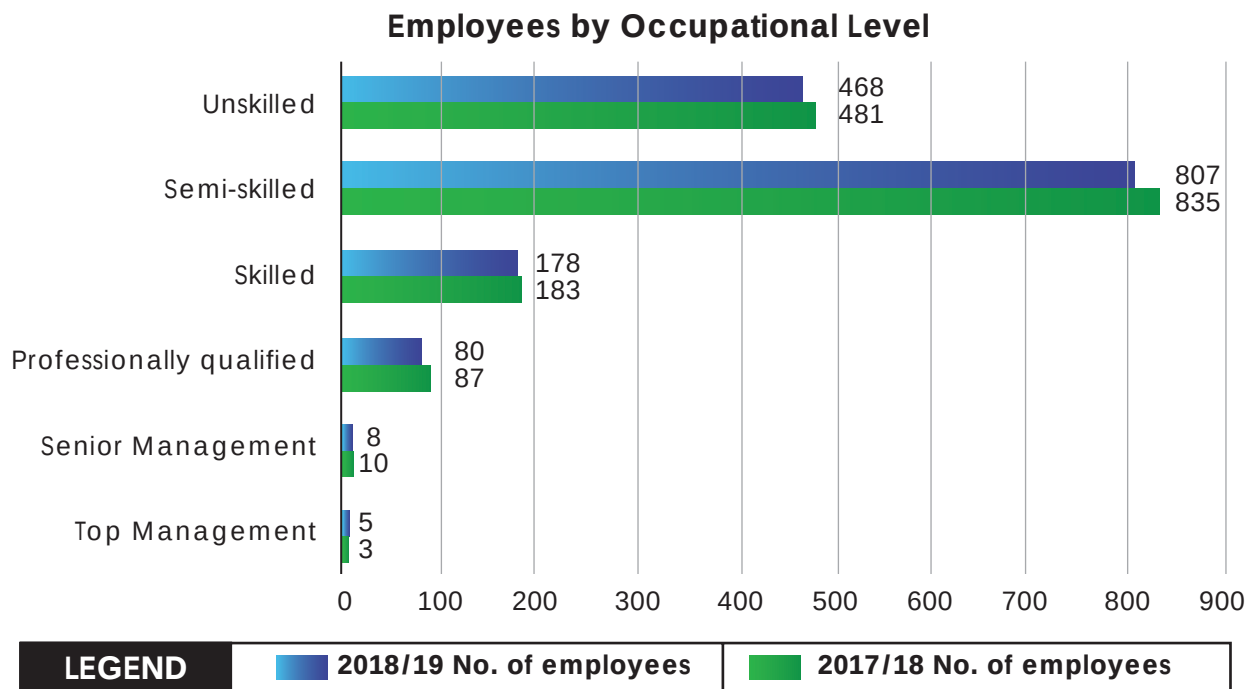


Figure E.2: SAFCOL Employment by occupational levels for the past two years

During the 2018/19 financial year SAFCOL had 1 710 approved positions, the positions ranged from Top Management (F band) to unskilled employees (A band). On 31 March 2019, employee headcount reduced to 1 546 permanent employees creating 166 vacancies.



E.2 EMPLOYEE RELATIONS AND WELLNESS

SAFCOL employees continue to enjoy workplace democracy, through participating in several forums. For the year under review, SAFCOL convened monthly and quarterly meetings between management and organised labour; to enhance the quality of employees work life through open engagements and dialogue. Employee wellness programme continue to provide a comprehensive and structured primary health care services to employees. Human Capital observed an increase in referrals of employees to the Employee Assistance Programme (EAP) during the year under review.

E.2.1 DISCIPLINARY STATISTICS

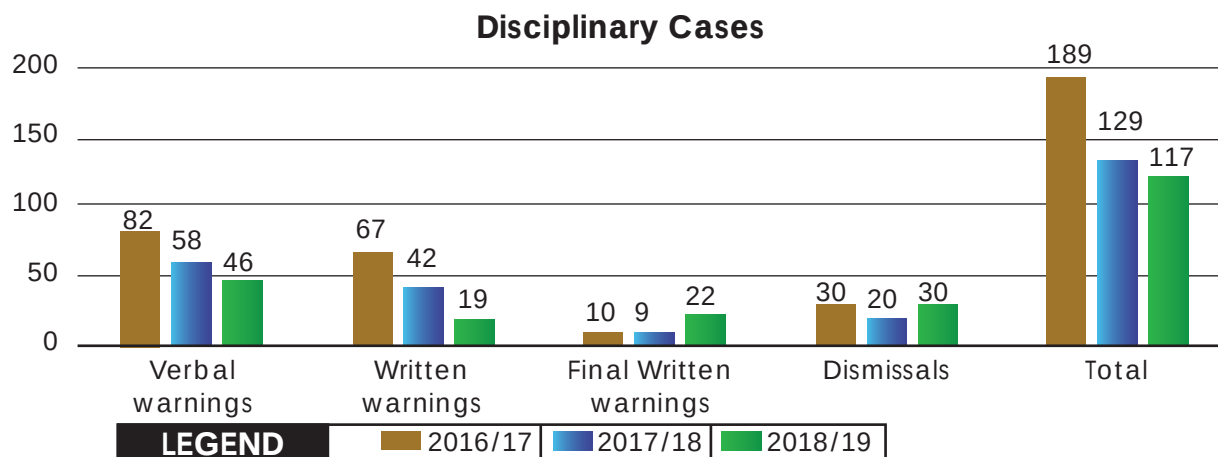


Figure E.3: Number of disciplinary cases for the past three years

E.2.2 EMPLOYMENT EQUITY

SAFCOL continuously strives to ensure that all racial groups are represented in line with the Economic Active Population (EAP) targets. During the financial year under review, SAFCOL's report on the Shareholders compacted reflect the below achievement:

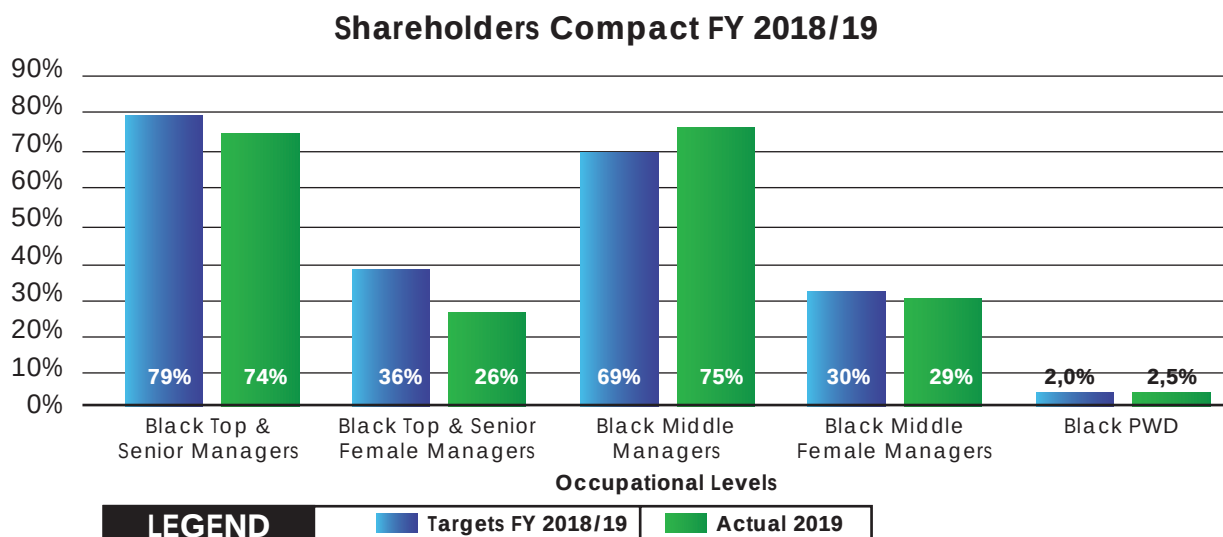


Figure E.4: Employment Equity Representation – Shareholder's Compact performance

The Consultative Employment Equity Committee has continued to provide its statutory required monitoring and improvement of the EE programme through its quarterly consultative meetings.

E.3 HUMAN RESOURCES AND REMUNERATIONS COMMITTEE

Objectives of the Committee

The objective of the committee is to assist the board in discharging its oversight responsibilities on matters of strategic remuneration including directing, monitoring and oversight over human resources planning and development strategies aimed at creating and sustaining value for the business.

The Committee's key focus areas include overseeing the determination of annual salary increases and all compensation related matters including employee salaries, annual incentive compensations and related packages, long-term incentive compensation, employment and severance pay in line with remuneration policy for board approval. Further, the committee considers policy amendments for submission to the Board for approval, interrogating the quarterly human capital report and succession planning submitted by management. The committee also guides the CEO in matters relating to strategic oversight and development of human capital. In so doing, the committee also recognises the need for SAFCOL to create a competitive human capital.

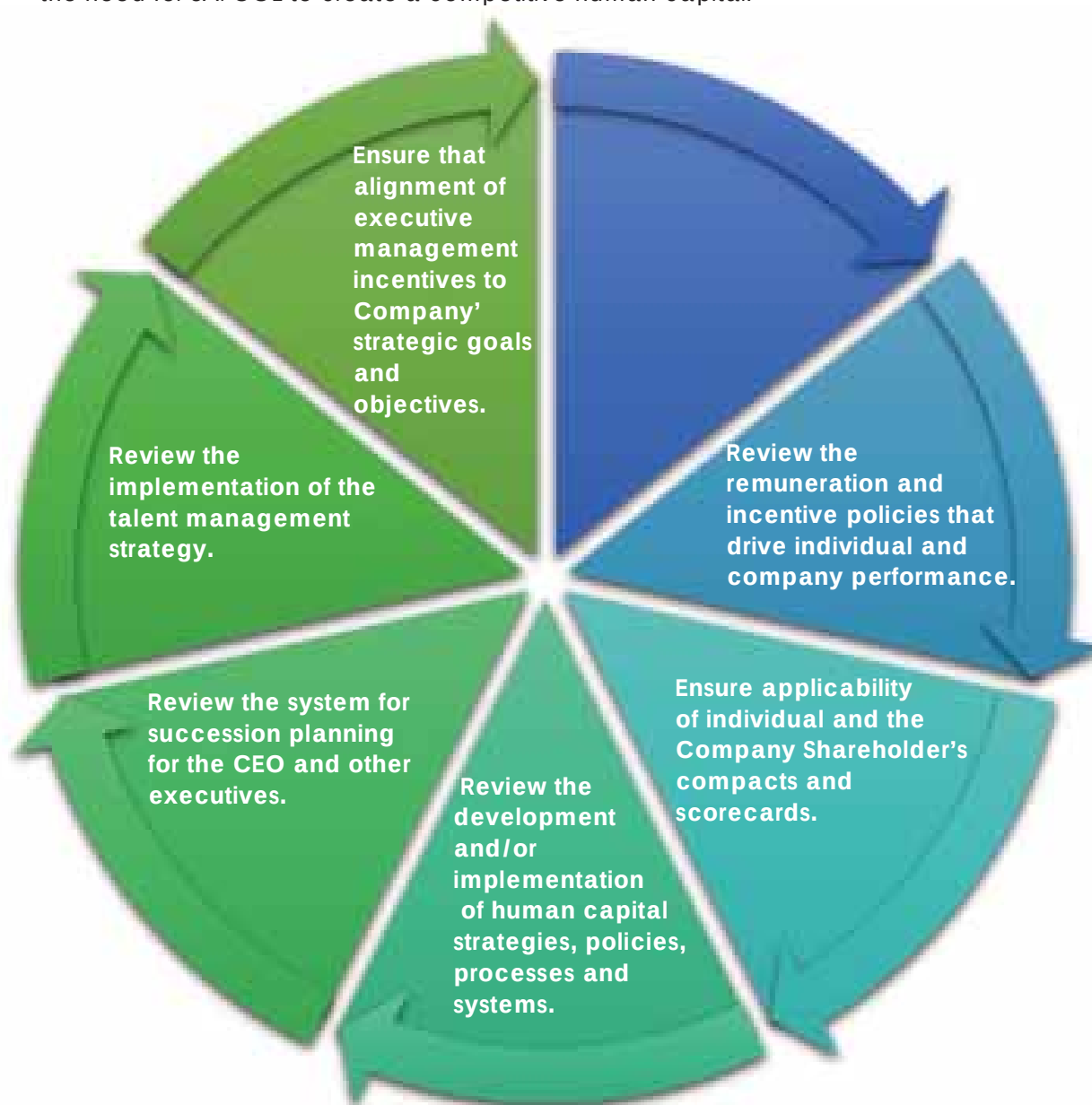


Figure E.5: Objectives of the Human Resources and Remunerations Committee

Composition and Functioning of the Committee

The Committee comprises the following non-executive directors, namely: Ms B Hanise (Chairperson), PM Makwana, Mr Y Pillay, Adv L Mokgatle and Mr MF Baleni. Its members, including the Chairperson, are appointed by the Board. Executive directors (CEO and CFO) and key executives participate in the meeting by invitation. Four meetings were held during the year, across the tenure of both the previous and current Board

Challenges

- Key executive positions not filled;
- Alignment of remuneration and incentive policies for EDs, POs and NEDs with 2018 DPE guide;
- Capacity issues with talent mapping (Remuneration Policy);
- HR systems that did not support the business; and
- Medical scheme benefits which was not implemented.

Progress to date

- Reviewed the SAFCOL Group structure to ensure optimal performance of the respective business areas and strengthen corporate governance;
- Reviewed the organisational structure to align with the new strategy and ensure proper delegation of authority, well defined chain of command, and that roles and responsibilities are properly assigned;
- Reviewed the remuneration and incentives policies for EDs, POs and NEDs to align with the 2018 DPE guide;
- Reviewed other HR related policies to align with best practice;
- Turnaround strategy is taking shape as the key executive positions of the CFO and COSEC will be filled in the new year to strengthen and capacity the finance and secretariat functions. The recruitment process of other key executive positions is underway;
- Nominated a SAFCOL Board member to serve as the member and the Chairperson of the IFLOMA Board as evaluation of the reporting lines to have more visibility on the IFLOMA operations directly from SAFCOL as opposed to KLF level;
- Assessing the competencies and composition of the various strategic levels of leadership in key positions and business areas to ensure that SAFCOL has the right mix of skills to implement the new strategy and achieve its strategic objectives;
- Reviewing learning and development programmes to ensure that SAFCOL respond to the current forestry skills gap, specifically building capacity in silviculture, harvesting, processing and also ensure that SAFCOL has a pool of readily available skills internally and externally to meet future and current demands;
- The process is underway to appoint the service provider for the provision of medical scheme benefits; and
- The Human Resource Management section was rated as “good” in the 2018/19 Auditor-General management report.

Conclusion

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



Ms. B Hanise

Chairperson of the Human Resources and Remuneration Committee

PART F:
SOCIAL
CAPITAL

PART F: SOCIAL CAPITAL

SAFCOL is mandated through the Forestry Sector Charter to comply with the B-BBEE regulations as a lever to transforming and empowering the Forestry Sector. In our 2018 B-BBEE Audit, we achieved a Level 3 Status, which is an improvement from the previous financial year's performance in which we achieved Level 4. This achievement is a demonstration of our continuous efforts to contribute to the transformation of the Forest Sector, rural economic development and most importantly the skills development and economic empowerment of previously disadvantaged people within the sector with a focus on youth, women and people living with disabilities. Here is a snapshot of our Social Capital commitments.

The figure below indicates the budget allocated for Corporate Social Investment (CSI), Enterprise and Supplier Development (ESD) and related targets and actual expenditure per category

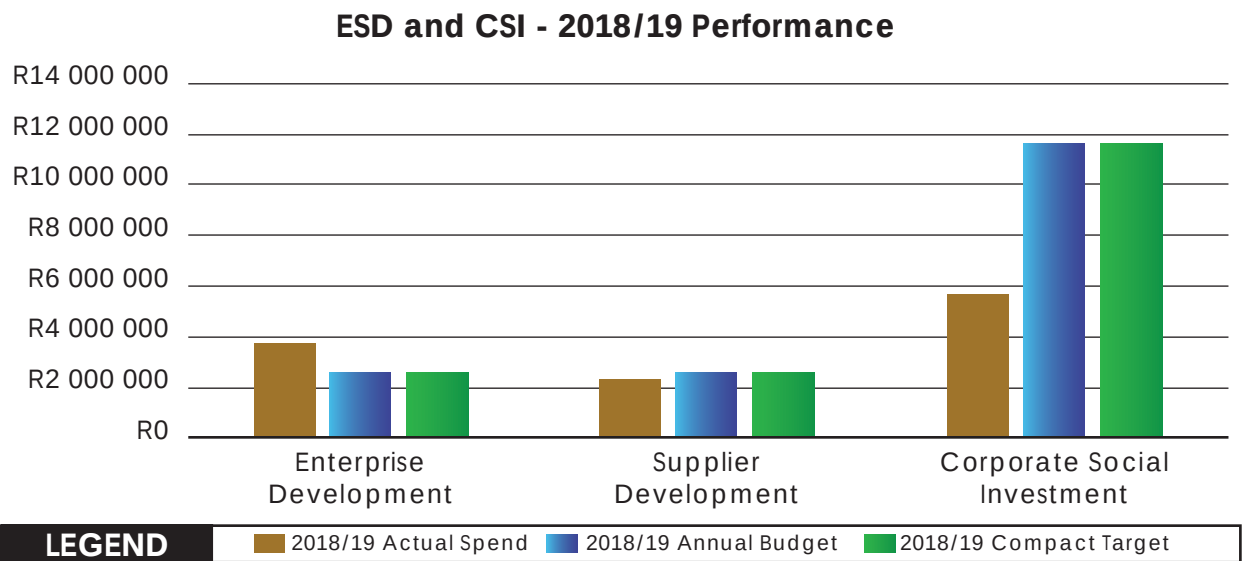


Figure F.1: 2018/19 ESD and CSI Actual Spend compared to budget and target

F.1 ENTERPRISE AND SUPPLIER DEVELOPMENT

F.1.1 ENTERPRISE DEVELOPMENT

Through our Enterprise Development (ED) initiatives, our beneficiaries have an opportunity to benefit from a vibrant and sustainable rural economic development, which aims to reduce poverty, unemployment and inequality for women, youth and persons with disabilities.

F.1.1.1 Furniture Manufacturing

Themba Labasha Cooperative

SAFCOL's intervention afforded Themba Labasha -opportunity to participate at national competition organised by the Department of Agriculture, Forestry and Fisheries (DAFF) in Pretoria on 29 June 2018. The Co-operative displayed excellence and was voted overall winner in the category "Youth in Agriculture Forestry and Fisheries (YAFF)", and were awarded a national trophy, and a cash prize valued at R 100 000 and were crowned the national champions in the YAFF category.



Limpuma Furniture Co-operative Limited

Limpuma Furniture Co-operative manufactures furniture products in the deep rural area of Vhembe District in Limpopo. The co-operative participated in the Young Business Awards at the Vhembe District Municipality; they won second prize and were awarded a trophy and with a prize of R60 000. The Co-operative has introduced coffin manufacturing as a new product range. The following pictures below depict products manufactured by Co-operative.



F.1.1.2 Agricultural projects

SAFCOL established Mankhithi Primary Co-operative as part of its Enterprise Development programme, a cash crop business is situated in Shawela village outside Tzaneen, Limpopo. SAFCOL procured an irrigation system, seedlings and a security fence for a five-hectare piece of land, and has appointed an accredited agricultural mentor to assist the co-operative members with technical and business development skills. The co-operative has created nine full time jobs and five seasonal workers in this financial year and produces vegetables, which they supply to the following markets:

- Johannesburg fresh produce market;
- Spar Duiwelskloof;
- Boxer Super store Ga-kgapane; and
- ZZ2 Mooketsi.



Figure F.2: Fresh produce

F.1.2 SUPPLIER DEVELOPMENT PROGRAMME

As a State Owned Company, SAFCOL is committed to ensuring that black-owned SMMEs, especially those operating within the Forest Sector, gradually increase their economic contribution through inclusion into SAFCOL's value chain, resulting in job creation, skills development and access to markets.

SAFCOL's first formal supplier development programme was developed this financial year for contractors within the forestry value chain in partnership with the University of Mpumalanga. The programme was aimed at equipping and empowering emerging black-owned SMMEs to address challenges that are faced by SAFCOL suppliers which often lead to contractor failure, through empowering SAFCOL contractors with business and technical skills. Twenty black owned contractors were enrolled on the program following a rigorous selection process.

Some of the contractors that were empowered through the programme have been appointed as Silviculture contractors in various plantations across SAFCOL operations; these contractors have further employed approximately 1 300 individuals. In their reflection on the benefits of the programme, Ms Rally Moropa indicated the following: *"Thank you to SAFCOL and the University of Mpumalanga for giving us this opportunity which will to enable our business to deliver quality products and grow our business"*.

F.2 CORPORATE SOCIAL INVESTMENT

F.2.1 MANDELA MONTH PROGRAMME 2018

SAFCOL is not only committed to contributing to the Mandela International Day, humanitarian action in celebration of Nelson Mandela's life and legacy we also that projects we participate in have positive impact in communities surrounding the plantation. We sponsored school shoes to 11 disadvantaged schools across SAFCOL's three regions, established vegetable gardens, donated school desks and renovated a clinic.



F.2.2 RESTORING THE DIGNITY OF YOUNG GIRLS – SAFCOL'S FLAGSHIP PROJECT

SAFCOL, through its flagship programme of the provision of sanitary products that started in 2015, continues to change the lives of underprivileged girls at school. Female students from disadvantaged backgrounds lack access to sanitary hygiene products, due to affordability, resulting in many girls missing on average four days of school every month (more than a month every a year).

With this project, we aim to bring back the dignity of girls and support them in their endeavour to access education. In the year under review, 3 000 girls from 13 schools across the three provinces namely Limpopo, Kwa Zulu Natal and Mpumalanga have received sanitary hygiene products.



F.2.3 OTHER CSI PROJECTS

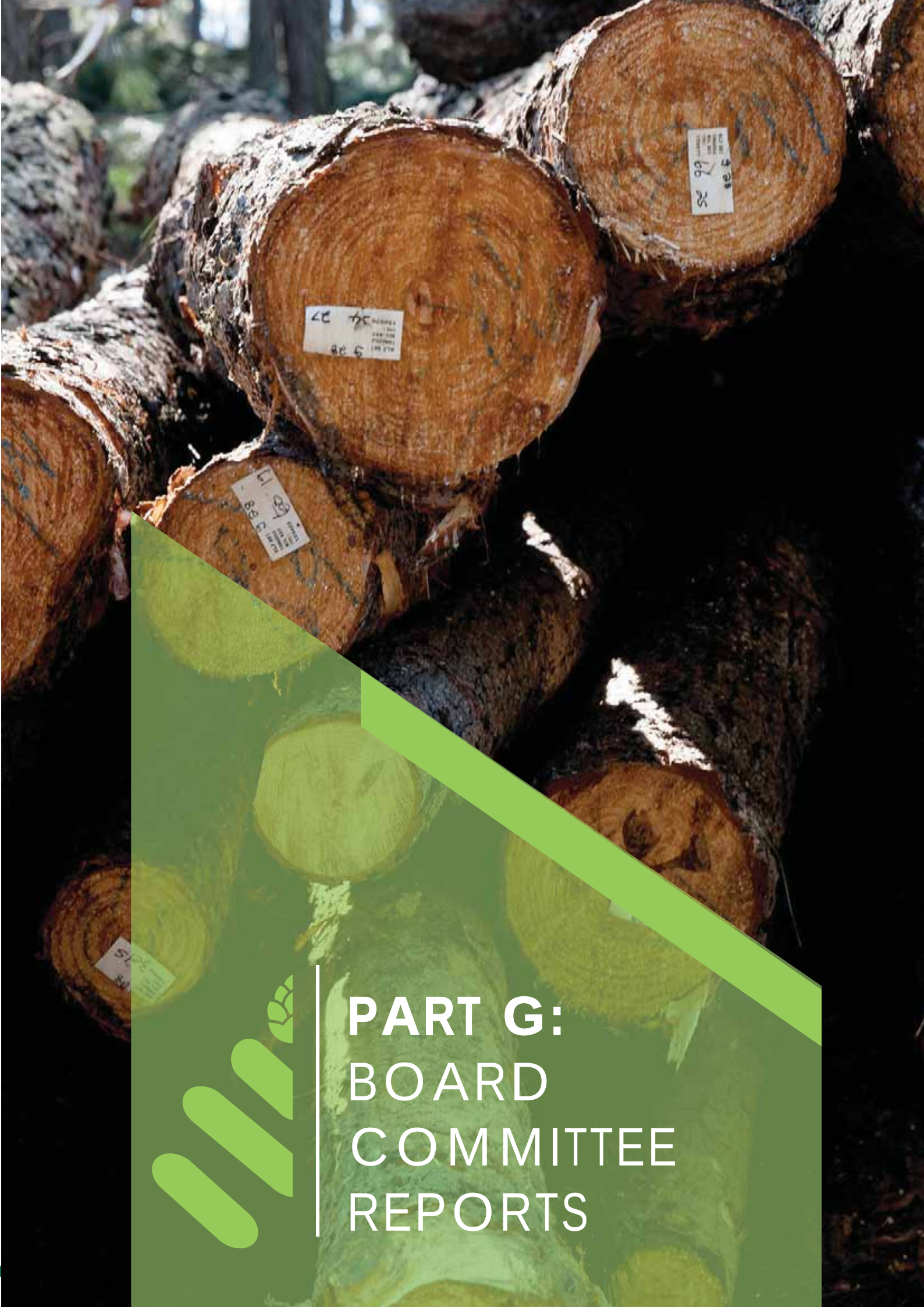
Table F.1: Progress of other CSI projects

Corporate Social Investment Projects	Progress for the FY 2018/19
Early Childhood Development Centres (ECD) and Primary School Support.	A system to collect rain water by connecting gutters to jojo tanks has been installed for two ECD centers built in the previous financial year (Phutaditshaba and Sandford ECD centres). A fence was installed for Phutaditshaba ECD Centre which was built in the previous financial year. Four play structures were delivered to the following institutions: a) Modjadji ECD Centre (situated in the Greater Tzaneen local municipality); b) Rea Shuma ECD Centre (situated in the Greater Tzaneen local municipality); c) Dientjie Primary School (situated in Thaba-Chweu municipality); and d) Buhlebuyeza Primary School (situated in Mkhondo Municipality).
Maintenance of Timber framed Structures built previously.	Three timber-framed structures (Sinethemba ECD, Beketelani Primary School and Rathitanga Primary School) which were built more than five years ago were maintained during this financial year. The maintenance included the painting of the buildings.
Youth Day Programme.	Three soccer tournaments took place in the Roburnia, Blaiermore and Redhill Clusters (Mpumalanga Province) on 16 June 2018 as part of the Youth Day celebrations. Each event was attended by more than 1 200 community members. SAFCOL sponsored soccer kits, medals, trophies and soccer balls to the winners.
Fences.	Three fences were installed for Harmony Hill Clinic (outside Sabie town), Mapheleni Hall and Makhambane Hall (outside Mtubatuba town).
Timber foot Bridges.	Two foot bridges were constructed to assist the community, especially school learners, to cross the streams during rainy seasons.
Expanded Public Works Programme (EPWP).	Twenty-five people from the Sabie area were appointed for the Expanded Public Works Programme (EPWP) that was implemented at Tweefontein Plantation.
Timber Framed Structures.	SAFCOL constructed four timber-framed structures for the following communities: Matsila, Modjadji, Mapheleni and Mooiplaas. These structures included Arts and Crafts centre, ECD centres and a community hall.

F.3 AGROFORESTRY PROJECTS

Table F.2: Progress of agroforestry projects

Agroforestry Projects	Progress for the year
Bee-keeping (Mambitheni Bee Keeping Co-operative)	A land claimant group owns Mambitheni Bee Keeping Co-operative; 230 beehives were placed at the Bergvliet Plantation. SAFCOL has supplied the Co-operative with training, honey harvesting tools and protective clothing.
Peanut and Bambara Beans (Tzaneen)	The 22ha ground nut project is fully operational with 98 beneficiaries who were supplied with seeds and given access to utilisation of temporary unplanted land at the Woodbush Plantation (JDM Keet) situated in the Greater Tzaneen. Due to damage caused by animals, some of the crops had to be harvested which caused a decline in the quantities produced.
Khupukani Small Scale Vegetable Farm	The local community close to Dundonald has established a small-scale vegetable farm and has planted a variety of vegetables. The vegetables are sold to both the formal and informal markets.
Fire Awareness Programme	The fire awareness programme is conducted in partnership with Working on Fire. The programme is aimed at raising awareness on dangers of uncontrolled fires and preventive measures. Sixty-nine schools were visited in the three Provinces to workshop them on fire awareness.
Fruit and Vegetable garden projects	SAFCOL has assisted the communities to establish fruit and vegetable gardens by providing seedlings, irrigation systems and in some cases the company has allocated land for planting. The following has benefited from the initiative: a) Tyre Vegetable Gardens establishment for Kanyamanzane, Simile and Glenmore; b) Bergvliet fruit and vegetable projects; c) JDM Keet vegetable garden; d) Witklip vegetable project; e) Tweefontein crops; f) Simile fruit and vegetable project; g) Hlabekisa agricultural project; and h) Blairemore agricultural project.



PART G:
BOARD
COMMITTEE
REPORTS

PART G: BOARD COMMITTEE REPORTS

G.1 AUDIT AND RISK COMMITTEE

Objectives of the Committee

The objectives of the committee are to assist the Board in carrying out its functions relating to safeguarding of the company's assets, the operation of adequate risk management and ensuring the effectiveness of the company's internal controls.



Figure G.1: Objectives of the Audit and Risk Committee

Composition and Functioning of the Committee

The current committee comprises the following non-executive directors, namely: Ms ZP Zatu (Chairperson), Ms J Yawitch, Ms B Hanise, Ms PPJ Derby, Ms L Mnisi and Mr Y Pillay. Its members, including the Chairperson, are appointed by the Board, in consultation with the Shareholder. Executive directors (CEO and CFO) and key executives participate in the meeting by invitation. Ten meetings were held during the year, across the tenure of both the previous and current Board.

Key Challenges

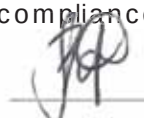
- Material misstatements contained in the financial statements, which constituted non-compliance with section 55(1) of the Public Finance Management Act (PFMA). These misstatements were not prevented or detected by the entity's system of internal control;
- Incomplete disclosure of irregular expenditure, which significantly contributed to a qualified audit opinion;
- Financial performance and liquidity of the entity was negatively affected by operational losses; Internal audit structure and internal audit plan were not appropriate to address the concerning findings raised by AG;
- Lack of capacity within the finance department that resulted in insufficient oversight over procurement \ processes and compromised the quality of submitted financial statements;
- Technical Indicators Descriptions not clearly defined to determine areas being measured;
- Non-compliance with Section 45 of the Companies Act – Financial Assistance to Related and Interrelated Companies;
- Delays in implementation of recommendations from the forensic reports, which resulted in lack of consequence management;
- Critical policies such as fraud and corruption policy were not in place;
- Cases were declined prosecution by the NPA;
- IT governance and systems were not operating optimal; and
- Weaknesses in assurance and compliance.

Progress to Date

- Performed an independent review of Annual Financial Statements to address issues raised by the AG, particularly material misstatements, incorrect application of accounting policies and disclosures contained in the financial statements and irregular expenditure;
- Reviewed the internal audit plan and structure to capacitate the team and focus on concerning findings raised by the AG;
- Identified key initiatives to lift EBITDA and improve the cash position; efforts are underway to increase revenue and reduce costs in a drive towards sustained profitability;
- Recruited and subsequently hired a permanent CFO
- Reviewed the Technical Indicator Descriptions to address issues raised by AG, particularly disparities on calculations and evidence required for some targets in the Shareholder's Compact to measure performance against the agreed target. Also improved the quality of performance information to ensure proper record keeping;
- Embarked on implementation of the recommendations of all finalised forensic investigation reports, which included conducting disciplinary processes against the employees implicated, flagging companies that were found to have committed wrongdoing, assessed the financial losses that are identified for purposes of testing the viability of legal recovery processes and implemented internal controls that are recommended by the forensic investigation reports;
- Engaging with the NPA in terms of both the Constitution and National Prosecuting Authority Act for a review of their decisions not to prosecute 26 of the 29 criminal cases that were opened with the SAPS by SAFCOL.
- Legal, risk and compliance functions have been separated to address gaps pertaining to risk management and compliance;
- Addressed non-compliance relating to direct and/or indirect financial assistance;
- Approved the fraud and corruption policy, ICT security policy including ICT governance framework;
- Continuously addressing weaknesses relating to assurance; and
- Increasing oversight on policies and frameworks that will assist SAFCOL in preventing some of the governance failures of the past.

Conclusion

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


Ms ZP Zatu

Chairperson of the Audit and Risk Committee

G.2 SOCIAL AND ETHICS COMMITTEE

Objectives of the Committee

As part of the new SAFCOL strategy, the Board's Social and Ethics Committee was established to augment the company's socio-economic transformation imperatives, as well as its drive to instil an ethical culture across the organisation at all levels.

Crucially, this committee has a responsibility towards ensuring that the board has a sound fraud and anti-corruption policy in place. In the year under review, this newly established committee adopted an action plan that is intended to achieve the acceleration and adoption of social and transformation initiatives in communities in which SAFCOL operates, as well as establish the building blocks necessary to guarantee the company's ethical base.

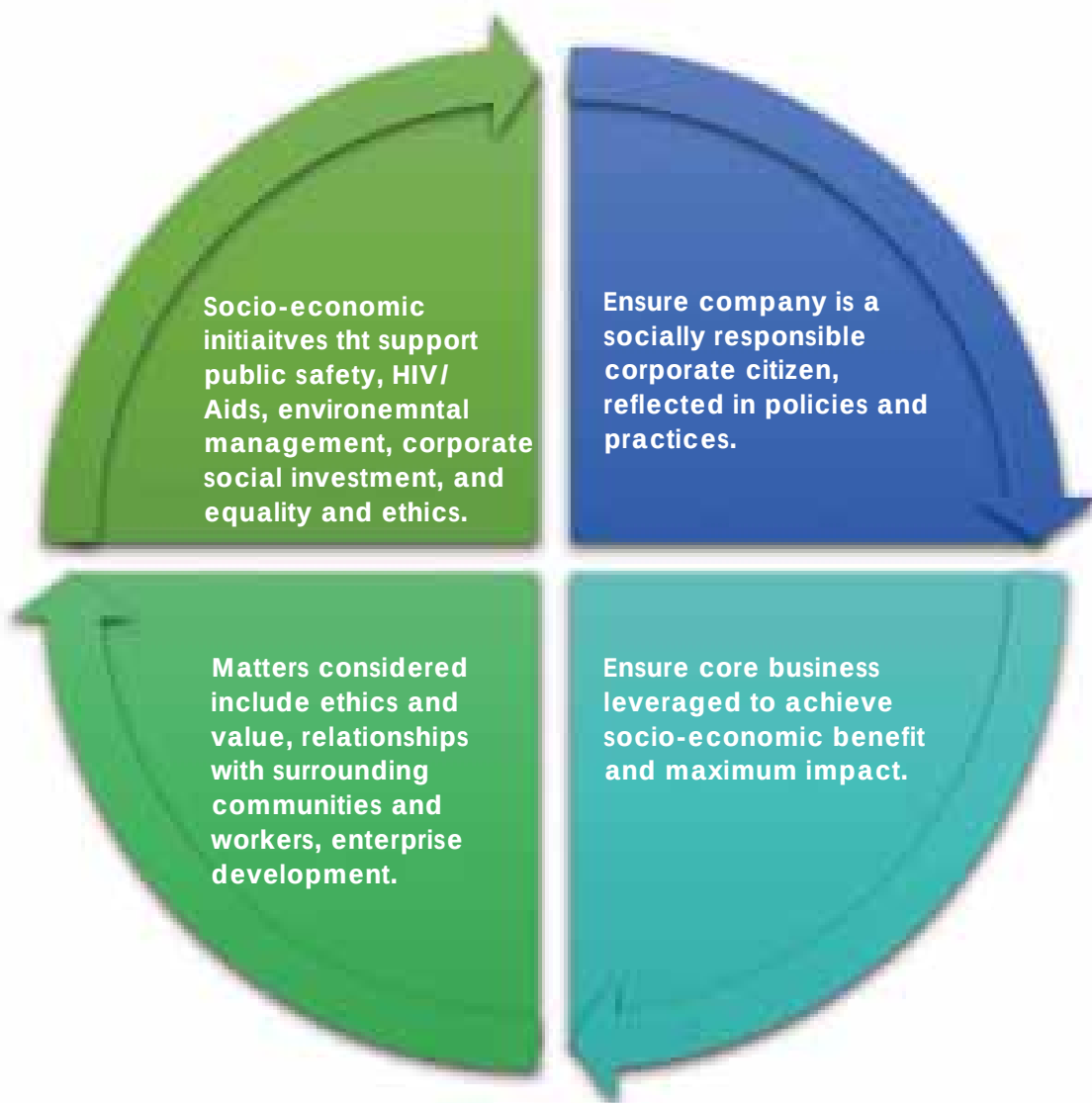


Figure G.2: Objectives of the Social and Ethics Committee

Composition and Functioning of the Committee

The current committee comprises the following non-executive directors, namely: Ms J Yawitch (Chairperson), Adv L Mokgatle, Mr MF Baleni and Mr NI Balton. Its members, including the Chairperson, are appointed by the Board, in consultation with the Shareholder. Executive directors (CEO and CFO) and key executives participate in the meeting by invitation. One meeting was held during the year, as it was a new committee.

Key Activities

- Reviewing the SAFCOL structure to include an Ethics Officer post with a mandate to deal with and ensure that the values, policies and systems necessary for a sound ethical culture are embedded;
- A review of the HIV/AIDS policy and Work Outside SAFCOL policy;
- A review of the Code of Conduct to align with best practice;
- Working to embed a values-based culture as a building block of the new strategy;
- Supporting management in applying for B-BBEE Facilitator Status in response to the undertakings of the Amended Forest Sector Code Gazetted 21 April 2017, and Section 9 (1) of the Broad-Based Black; Economic Empowerment Act, (Act No.53 of 2003);
- Supporting management in considering how best to engage constructively with Land Claims; and
- Working to inculcate a high-performance culture, based on accountability for performance.

Conclusion

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

Going forward the Committee will prioritise oversight of the organisation's Transformation initiatives, including work to ensure that recommendations from the Culture Survey are implemented by Management, that a Leadership Charter is introduced and that the organisational values are embedded in behavioural indicators. It will also monitor the organisation's community beneficiation, enterprise and SMME development initiatives and will work to ensure that work is done to value the organisations impact in relation to this. The Committee will also oversee and support management in taking forward work to resolve land claims.



Ms. J Yawitch

Chairperson of the Social and Ethics Committee

G.3 FINANCE, INVESTMENTS AND TRANSACTIONS COMMITTEE

Objectives of the Committee

The Committee assists the Board in providing oversight of investment and financial planning, funding models, implementation of major projects and investments and proposed partnerships. In support of these objectives, it reviews and approves:

- SAFCOL's annual budget;
- Funding models including their respective funding sources in line with the approved delegation of authority;
- Procurement transactions that are above the mandate of executive authority;
- The company's financial performance and highlights any areas of concern to the board;
- Management proposals, considers progress reports and reports on these to the board; and
- Maintains oversight of and obtains assurances on the robustness of the company's key income sources and contractual safeguard.

The Committee started the process of developing an investment framework that will serve as a guide for management when proposing strategic investments and partnerships. This will improve the quality of the investment proposals and the company's capital allocation decisions.. The framework will be completed for execution in 2020.

In conjunction with the Audit and Risk committee, the committee reviews the short-term and long-term funding plan, as well as the treasury mandate.

Composition and Functioning of the Committee

The Committee comprises the following non-executive directors, namely: Mr N. Balton, Ms PPJ Derby (Chairperson), Mr PM Makwana, Ms L Mnisi, Mr Y Pillay and Ms Z. Zatu. Executive directors (CEO and CFO) and key executives participate in the meeting by invitation. The Committee reviews, reports and recommends executive management proposals to Board for approval. The Committee sits on a quarterly basis, and also manages urgent matters on an ad hoc basis.

Key Challenges

- Revenue and costs - Cost increases are not aligned with revenue growth;
- Major delays in the Timbadola Sawmill upgrade – absence of techno-economic feasibility;
- Many investment proposals presented without a clear funding plan – the Investment framework should alleviate this problem; and
- Non-compliance with Treasury Regulations with regards to the non-submission of annual procurement plan.

Progress to date

- There have been extensive efforts in the company to identify opportunities to lift EBITDA and improve company's cash position. The cost reduction drive has been carefully balanced with the need to protect operationally critical expenditure in the drive towards sustained profitability. Thus to protect operations and revenue, the awarding of silviculture contracts was accelerated, following a proper procurement process;
- Real improvements have been achieved in cash conservation. We have not reached a point where the company is adding to the reserves but there has been a significant decrease in the draw down on these reserves;
- With regards to cost escalations not aligned with revenue growth, operating costs are being reduced as a percentage of revenue through resource optimisation;

- Cost containment initiatives on employment costs, travel and accommodation costs, contractors and professional fees continue and should get more impetus with the appointment of the CFO. The objective is to find internal resources to fund some of the critical operational investments that should lead to revenue enhancement;
- The issues raised by the Auditor General in the previous financial year have been prioritised such as the description of Technical Indicator in the Shareholder's Compact and the associated evidence documentation;
- Procurement's speed and technical competence in ensuring that we procure exactly what we need and then negotiate hard to get the best price is an area of critical importance for the company as it has a very direct impact on company performance. Much work is still to be done in the area of procurement but we anticipate real improvement as people skilled in the area of procurement and supply chain management are appointed to critical posts; and
- The annual procurement plan has been submitted to National Treasury, ensuring compliance with regulations.

Plans to upgrade Timbadola Sawmill have been muted for many years however in the absence of a techno-economic study or detailed feasibility, no progress has been made. This project is not fundable by the balancesheet and will require project funding or a partnership. A technical expert has finally been appointed to develop the feasibility study. In this financial year, key decisions will be made that should move us closer to project implementation and if the project is feasible, in the new financial year.

There are new opportunities on the table whose development is being fast-tracked such as the Strategic Partnerships both in SA and Mozambique. The recent appointment of a permanent CFO should significantly speed up the Investment Framework and its approval by the Board after due consultation with the Shareholder. This framework should assist in fast-tracking the following potential partnerships:

- Exploration of a partnership to enable fast entry into the pole treatment business;
- Exploring a partnership with the Mpumalanga Provincial Government with regards to anchoring the Sabie forestry industrial techno park;
- SAFCOL and DPE entered into a collaboration agreement to implement six identified projects, namely timber-frame structures for public facilities, furniture manufacturing, broadband Wi-Fi for communities, pole treatment, charcoal commercialisation and science schools; and
- SAFCOL partnered with UNIDO to support the development of forestry training centres for the generation of green jobs and sustainability of the domestic forest industry.

In the next year the company must make real progress in settling the issue of the remaining minority holdings of the previously privatised Forestry parcels. Good progress is being made with the Department of Environment, Forestry and Fisheries on the proposal for SAFCOL to manage state forests with commercial prospects.

Conclusion

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



Ms. PPJ Derby

Chairperson of the Finance, Investments and Transactions Committee

G.4 SAFETY, HEALTH, ENVIRONMENT AND QUALITY COMMITTEE

Objectives of the Committee

Considering the nature of the business, the SHEQ Committee was established for the first time at SAFCOL to assist the Board in ensuring that we continuously considers the safety of the employees and others as well as the impact it has on the environment and the mitigation thereof. The objective of the Committee is to assist the Board in discharging its duties by reviewing safety, health, environment and quality related strategies, policies and processes.

It also serves to ensure that the company continuously considers the safety and health of its employees and stakeholders. In so doing, the emphasis is on mitigating the impact of SAFCOL's business activities in relation to the environment. In the year under review, SAFCOL recorded a fatality-free period due to its pro-active approach on maintaining safety and security related risks. The future focus is on ensuring that the company operates in an environment that if consistently free of fatalities.

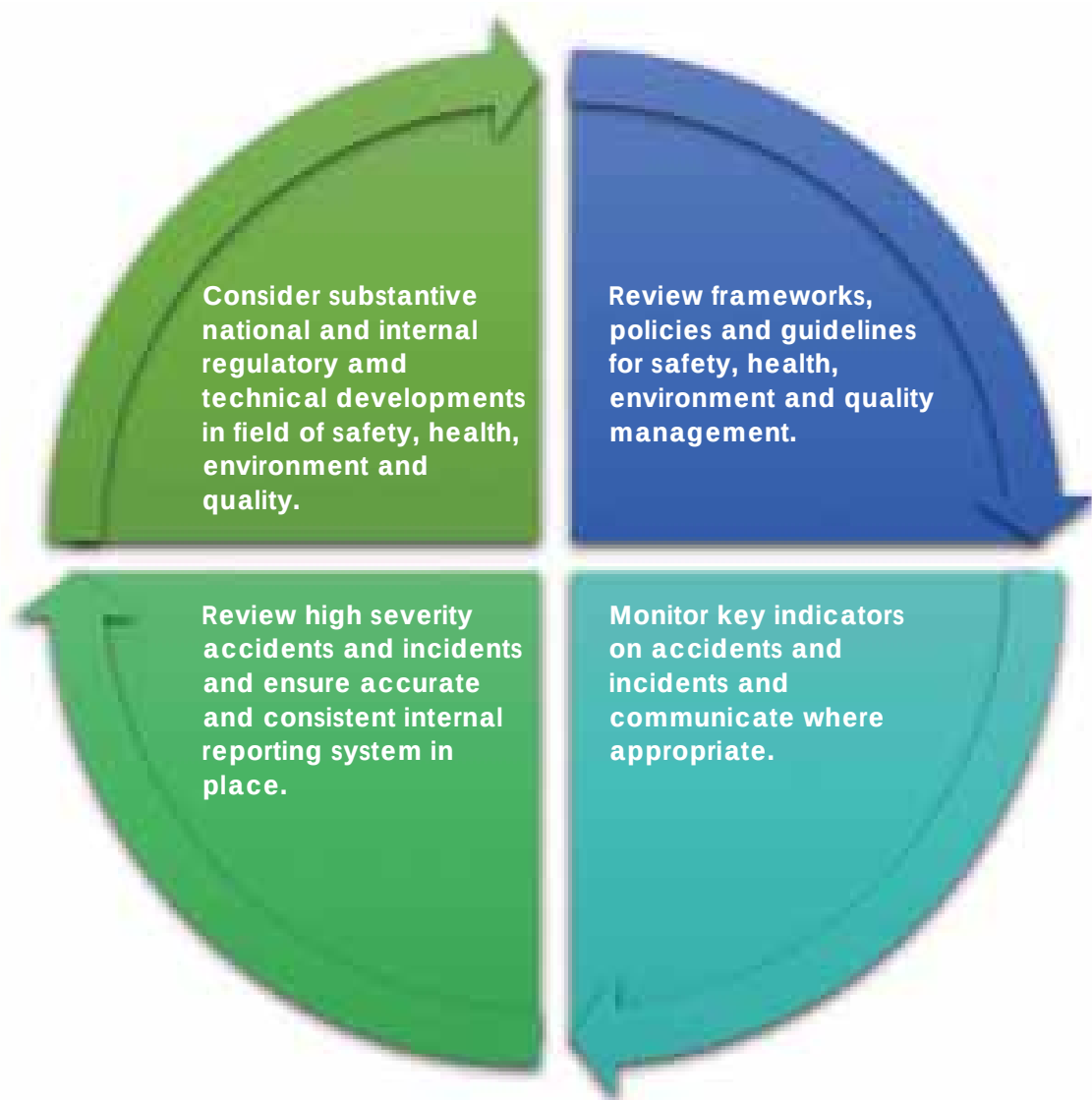


Figure G.4: Objectives of the Safety, Health, Environment and Quality Committee

Composition and Functioning of the Committee

The current committee comprises the following non-executive directors, namely: Mr MFBaleni (Chairperson), Ms J Yawitch, Ms L Mnisi, Adv L Mokgatle and Mr NI Balton. Its members, including the Chairperson, are appointed by the Board. Executive directors (CEO and CFO) and key executives participate in the meeting by invitation. Two meetings were held during the year, as this was a new committee constituted by the new Board.

Key Challenges

- There were no corrective actions in place to address failures in the health and safety system as well as the action steps to improve preventative measures;
- There were Incidents and injuries at the areas of operations due to the health and safety matters that needed to be addressed; and
- SAFCOL has been operating without a SHEQ Committee which was a risk considering the nature of the business.

Progress to date

- SAFCOL has policies that set out mandatory guidelines in all areas of SHEQ. These policies commit to valuing the health and safety of employees and all who come into contact with the business and to not harm to the environment. These policies further commit to the supply of high quality and safe products to our customers;
- It remains the committee's top priority to reduce the number of incidents and injuries. We believe that all incidents, no matter how small, are avoidable, and through the corrective and preventative actions taken, we aim to reduce the number of all incidents;
- All employees throughout the organisation are required to take personal responsibility for SHEQ and are expected to demonstrate this in their everyday behaviours;
- Unsafe practices and conditions are addressed by all personnel taking direct action. The employees work together as a team and value each other's well-being by adopting the correct SHEQ behaviours in their individual workplaces, thereby creating an interdependent behavioural culture;
- Corrective actions have been implemented to prevent incidents and injuries at the areas of operations. There were no fatalities reported for the 2018/19 financial year; and
- Reviewed the fire season preparations and readiness as well as the corrective actions and measures to address the NOSA and FSC® audit findings.

Conclusion

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



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



PART H: Auditor - General's Report

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

H.1 REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

H.1.1 QUALIFIED OPINION

1. I have audited the consolidated and separate financial statements of the South African Forestry Company SOC Limited (SAFCOL) and its subsidiaries (the group) set out on pages 107 to 184 which comprise the consolidated and separate statement of financial position as at 31 March 2019, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of my report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2019, and the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 1 of 2008) (Companies Act).

H.1.2 BASIS FOR QUALIFIED OPINION

H.1.2.1 Irregular expenditure

3. The SAFCOL and its subsidiaries made payments in contravention of the supply chain management requirements, resulting in irregular expenditure of R129,4 million (2018: R233,3 million) and R16,5 million as disclosed in note 47 to the consolidated and separate financial statements. As the SAFCOL and its subsidiaries did not have adequate systems in place to identify and report on all irregular expenditure incurred as required by section 55(2)(b)(i) of the PFMA, I was unable to determine the full extent of the understatement in irregular expenditure as it was impracticable to do so.

H.1.3 CONTEXT FOR THE OPINION

4. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.
5. I am independent of the group in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants (IESBA code)*, parts 1 and 3 of the *International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including international independence standards)* and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

H.1.4 EMPHASIS OF MATTER

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

H.1.4.1 Restatement of corresponding figures

8. As disclosed in note 42 to the consolidated and separate financial statements, the corresponding figures for 31 March 2018 were restated as a result of an error in the consolidated and separate financial statements of the group at, and for the year ended, 31 March 2019.

H.1.5 RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

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

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

H.1.6 AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

H.2 REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

H.2.1 INTRODUCTION AND SCOPE

13. 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 material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2019:

Objectives	Pages in the integrated report
Objective 1.3 – operational excellence	27-33
Objective 1.4 – capital expenditure programmes	34-35
Objective 1.5 – strategic initiative and industrialisation	36-39
Objective 1.6 – socio-economic deliverables	40-53

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

H.2.1.1 Objective 1.6 – socio-economic deliverables

H.2.1.1.1 Various indicators

18. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

Indicator description	Reported achievement	Audited value
% B-BBEE spend on QSEs	17%	10%
% B-BBEE spend on EMEs	27%	23%
% spent on black women owned suppliers	14%	10%
% spent on youth owned suppliers	3%	4%

19. I did not raise any material findings on the usefulness and reliability of the reported performance information for these objectives:

- Objective 1.3 – operational excellence
- Objective 1.4 – capital expenditure programmes
- Objective 1.5 – strategic initiative and industrialisation

H.2.2 OTHER MATTER

20. I draw attention to the matter below.

H.2.2.1 Achievement of planned targets

21. Refer to the annual performance report on pages 24 to 50 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 18 of this report.

H.3 REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

H.3.1 INTRODUCTION AND SCOPE

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. The material findings on compliance with specific matters in key legislations are as follows:

H.3.1.1 Annual financial statements, performance and annual report

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of revenue, current assets, equity, current liabilities and disclosure items identified by the auditors in the submitted financial statements were corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

H.3.1.2 Expenditure management

25. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. As reported in the basis for the qualified opinion, the value disclosed in note 47 of the financial statements does not reflect the full extent of the irregular expenditure incurred and the full extent of the irregular expenditure could not be quantified. The majority of the irregular expenditure disclosed in the financial statements was caused by payments being made without valid contracts.

H.3.1.3 Consequence management

26. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

H.3.1.4 Procurement and contract management

27. Some of the goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.

28. Some of the quotations were awarded to bidders based on preference points that were not allocated or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations. Similar non-compliance was also reported in the prior year.

29. Some of the contracts were awarded to bidders based on pre-qualification criteria that differed from those stipulated in the original invitation for bidding, in contravention of the 2017 preferential procurement regulation 4(1) and 4(2).

H.4 OTHER INFORMATION

30. The accounting authority is responsible for the other information. The other information comprises the information included in the integrated report which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

31. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

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

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

H.5 INTERNAL CONTROL DEFICIENCIES

34. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

35. Executive management did not exercise effective oversight responsibility over financial reporting and compliance with legislation, as well as the related internal controls. Effective and appropriate measures were not implemented in a timely manner to prevent and detect material errors in the submitted annual financial statements and integrated report as well as to prevent and detect non-compliance with legislation.

36. The control procedures over procurement processes did not always include sufficient review and monitoring of compliance with the relevant legislation.

37. Senior management did not always ensure that the financial statements prepared are accurate and complete and agreeing to supporting schedules, as misstatements were identified on the financial statements that resulted in material adjustments to the financial statements.

H.6 OTHER REPORTS

38. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

39. An independent consultant was appointed by the board to investigate allegations of possible financial misconduct and irregularities on appointment of some employees of the entity. Covering the period 1 April 2017 to 31 March 2018. The investigation has been finalised and the report was issued to the accounting authority on 31 August 2018.

Auditor - General

Pretoria
27 August 2019



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

H.7 ANNEXURE – AUDITOR-GENERAL’S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected objectives and on the entity’s compliance with respect to the selected subject matters.

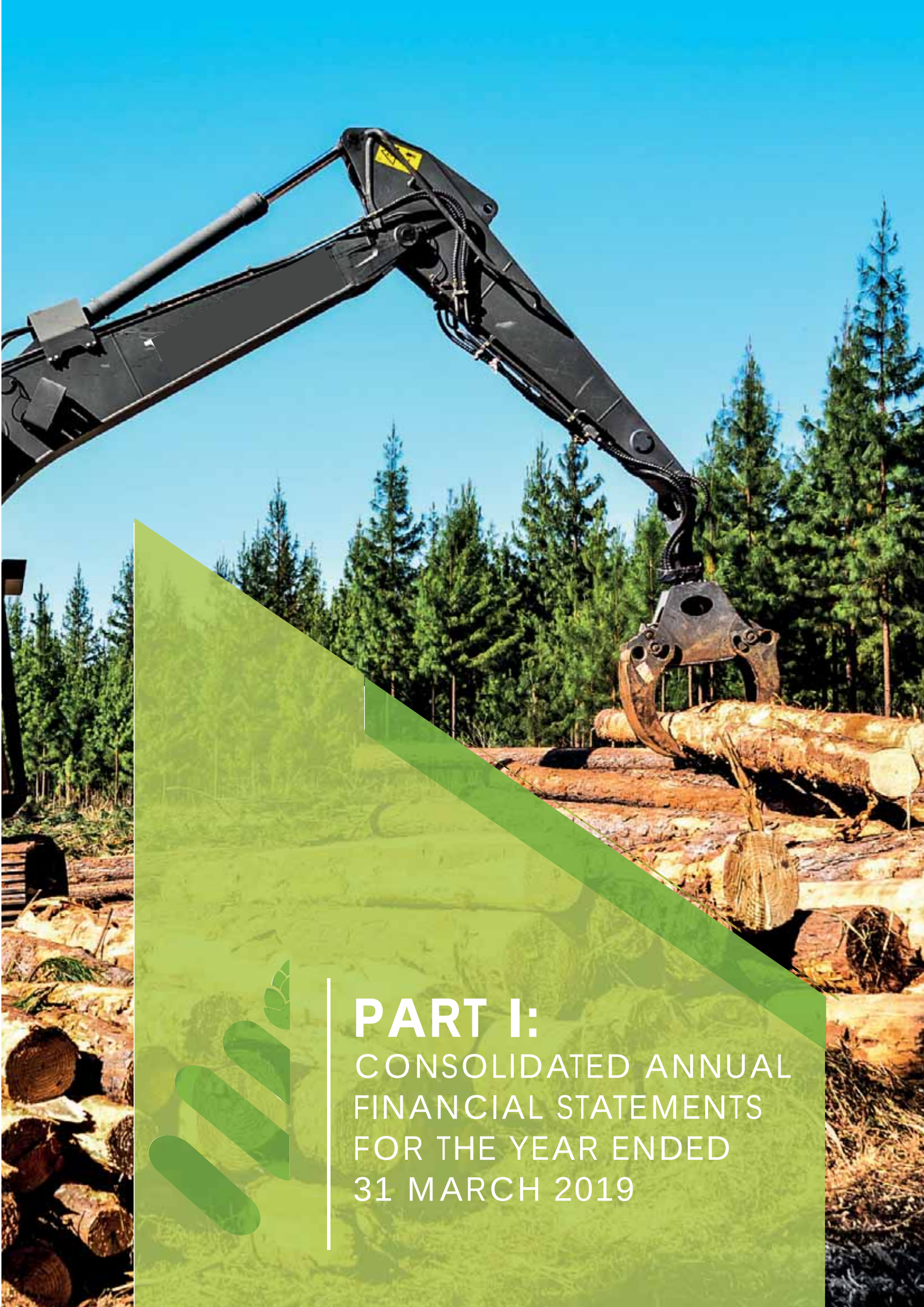
H.7.1 FINANCIAL STATEMENTS

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
- conclude on the appropriateness of the board of directors, which constitutes the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SAFCOL and its subsidiaries’ ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause an entity to cease continuing as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

H.7.2 COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.



PART I:
CONSOLIDATED ANNUAL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2019

General Information

Country of incorporation and domicile	South Africa
Nature of business and principle activities	Development in the long term of the South African forestry industry and the optimising of its assets and land value
Directors	OT Monaheng J Maruma PM Makwana ZP Zatu B Hanise P Derby L Mnisi Y Pillay J Yawitch N Balton FM Baleni L Mokgatle
Registered office	Podium at Menlyn 43 Ingersol Road Lynnwood Glen Pretoria 0081
Business address	Podium at Menlyn 43 Ingersol Road Lynnwood Glen Pretoria 0081
Ultimate shareholder	Government of the Republic of South Africa represented by the Minister of Public Enterprises
Auditors	Auditor General South Africa Chartered Accountants (SA) Registered Auditors 300 Middel Street New Muckleneuk Pretoria, 0081
Secretary	S Shilenge (Acting Company Secretary)

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the group's cash flow forecast for the period to 31 March 2020 and, in light of this review and the current financial position, they are satisfied that the group has access to adequate resources and funding to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's consolidated annual financial statements. The consolidated annual financial statements have been examined by the group's external auditors and their report is presented on pages 98 to 103.

The consolidated annual financial statements set out on pages 105 to 174 which have been prepared on the going concern basis, were approved by the board on 23 August 2019 and were signed on their behalf by:

Approval of financial statements



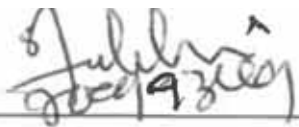
PM Makwana



OT Monaheng

Certificate by Company Secretary

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



S Shilenge (Acting Company Secretary)

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Position as at 31 March 2019

		Group		Company	
		2019	2018	2019	2018
	Note(s)	R '000	Restated* R '000	R '000	Restated* R '000
Assets					
Non Current Assets					
Property, plant and equipment	3	226 759	232 866	2 359	3 163
Investment property	4	456	456	-	-
Investment in subsidiary	5	-	-	294 498	294 498
Biological assets	6	3 213 285	3 311 366	-	-
Intangible assets	7	3 943	15 766	3 943	15 766
Other financial assets	9	3 096	3 831	1 353	2 087
Retirement benefit asset	10	201	185	13	3
Deferred tax	12	107 901	101 758	64 402	63 315
		3 555 641	3 666 228	366 568	378 832
Current Assets					
Biological assets	6	369 653	381 465	-	-
Inventories	13	71 198	115 726	226	288
Loans to group companies	8	-	-	154 632	113 049
Trade and other receivables	14	468 356	353 053	2 023	6 048
Current tax receivables	15	24 736	-	-	-
Cash and cash equivalents	16	156 079	181 848	129 886	146 280
		1 090 021	1 032 092	286 767	265 665
Non current assets held for sale	17	-	1 013	-	-
Total Assets		4 645 662	4 699 333	653 335	644 497
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Share capital	18	318 013	318 013	318 013	318 013
Reserves		33 058	10 702	129 043	129 043
Retained income		2 891 360	3 010 508	82 231	85 172
		3 242 431	3 339 223	529 287	532 228
Non controlling interest		(53 114)	(45 800)	-	-
		3 189 317	3 293 423	529 287	532 228

* See Note 42

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Position as at 31 March 2019

		Group		Company	
		2019	2018	2019	2018
	Note(s)	R '000	Restated* R '000	R '000	Restated* R '000
Liabilities					
Non Current Liabilities					
Finance lease liabilities	22	30 029	32 098	-	-
Financial liabilities	22	-	-	-	1 333
Deferred tax	12	1 017 553	1 043 710	-	-
		1 047 582	1 075 808	-	1 333
Current Liabilities					
Finance lease liabilities	22	19 754	21 137	-	-
Financial liabilities	22	1 333	1 333	1 333	1 333
Provisions	23	13 911	18 294	-	-
Trade and other payables	25	373 764	281 608	122 715	109 603
Current tax payable	15	-	7 730	-	-
		408 762	330 102	124 048	110 936
Total Liabilities		1 456 344	1 405 910	124 048	112 269
Total Equity and Liabilities		4 645 662	4 699 333	653 335	644 497

* See Note 42

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2019

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
		2019	2018	2019	2018
	Note(s)	R '000	Restated* R '000	R '000	Restated* R '000
Revenue	26	1 042 114	926 465	170 083	163 281
Cost of sales	27	(1 088 116)	(933 592)	-	-
Gross Profit / (Loss)		(46 002)	(7 127)	170 083	163 281
Other operating income	28	13 792	22 162	1 279	5 293
Fair value gain on biological assets	29	823 377	751 001	-	-
Other operating expenses	30	(933 186)	(902 246)	(188 577)	(171 047)
Operating (Loss)		(142 018)	(136 210)	(17 216)	(2 473)
Investment income	34	6 412	10 321	13 230	11 907
Finance costs	35	(4 461)	(5 691)	(42)	(622)
(Loss) before taxation		(140 068)	(131 581)	(4 028)	8 812
Taxation	37	22 433	51 414	1 087	(2 528)
(Loss) for the year		(117 635)	(80 167)	(2 941)	6 284
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		22 322	(6 889)	-	-
Other comprehensive income for the year net of taxation		22 322	(6 889)	-	-
Total comprehensive income for the year		(95 312)	(87 056)	(2 941)	6 284

Total comprehensive income for the period attributable to owners of SAFCOL Group arises from:

Owners of SAFCOL Group SOC Ltd	(96 826)	(85 687)
Non-controlling interests	1 514	(1 369)
	(95 312)	(87 056)

* See Note 42

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2019

Statement of Changes in Equity

Group	Share capital R '000	Foreign currency translation reserve R '000	Retirement fund reserve R '000	Revaluation reserve R '000	Other NDR R '000	Total reserves R '000	Retained income R '000	Total equity of the parent R '000	Non controlling interest R '000	Total equity group R '000
Balance at 01 April 2017	318 013	(132 017)	64 000	-	65 043	(2 974)	3 047 885	3 362 924	(22 763)	3 340 161
restated *										
Loss for the year	-	(1 085)	-	-	-	(80 168)	1 399	(80 168)	-	(80 168)
Transferring to NCI						(1 085)		314	(4 378)	(4 064)
Balance at 31 March 2018	318 013	(133 102)	64 000		65 043	(4 059)	2 969 116	3 283 070	(27 141)	3 255 929
Prior period adjustment		14 761				14 761	41 392	56 153	(18 659)	37 494
Transfer to NCI									-	-
Balance at 31 March 2018	318 013	(118 341)	64 000		65 043	10 702	3 010 508	3 339 223	(45 800)	3 293 423
restated *										
Profit / (Loss) for the year		-				-	(119 148)	(119 148)	1 514	(117 635)
Current year movement in translation reserve	-	(35 304)				(35 304)	-	(35 304)	(8 828)	(44 131)
Reclassified from retained earnings		57 660				57 660	-	57 660	-	57 660
Balance at 31 March 2019	318 013	(95 985)	64 000		65 043	33 058	2 891 360	3 242 431	(53 114)	3 189 317
Note(s)	18	19	20		21					

* See note 42

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30) Consolidated Annual Financial Statements for the year ended 31 March 2019 Statement of Changes in Equity

Company	Share capital R '000	Foreign currency translation reserve R '000	Retirement fund reserve R '000	Revaluation reserve R '000	Other NDR R '000	Total reserves R '000	Retained income R '000	Total equity of the parent R '000
Balance at 01 April 2017	318 013	-	64 000	-	65 043	129 043	68 524	515 580
restated *								
Profit for the year							5 855	5 855
Prior period adjustment							10 793	10 793
Balance at 31 March 2018	318 013	-	64 000	-	65 043	129 043	85 172	532 228
restated *								
Total comprehensive loss for the year	-	-	-	-	-	-	(2 941)	(2 941)
Balance at 31 March 2019	318 013	-	64 000	-	65 043	129 043	82 231	529 287
	18	-	20	-	21			

• See note 42

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2019

Statement of Cash Flows

		Group		Company	
		2019	2018	2019	2018
			Restated*		Restated
	Note(s)	R '000	R '000	R '000	R '000
Cash flows from operating activities					
Cash generated from/(used in) operations	36	54 114	(19 341)	44 215	(9 719)
Interest income		6 410	10 320	13 229	11 906
Dividend income		1	1	1	1
Finance costs		(4 461)	(5 691)	(42)	(621)
Tax received / (paid)	37	(34 863)	(1 205)	-	-
Net cash from operating activities		21 202	(15 916)	57 403	1 567
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(21 715)	(10 466)	(69)	(957)
Loans to group companies repaid		-	-	(73 129)	(68 852)
Increase in financial assets		734	(1 002)	734	99
Net cash from investing activities		(20 981)	(11 468)	(72 463)	(69 710)
Cash flows from financing activities					
Finance lease payments		(24 658)	(27 841)	-	-
Financial liabilities		(1 333)	2 666	(1 333)	2 666
Net cash from financing activities		(25 991)	(25 175)	(1 333)	2 666
Total cash movement for the year		(25 769)	(52 681)	(16 393)	(65 477)
Cash at the beginning of the year		181 848	234 529	146 280	211 757
Total cash at end of the year	16	156 079	181 848	129 886	146 280

* See Note 42

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2019

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's main business is the development in the long term of the South African forestry industry and the optimising of its assets and land value

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied to all years presented which are consistent with those of the previous year, except for new and revised standards and interpretations adopted per notes to the financial statements.

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 judgments, 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 Basis of preparation

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

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

The consolidated annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies, which follow and incorporate the principal accounting policies set out below. They are presented in Rand, which is the group and company's functional currency.

1.2 Consolidation

Basis of consolidation

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

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

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

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2019

Accounting Policies

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

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

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

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

1.3 Significant judgements and sources of estimation uncertainty

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

Key sources of estimation uncertainty

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 22.

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 judgments 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 receivables are impaired. If evidence of impairment exists, the provision is calculated as the carrying value of the receivable less the present value of the estimated recoverable amount.

Accounting Policies

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 sirenix 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.

Accounting Policies

Taxation

The Group is subject to income taxes in South Africa and Mozambique jurisdictions. Significant judgment 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 their fair value less costs to sell. Fair value of plantations is estimated based on the present value of the net future cash flows from the asset, discounted at a current market based rate of the company. 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 profit or loss and other comprehensive income.

1.5 Investment property

Investment properties are properties held for earning rental income or for capital appreciation or both, and are initially recognised at cost or deemed cost. Investment properties are subsequently measured at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service, a property.

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

1.6 Investment in subsidiaries

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

1.7 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure that is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Accounting Policies

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

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.

Subsequent expenditure:

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

Derecognition:

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

Depreciation:

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

Accounting Policies

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

Item	Depreciation method	Useful life
Buildings and Utilities	Straight line	20 - 50 years
Plant and machinery	Straight line	4 - 15 years
Furniture and fixtures	Straight line	5 - 10 years
Motor vehicles	Straight line	4 - 12 years
Computer equipment	Straight line	3 - 10 years
Roads	Straight line	25 years
Leasehold improvements - buildings and utilities	Straight line	25 years
Leasehold improvements - telephone lines and fences	Straight line	10 years
Leasehold improvements – roads	Straight line	25 years

1.8 Intangible assets

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

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

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

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

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

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

Item	Useful life
Computer software	3 - 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 profit or loss and other comprehensive income. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

1.9 Financial instruments

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Accounting Policies

ii. Classification and subsequent measurement

Financial assets

Financial assets are initially recognised at fair value and subsequently measured at amortized cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
 - held for trading; or
 - designated as at FVTPL.

Accounting Policies

Financial liabilities – Classification, subsequent measurement, gains, and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. The group applies amortized costs model for measurement. Trade and other payables are initially measured at fair value, and subsequently measured at amortized cost.

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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 amounts due from activities that are outside the ordinary course of business. 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 flow, 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.

Accounting Policies

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.

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.

1.10 Tax

Current tax

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

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

Deferred tax

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

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

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

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

Dividend Withholding Tax

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

Accounting Policies

Tax expenses

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

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

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

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

1.11 Leases

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 profit or loss and other comprehensive income 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.

Finance leases – lessee

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

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

Accounting Policies

1.12 Inventories

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

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

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

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

The amount of any write-down of inventories to net realisable value and all losses of inventories 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, are 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.
- The cost of harvested timber transferred from biological assets is its fair value less costs to sell at the date of harvest.

1.13 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal 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.

1.14 Impairment of non-financial assets

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

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

Accounting Policies

1.15 Share capital and equity

Ordinary shares are classified as equity.

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), 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

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

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.

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.

1.17 Provisions, contingencies and Commitments

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

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

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.

Accounting Policies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes to the annual financial statements.

A commitment is an agreement or a pledge to assume a financial obligation at a future date. The company discloses commitment incurred by the company at year-end.

1.18 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.

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. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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. Revenue arising from such services is recognised on the decimal basis over the period the services are rendered in accordance with the substance of the relevant agreements.

Revenue from contracts with customers

The Group has initially applied IFRS 15 from 1 January 2018. Information about the Group's accounting policies relating to contracts with customers is provided in Note 25. The effect of initially applying IFRS 15 is described in Note 25.

1.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- Expenditures for the asset have occurred;
- Borrowing costs have been incurred, and
- Activities that are necessary to prepare the asset for its intended use or sale are in progress.

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Accounting Policies

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Translation of foreign currencies

Functional and presentation currency

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

Foreign currency transactions

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

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

Foreign operations

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

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI. The SAFCOL Group applies the proportionate share method for measurement and recognition of NCI.

1.21 Reserves

Translation reserve

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

Revaluation Reserve

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

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.

1.22 Post balance sheet

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

1.23 Related parties

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

- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)

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Accounting Policies

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

1.24 PFMA Reportable Expenditure

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

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

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

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

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

1.25 Government Grants

The Group recognises a conditional government grant as a trade payable when the grant is initially received. Other government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 12: Annual Improvements to IFRS 2014 - 2016 cycle	01 January 2017	The impact of the standard is not material.
• Amendments to IAS 7: Disclosure initiative	01 January 2017	The impact of the standard is not material.
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017	The impact of the amendments is not material.
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	Unlikely there will be a material impact
• IFRS 9 Financial Instruments	01 January 2018	Unlikely there will be a material impact

2.2 Standards and interpretations not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

Accounting Policies

IFRS 16: Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- The Group has not finalised the land lease rental agreement; and
- The new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group will recognise new assets and liabilities for its operating leases of land. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. No significant impact is expected for the Group's finance leases. Based on the information currently available, the Group does not expect to raise any lease liability.

2.3 Changes in significant accounting policies

A. IFRS 15 Revenue from Contracts with customers

The Group has initially applied IFRS 15 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition, methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is mainly attributed to the following:

- earlier recognition of revenue from standard log sales contracts with a right of return

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control: at a point in time or over time requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings at 1 January 2018.

	2019	2018	2019	2018
Impact of IFRS 15 Revenue				
Revenue from sales of logs	783 967 117	781 628 000	-	-
Contract liability	(7 080 062)	(13 474 350)	-	-
	776 887 055	768 153 650	-	-

Accounting Policies

Sales of logs: Under IAS 18, revenue for these contracts was recognised when the risk and rewards associated with ownership of the logs was transferred to the customer at the point of sale. The contracts entered with the customers at the beginning of the year allows the customer to return defective products. Under IFRS 15, revenue is recognised to the extent that it is highly probable that a significant reversal for revenue recognised will not occur.

Therefore, for those contracts for which the Group was unable to make a reasonable estimate of returns, revenue is recognised sooner under IFRS 15 than under IAS 18. The impact of these changes on items other than revenue is an increase in the provision for returns, which is included in trade and other payables.

B. IFRS 9 Financial instruments

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

Financial Assets	Original Classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Trade and other receivables	Loans and receivables	Amortised cost	468 356	468 356
Cash and cash equivalents	Cash & cash equivalents	Amortised cost	156 079	156 079
Total financial assets			624 435	624 435

Financial Liability	Original Classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Finance lease liabilities	Other financial liabilities	Other financial liabilities	51 117	51 117
Trade payables	Loans and payables	Other financial liabilities	373 764	373 764
Total financial liability			424 881	424 881

C. IFRS 12: Annual Improvements to IFRS 2014 - 2016 cycle

IFRS 12 requires disclosure of the significant judgements and assumptions that an entity has made in determining the nature of its interest in another entity or arrangement. It also contains extensive disclosure requirements for subsidiaries, associates, joint ventures and unconsolidated structured entities.

The objective of IFRS 12 is to require disclosure that helps users of financial statements to evaluate:

- The nature of, and risks associated with, an entity's interests in other entities; and
- The effects of those interests on the entity's financial position, financial performance and cash flows

Accounting Policies

In this context, 'interests in other entities' are contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. These interests may, for example, take the form of equity or debt instruments, but the definition is broad and interests can also comprise other forms of involvement, such as liquidity support, credit enhancement and/or guarantees. However, an interest in another entity does not exist solely as a result of a typical customer-supplier relationship.

Interests in another entity are the basis for many of the disclosures in IFRS 12. Understanding the purpose and design of the other entity may assist in identifying such interests. The entity considers the risks that the other entity was designed to create, and the risks that the other entity was designed to pass on to the reporting entity and other parties. In addition, IFRS 12 requires an entity to provide disclosure about its relationships with unconsolidated structured entities that it sponsors even if it does not have an interest in them at the reporting date.

D. IAS 7: Disclosure initiative

The objective of the Disclosure Initiative (Amendments to IAS 7) is to require information to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

E. IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

Amendments made to IAS 12 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period;
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit;
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type. Tax law prescribes that capital losses can only be offset against capital gains, whilst ordinary losses can be offset against both capital gains and ordinary income; and
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

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3. Property, plant and equipment

Group (R'm)	2019			2018 Restated*		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	2 481	-	2 481	2 481	-	2 481
Buildings	33 545	(18 164)	15 381	32 727	(16 449)	16 278
Leasehold improvements: Buildings	107	(64)	43	107	(59)	48
Plant and machinery	280 236	(179 945)	100 290	264 829	(167 502)	97 327
Furniture and fixtures	4 417	(3 668)	749	4 450	(3 606)	844
Motor vehicles	161 033	(106 627)	54 406	143 891	(86 297)	57 593
Office equipment	-	-	-	-	-	-
Computer equipment	31 501	(21 415)	10 086	27 527	(14 232)	13 296
Leasehold improvements: Roads, Telephone lines & fences	60 575	(22 003)	38 572	60 574	(18 808)	41 766
Capital work in progress	4 751	-	4 751	3 233	-	3 233
Total	578 646	(351 886)	226 759	539 819	(306 953)	232 866

Company (R'm)	2019			2018 Restated*		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Buildings	498	(33)	465	282	(15)	267
Leasehold improvements: Buildings	107	(64)	43	107	(59)	48
Plant and machinery	94	(65)	30	94	(58)	36
Furniture and fixtures	2 726	(2 669)	57	2 726	(2 655)	71
Motor vehicles	3 581	(2 258)	1 323	3 873	(2 172)	1 701
Computer equipment	4 844	(4 403)	441	4 844	(3 802)	1 041
Total	11 850	(9 491)	2 359	11 926	(8 763)	3 163

Reconciliation of property, plant and equipment

Group 2019 (R'm)	Opening balance	Additions	Other changes	Transfers	Depreciation	Total
Land	2 481	-	-	-	-	2 481
Buildings	16 278	950	(467)	-	(1 380)	15 381
Leasehold improvements: Buildings	48	-	-	-	(5)	43
Plant and machinery	96 625	32 134	(2 630)	-	(25 839)	100 290
Furniture and fixtures	844	47	(41)	-	(101)	749
Motor vehicles	57 594	9 071	1 338	-	(13 597)	54 406
Computer equipment	13 295	4 164	132	-	(7 505)	10 086
Leasehold improvements: Roads, Telephone lines & fences	41 765	1 626	(1 107)	-	(3 712)	38 572
Capital - Work in progress	3 233	1 718	(200)	-	-	4 751
Total	232 163	49 709	(2 974)	-	(52 139)	226 759

*See Note 42

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000			
Reconciliation of property, plant and equipment							
Group (R'm) – 2018 (restated*)							
	Opening balance	Additions	Other changes	Write back	Prior period error	Depreciation	Total
Land	2 481	-	-	-	-	-	2 481
Buildings	17 843	-	(266)	-	(111)	(1 188)	16 278
Leasehold improvements: Buildings	53	-	-	-	-	(5)	48
Plant and machinery	100 076	12 739	(1 332)	11 092	85	(25 332)	97 327
Furniture and fixtures	230	-	794	66		(246)	844
Motor vehicles	48 201	10 998	115	14 191	(2 211)	(13 700)	57 594
Computer equipment	7 924	5 260	379	4 240		(4 508)	13 295
Leasehold improvements: Roads, Telephone lines and fences	43 558	899	512	285	(24)	(3 464)	41 766
Capital Work in progress	1 462	1 779	(8)	-		-	3 233
	221 828	31 675	194	29 873	(2 262)	(48 442)	232 866

Reconciliation of property, plant and equipment – Company – 2019 (R'm)

	Opening balance	Additions	Other changes	Depreciation	Total
Buildings	267	216	-	(18)	466
Leasehold improvements: Buildings	48	-	-	(5)	43
Plant and machinery	36	-	-	(6)	30
Furniture and fixtures	71	-	-	(14)	57
Motor vehicles	1 700	-	-	(377)	1 322
Computer equipment	1 041	-	-	(600)	441
	3 163	216	-	(1 020)	2 359

Reconciliation of property, plant and equipment – Company – 2018 (restated *) (R'm)

	Opening balance	Additions	Prior period error	Depreciation	Total
Buildings	278	-	-	(11)	267
Leasehold improvements: Buildings	53	-	-	(5)	48
Plant and machinery	42	-	-	(6)	36
Furniture and fixtures	89	(4)	-	(14)	71
Motor vehicles	494	922	625	(340)	1 700
Computer Equipment	999	498	222	(678)	1 041
	1 955	1 416	847	(1 054)	3 163

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

•See Note 42

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		Group 2019 R '000		2018 Restated* R '000	Company 2019 R '000		2018 Restated* R '000
4. Investment property							
Group		2019		2018			
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value	
Investment property	456	-	456	-	-	-	-

Investment property consists of land, which is part of the remainders of portions 1 and 2 of the Farm Mooiplaats No. 537; and Portion 1 of the Farm Zaagkuil No. 777 situated at R618 Ngome, Kwazulu-Natal, South Africa. The fair value of the land as determined by an independent valuator is R9.7 million.

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

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

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

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

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

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5. Investment in subsidiaries				
Komatiland Forests SOC Limited	-	-	294 042	294 042
ABACUS SOC Limited	-	-	456	456
			294 498	294 498

Investments held in Komatiland Forests SOC Limited and ABACUS Forestries SOC Limited, which are wholly owned subsidiaries of SAFCOL. The two investments are in the form of loans, which bears no interest. SAFCOL entity applies the cost method for measurement of investments in subsidiaries.

6. Biological assets

The Group recognises biological assets when, and only when, the Company controls the assets as a result of past events, it is probable that future economic benefits associated with such assets will flow to the Group and the fair value or cost of the assets can be measured reliably. Expenditure incurred on biological assets are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell in terms of IAS 41. The gain or loss arising on initial recognition of such biological assets at fair value less costs to sell and from a change in fair value less costs to sell of biological assets are included in Statement of Profit and Loss for the period in which it arises.

Group	2019			2018		
	Fair valuation	Accumulated depreciation	Carrying value	Fair valuation	Accumulated depreciation	Carrying value
Non-current portion	3 213 285	-	3 213 285	3 311 366	-	3 311 366
Current portion	369 653	-	369 653	381 465	-	381 465
Total	3 582 937	-	3 582 937	3 692 831	-	3 692 831

Reconciliation of biological assets – Group – 2019

	Opening balance	Movements	Total
Non-current portion	3 311 366	(98 081)	3 213 285
Current portion	381 465	(11 812)	369 653
	3 692 831	(109 893)	3 582 937

Reconciliation of biological assets – Group – 2018

	Opening balance	Movements	Total
Non-current portion	3 440 844	(129 478)	3 311 366
Current portion	396 092	(14 627)	381 465
	3 836 936	(144 105)	3 692 831

Measurement of fair values

i. Fair value hierarchy

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

ii. Level 3 fair values

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

- Fair value gain	823 377	751 001	-	-
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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
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iii. Valuation techniques and significant unobservable inputs

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

Type	Valuation Techniques	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Standing timber Standing timber older than 30 years (the age at which it becomes marketable)	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for 30 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	Estimated future timber market prices weighted average per cube (2019: R646.67; 2018: R640.79). - Actual volumes (2019: 1 434 198; 2018: 1 062 475). - Risk-adjusted discount rate (2019: 9.0%; 2018: 8.3%).	The estimated fair value would increase (decrease) if: - the estimated timber prices per tonne were higher (lower); - the estimated yields per hectare were higher (lower); - the estimated harvest and transportation costs were lower (higher); or - the risk-adjusted discount rates were lower (higher).

Risk management strategy related to agricultural activities

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

i. Regulatory and environmental risks

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

ii. Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of pine. When possible, the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

iii. Climate and other risks

The Group's pine plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys. The Group is also self-insured against natural disasters such as floods and hurricanes.

Components of biological assets:

Biological assets is made up of the following plantation trees:

- Pine trees
- Eucalyptus trees
- Wattle tree

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	R '000	R '000	R '000	R '000

7. Intangible assets

Group	2019			2018		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	66 158	(62 215)	3 943	66 158	(50 392)	15 766

Company	2019			2018		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	59 202	(55 259)	3 943	59 202	(43 436)	15 766

Reconciliation of intangible assets – Group – 2019

	Opening balance	Amortisation	Total
Computer software	15 766	(11 823)	3 943

Reconciliation of intangible assets – Group – 2018

	Opening balance	Amortisation	Total
Computer software	27 589	(11 823)	15 766

Reconciliation of intangible assets – Company – 2019

	Opening balance	Amortisation	Total
Computer software	15 766	(11 823)	3 943

Reconciliation of intangible assets – Company – 2018

	Opening balance	Amortisation	Total
Computer software	27 589	(11 823)	15 766

The remaining amortization period of the intangible asset is 4 months.

8. Loans to group companies

Subsidiaries

Komatiland Forests SOC Limited

154 632

113 049

The loan is unsecured, bears interest at the prime rate and has no fixed terms of repayment.

9. Other financial assets

Investments	3 096	3 831	1 353	2 087
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Non-current assets

Other financial assets	3 096	3 831	1 353	2 087
	3 096	3 831	1 353	2 087

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	R '000	R '000	R '000	R '000

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	Guardrisk	1 351	2 085	1 351	2 085
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Level 3

Transvaal Wattle Growers Co Op Agriculture Company	1	1	1	1
KAAP Agri	1	1	1	1
NTE Investments	1 743	1 743	-	-
	1 745	1 745	2	2
	3 096	3 831	1 353	2 087

Reconciliation of financial assets measured at level 3

Reconciliation of financial assets measured at level 3 – Group – 2019

	Opening balance	Total
Transvaal Wattle Growers Co Op Agriculture Company	1	1
KAAP Agri	1	1
NTE Investments	1 743	1 743
	1 745	1 745

Reconciliation of financial assets measured at level 3 – Group – 2018

	Opening balance	Total
Transvaal Wattle Growers Co Op Agriculture Company	1	1
KAAP Agri	1	1
NTE Investments	644	644
	646	646

Reconciliation of financial assets measured at level 3 – Company – 2019

	Opening balance	Total
Transvaal Wattle Growers Co Op Agriculture Company	1	1
KAAP Agri	1	1
NTE Investments	2	2

Reconciliation of financial assets measured at level 3 – Company – 2018

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

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
Other financial assets				
Beginning of the year	2 730	2 829	2 087	2 186
Movement in the current year	366	1 002	(734)	(99)
	3 096	3 831	1 353	2 087

The directors value all unlisted investments at cost.
None of the available for sale assets either is past due or impaired.

10. Retirement benefits

Retirement funds

All employees were members of the South African Forestry Company SOC Limited Provident Fund at year-end.

The plan is a defined contribution fund.

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

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

Carrying value

Pension and provident fund	201	185	13	3
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Statement of profit and loss and other comprehensive

Pension and provident fund	27 257	24 414	873	224
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Key economic assumptions used

The principal actuarial assumptions used are as follows:

Discount rate	7,80%	7,30%	7,80%	7,30%
Inflation rate	4,20%	4,90%	4,20%	4,90%
Salary increase rate	5,20%	5,90%	5,20%	5,90%

The reconciliation of fair value plan assets is made up of the following:

Assets at fair market value at the beginning of the year	185	178	3	3
Interest income on assets	14	14	1	-
Actuarial Gain or Loss	2	(7)	9	-
Assets at fair market value at end of the year	201	185	13	3

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	Group 2019	2018 Restated*	Company 2019	2018 Restated*
	R '000	R '000	R '000	R '000

Estimated asset composition

The assets of the SAFCOL Provident Fund were invested as follows:

Cash	10,79%	10,96%	10,79%	10,96%
Equity	22,44%	26,46%	22,44%	26,46%
Bonds	33,42%	28,18%	33,42%	28,18%
Property	6,80%	7,98%	6,80%	7,98%
International	26,55%	26,42%	26,55%	26,42%

11. Financial assets by category

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

Group – 2019

	Loans and receivables	Other financial assets	Total
Trade and other receivables	465 742	-	465 742
Other financial assets	-	3 096	3 096
Cash and cash equivalents	156 079	-	156 079
	621 821	3 096	624 917

Group – 2018

	Loans and receivables	Other financial assets	Total
Trade and other receivables	351 641	-	351 641
Other financial assets	-	3 831	3 831
Cash and cash equivalents	181 848	-	181 848
	533 489	3 831	537 320

Company – 2019

	Loans and receivables	Other financial assets	Total
Loans to group companies	154 632	-	154 632
Trade and other receivables	2 023	-	2 023
Other financial assets	-	1 353	1 353
Cash and cash equivalents	129 886	-	129 886
	286 541	1 353	287 894

Company – 2018

	Loans and receivables	Other financial assets	Total
Loans to group companies	113 049	-	113 049
Trade and other receivables	6 036	-	6 036
Other financial assets	-	2 087	2 087
Cash and cash equivalents	146 280	-	146 280
	265 365	2 087	267 452

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
12. Deferred tax				
Deferred tax asset	107 901	101 758	64 402	63 315
Deferred tax liability	(1 017 553)	(1 043 710)	-	-
Total net deferred tax asset / (liability)	(909 652)	(941 952)	64 402	63 315

Reconciliation of deferred tax asset / (liability)

At beginning of year	(941 952)	(1 002 832)	63 315	65 476
Prior year under/(over) provision	-	367	-	367
Reversing / Originating temporary differences on property, plant and equipment	9 146	5 720	3 357	1 409
Reversing / Originating temporary differences on provisions	388	2 341	172	188
Reversing / Originating temporary differences on other allowances	(16 189)	5 770	(38)	(74)
Reversing / Originating temporary differences on fair value	41 954	49 450	-	-
Reversing / Originating temporary differences on retirement benefit asset	(4)	(2)	(3)	-
Reversing / Originating temporary differences on borrowings	(593)	(937)	-	-
Other	-	-	-	-
Originating temporary difference on assessed loss	(2 403)	(4 344)	(2 401)	(4 051)
	(909 652)	(944 467)	64 402	63 315

13. Inventories

Raw materials	13 659	5 361	-	-
Work in progress	14 364	25 498	-	-
Finished goods	30 154	63 876	-	-
Consumables	16 492	24 741	226	288
	74 668	119 476	226	288
Inventories (write downs)	(3 470)	(3 750)	-	-
	71 198	115 726	226	288

Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs. The exception is harvested logs, which are valued at fair value at the point of harvest.

Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 March 2019 amounted to R780 million (2018 was – R776 million). These were included in cost of sales.

Inventory - write downs

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

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
Inventories items listed below are held at fair value less cost to sell:				
Raw materials	13 659	5 361	-	-
	13 659	5 361	-	-

As at the signing of the financial statements, there are no inventories that are pledged as security.

14. Trade and other receivables

Trade receivables	476 462	346 892	-	-
Prepayments	2 613	1 412	-	-
Other receivables	7 711	12 444	2 038	6 178
Provision for impairment	(18 430)	(7 695)	(15)	(130)
	468 356	353 053	2 023	6 048

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in note 12(c).

Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered the same as their fair value.

Impairment and risk exposure

Information about the impairment of trade receivables and the group's exposure to credit risk and interest rate risk can be found in the Risk Management Note.

Trade and other receivables pledged as security

In the current year, there are no trade and other receivables pledged as security.

Fully performing trade and other receivables

Trade receivables and other receivables

Fully performing trade receivables	392 888	254 242	-	-
Fully performing other receivables	-	-	771	573
	392 888	254 242	771	573

Trade and other receivables which would have been past due or impaired, but which have been renegotiated are as follows:

Included in the Group's trade and other receivables are trade and other receivables with a carrying amount of R59 million (2018: R40 million) and for the Company R0.7 million (2018: R1.3 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.

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	Group 2019	2018 Restated*	Company 2019	2018 Restated*
	R '000	R '000	R '000	R '000
Trade receivables	68 060	52 980	-	-
Other receivables	217	957	-	663
	68 277	53 937	-	663

Trade and other receivables past due but not impaired

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

30 60 days	61 132	39 605	720	(30)
60 90 days	7 086	6 721	39	(63)
90 120 days	59	1 687	508	18
120 150 days	-	2 930	442	-
More than 150 days	-	2 994	298	-
	68 277	53 937	2 007	(75)

Trade and other receivables impaired

As of 31 March 2019, trade and other receivables of R 18 million (31 Mar 2018: R 7.7 million) were impaired and provided for.

The ageing of these trade and other receivables is as follows:

Current	5	90	-	90
30 - 60 days	1 249	-	-	-
60 - 90 days	375	-	-	-
90 - 120 days	84	468	-	-
120 - 150 days	837	507	-	-
More than 150 days	15 880	6 630	15	52
	18 430	7 695	15	142

Opening balance	(7 695)	(11 686)	(142)	(33)
Provision for impairment	(10 735)	3 991	127	(109)
Amounts written off as uncollectable	-	-	-	-
	(18 430)	(7 695)	(15)	(142)

Information about the Group's exposure to credit and market risks for trade receivables is included in Note 43.

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	Group 2019	2018 Restated*	Company 2019	2018 Restated*
	R '000	R '000	R '000	R '000

15. Current tax receivables / (payable)

Consist of:

SA Norm Tax: Normal Taxation	24 736	(7 730)	-	-
	24 736	(7 730)	-	-

Tax receivable relates to an overestimated taxable income, which resulted in a higher provisional tax payment made to SARS. The refund is expected to be paid after the submission of the income tax return this financial year.

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	26 507	35 913	314	346
Short term deposits	129 572	145 934	129 572	145 934
	156 079	181 848	129 886	146 280

17. Non current assets held for sale

Assets and liabilities

Non current assets held for sale

Property, plant and equipment	-	1 013	-	-
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Measurement of fair values:

i. Fair values

The non-recurring fair value measurement for assets held for sale of R1 013 has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique	Significant unobservable inputs
Cost approach and discounted cash flows: The valuation of property, plant and equipment was based on comparable fair values of assets in the market in the same location and condition of assets held for sale. Inferences to previous selling prices were used for specialised assets that did not have a readily available market information.	There are no significant unobservable inputs used by management to determine the fair values of assets held for sale in the prior year.

18. Share capital

Authorised

1 500 000 000 Ordinary shares of R 1 each	1 500 000	1 500 000	1 500 000	1 500 000
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Issued

318 013 254 Ordinary shares of R1 each	318 013	318 013	318 013	318 013
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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
19. Foreign currency translation reserve				
Translation reserve comprises exchange differences on consolidation of foreign subsidiaries.				
Foreign exchange IFLOMA	95 985	118 341	-	-
20. 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
21. Capital profit reserve				
Capital surplus on sawmill insurance claims	37 061	37 061	37 061	37 061
Cancellation of provision for cost of transfer of land	27 982	27 982	27 982	27 982
	65 043	65 043	65 043	65 043
22. Finance lease liabilities				
Minimum lease payments due				
- within one year	25 289	22 470	-	-
- in second to fifth year inclusive	35 078	42 781	-	-
	60 367	65 251	-	-
less: future finance charges	(9 251)	(10 683)	-	-
Present value of minimum lease payments	51 117	54 568	-	-
Present value of minimum lease payments due				
- within one year	19 754	21 137	-	-
- in second to fifth year inclusive	30 029	32 098	-	-
	49 783	53 235	-	-
Non current liabilities	30 029	32 098	-	-
Current liabilities	19 754	21 137	-	-
	49 783	53 235	-	-
Financial liabilities				
Minimum lease payments due				
- within one year	1 333	1 333	1 333	1 333
- in second to fifth year inclusive	-	-	-	1 333
	51 117	54 568	1 333	2 666

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
Non current liabilities	-	-	-	1 333
Current liabilities	-	-	1 333	1 333
	-	-	1 333	2 666

Finance lease obligations are capitalised between prime plus 1.15% and prime less 2.45% (2018: prime plus 0.56% and prime less 0.31%). The effective interest rate prevailing at year-end was 10.33% (2018: 9.33%). The lease terms are five years with between 1 and 5 years (2018: 1 and 5 years) remaining. These liabilities are secured by instalment sale agreements over assets with a carrying value R63.54 million (2018: R51.9 million). Monthly repayments are R2.2 million (2018: R2.3 million).

There are no lease payments later than five years.

23. Provisions

Reconciliation of provisions – Group – 2019

	Opening balance	Additions	Reversed during the year	Total
Provisions – IFLOMA	5 662	1 169	-	6 831
Provision for quality claims on log products	12 632	-	(5 552)	7 080
	18 294	1 169	(5 552)	13 911

Provision on logs relates to claims as a result of poor quality of log products. The provision on IFLOMA relates to withholding tax payable to the Mozambique tax authority.

Reconciliation of provisions Group – 2018*restated

	Opening balance	Additions	Reversed during the year	Total
Provisions – IFLOMA	9 036	-	(3 374)	5 662
Provision for quality claims on log products	5 126	7 506	-	12 632
	14 162	7 506	(3 374)	18 294

24. Financial liabilities by category

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

Group – 2019	Financial liabilities at amortised cost	Total
Trade and other payables	346 899	346 899

Group – 2018	Financial liabilities at amortised cost	Total
Trade and other payables	253 732	253 732

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
Company – 2019			Financial liabilities at amortised cost	Total
Trade and other payables			109 854	109 854
Company – 2018			Financial liabilities at amortised cost	Total
Trade and other payables			97 477	97 477

25. Trade and other payables

Trade payables	74 278	55 246	2 825	2 166
Value Added Tax (VAT)	3 659	-	5 041	-
Other payables	138 716	76 154	-	-
Accruals	51 871	51 520	9 610	8 749
Minority Shareholders	96 582	90 031	96 582	90 031
DPE Grant	8 657	8 657	8 657	8 657
	373 764	281 608	122 715	109 603

DPE Grant:

In 2016/17 financial year the company received a conditional grant of R9 million from Department of Public Enterprises (DPE). The conditions of the grant stipulate that the grant will be used in the below listed circumstances where DPE has partnered with SAFCOL for the implementation of the following projects:

Timber-Frames Public Facilities, Pole Treatment Plant, Charcoal Commercialization, Broadband Service for Rural Communities, Furniture Manufacturing and other projects for public facilities, and the Development and Construction of a science school concept.

To date, the company has utilized R343 000 of the grant.

Minority Shareholders:

Included in the trade and other payables is dividends and interest of R97 million which is held on behalf of minority shareholders.

26. Revenue

The group harvests, manufactures and sells timber products in the timber market. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

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It is the group's policy to sell its products to the end customer with a right of return within a reasonable time. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in significant changes in accounting policies. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.				
Revenue streams				
The Group generates revenue primarily from the sale of Logs and Lumber products. Other sources of revenue include rental income from its tourism facilities.				
Provision of services:				
Management fees	-	-	170 082	163 281
Sale of goods: Log sales	783 967	781 628	-	-
Sale of goods: Lumber sales	232 006	123 461	-	-
Other Revenue	26 141	21 376	1	-
	1 042 114	926 465	170 083	163 281

Performance obligations and revenue recognition policies:

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

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Type of product/ services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 January 2018)		Revenue recognition under IAS 18 (applicable before 1 January 2018)	
Timber products Forestry products	Customers obtain control of timber products when the goods are dispatched from the Company's warehouse. Invoices are generated and revenue is recognised at that point in time. Invoices are usually payable within 30 days. No discounts, loyalty points or returns are offered for timber products. Customers obtain control of	Revenue is recognised when the goods are dispatched from the Company's warehouse.		Revenue for timber products was recognised when the goods were dispatched from the Company's warehouse.	
	forestry products when the goods are delivered at the delivery point. Invoices are generated at the point of delivery. Invoices are usually payable within 30 days. No discounts are provided for standard products, but customers may earn loyalty points instead (see below). Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered.	Revenue is recognised when the goods are delivered and have been accepted by customers at the delivery point. The company's contracts permit the customers to return an item, revenue is thus recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific products. In these circumstances, a refund liability is recognised. Company reviews its estimate of expected returns at each reporting date and updates the amounts of the liability accordingly.		Revenue is recognised when the goods were delivered to the delivery point, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred, provided that a reasonable estimates of the returns could be made. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made.	

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	R '000	R '000	R '000	R '000

Other revenue includes:

Other revenue arises mainly from property management, eco-tourism and sundry sales. The Group does not consider this to be part of main revenue generating activities.

Property & Housing Management	11 773	7 929	-	-
Eco-Tourism	6 411	5 546	-	-
Sundry Products	7 957	7 901	-	-
	26 141	21 376	-	-

27. Cost of sales

Cost of sales includes only expenses directly or indirectly attributable to the production process. Cost of harvested logs at point of harvest is valued at fair value less cost to sell. The fair value of harvested logs has been estimated to equal the prevailing market price in an open market between a willing buyer and a willing seller.

Harvested timber	791 262	782 814	-	-
Lumber processing	296 512	148 350	-	-
Other	343	2 428	-	-
	1 088 116	933 592	-	-

28. Other operating Income

Other recoveries	2 540	3 045	4	15
Other income	11 252	19 117	1 275	5 278
	13 792	22 162	1 279	5 293

Other operating income comprises of insurance claims, settlement discount received and FP&M Seta rebate.

29. Other operating gains / (losses)

Fair value gains

Biological assets	823 377	751 001	-	-
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30. Operating profit / (loss)

Operating profit for the period is stated after charging the following, amongst others:

Auditor's remuneration external

Audit fees	7 247	4 440	5 626	3 578
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Income from subsidiaries

Administration and management fees	-	-	170 082	163 281
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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
Fees for services				
Administrative and legal services	3 719	2 668	3 559	1 238
Managerial services	36 160	35 204	20 179	11 197
	39 879	37 873	23 738	12 435
Employee costs				
Salaries and wages	349 786	320 190	77 199	64 978
Other short term costs	39 971	36 990	20 256	24 828
Retirement benefit contribution	32 871	24 432	6 949	4 639
Total employee costs	422 629	381 612	104 404	94 445
Leases				
Operating lease charges				
Premises	78 582	59 199	5 450	4 104
Equipment	4 268	7 324	-	225
	82 851	66 523	5 450	4 329
Depreciation and amortisation				
Depreciation of property, plant and equipment	52 138	49 418	1 020	1 087
Amortisation of intangible assets	11 824	11 823	11 824	11 823
Total depreciation and amortisation	63 961	61 241	12 844	12 910
31. Employee costs				
Employee costs				
Basic	312 748	290 733	72 485	60 448
Bonus	18 699	18 304	1 396	1 920
Unemployment Insurance Fund	2 095	1 879	301	213
Workmen Compensation Association	5 637	5 478	866	809
Skills Development Levy	3 204	2 857	771	649
Leave pay provision charge	960	939	1 207	939
Other short term costs	46 416	36 990	20 430	24 828
Retirement benefit plans	32 871	24 432	6 949	4 639
	422 629	381 612	104 404	94 445
32. Depreciation, amortisation and impairment losses				
Depreciation				
Property, plant and equipment	52 138	49 418	1 020	1 087
Amortisation				
Intangible assets	11 824	11 823	11 824	11 823

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
Impairment losses				
Property, plant and equipment	-	-	-	-
Total depreciation, amortisation and impairment				
Depreciation	52 138	49 276	1 020	1 087
Amortisation	11 824	11 823	11 824	11 823
Impairment losses	-	142	-	-
	63 961	61 241	12 844	12 910
33. Other Operating Costs				
Repairs and maintenance	57 929	57 885	930	960
Risk management	21 560	21 886	11 095	8 595
Material Management	-	71 302	1 152	438
Travel and Accommodation	9 420	8 396	5 677	4 962
Contractors	159 786	98 771	198	257
Indirect taxes	3 242	615	790	821
Subscriptions and Levies	10 952	11 469	200	131
Promotion and advertising	1 622	7 996	1 543	7 162
Office and Admin	29 512	55 544	5 545	5 936
Bursaries	4 122	4 085	4 216	4 085
Corporate Social Investment	8 933	12 609	5 169	10 004
	316 619	350 557	36 515	43 350
34. Investment income				
Dividend income				
From group entities:				
Associates - local	1	1	1	1
Interest income				
From loans to:				
Managers and employees	59	82	3	4
From investments in financial assets:				
Bank and other cash	5 768	8 719	5 768	8 719
Other interest	583	1 518	468	550
From loans to group and other related parties:				
Subsidiaries	-	-	6 990	2 633
Total interest income	6 411	10 320	13 229	11 906
Total investment income	6 412	10 321	13 230	11 907

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35. Finance costs				
Group loans	-	-	-	467
Finance leases	4 384	5 512	-	-
Bank overdraft	-	50	-	50
Other interest	77	130	42	105
Total finance costs	4 461	5 691	42	622
36. Cash generated from/ (used in) operations				
Profit / (loss) before taxation	(140 068)	(80 167)	(4 028)	8 812
Adjustments for:				
Depreciation and amortisation	63 961	61 093	12 844	12 911
Dividend income	(1)	(1)	(1)	(1)
Interest income	(6 410)	(10 320)	(13 229)	(11 906)
Finance costs	4 461	5 691	42	621
Movement in biological assets	109 894	144 105	-	-
Movements in retirement benefit assets	(16)	(7)	(10)	-
Movement in bad debts provision	-	-	(127)	-
Profit on asset disposals	(1 782)	-	(147)	-
Movements in provisions	(4 382)	4 132	-	-
Movement in bad debts provisions	12 366	-	-	-
Other expenses non-cash transactions	(5 289)	-	-	-
Prior period adjustment	-	(42 319)	-	(9 561)
Non-cash flow shareholder loan movements	-	-	31 672	(18 772)
Changes in working capital:				
Movement in Inventories	44 529	(58 103)	61	(135)
Movement in Trade and other receivables	(115 303)	(113 853)	9 590	(3 225)
Movement in Trade and other payables	92 155	70 408	7 548	11 536
	54 114	(19 341)	44 215	(9 719)
37. Taxation				
Major components of the taxation				
Current Tax				
Current period	2 420	8 630	-	-
	2 420	8 630	-	-
Deferred Tax				
Current period	(32 300)	(57 998)	1 087	(2 528)
	(29 881)	(49 368)	1 087	(2 528)

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Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit / loss	(114 959)	(141 740)	(4 028)	8 812
Tax at the applicable tax rate of 28% (2018: 28%)	(32 189)	(39 687)	1 128	(2 468)
Tax effect of adjustments on taxable income				
Net effect of (income)/expenses that are not (taxable)/deductible in determining taxable profit	2 473	(4 260)	-	(196)
Effect of different tax rate of subsidiaries operating in different jurisdictions	(15 890)	(5 420)	-	-
Adjustments recognised in the current year in relation to prior periods	15 725	-	(41)	136
Tax losses (utilised)/carried forward	-	-	-	-
	(29 881)	(49 368)	1 087	(2 528)
Tax paid				
Balance at beginning of the year	(7 730)	(304)	-	-
Current tax for the period recognised in profit or loss	-	(8 631)	-	-
Balance at end of the period	24 736	7 730	-	-
	17 006	(1 205)	-	-

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Operational expenditure	416 338	223 307	16 028	15 926
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This committed expenditure relates to operational expenditures and will be financed by available bank facilities, retained profits, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

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Operating leases – as lessee (expense)				
Minimum lease payments due				
- within one year	12 441	11 446	7 294	6 815
- in second to fifth year inclusive	8 236	11 126	3 771	11 065
- later than five years	-	-	-	-
	20 677	22 572	11 065	17 880

Operating lease payments represent rentals payable by the group of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

39. Contingencies

Land claims

SAFCOL commercially manages State forest plantations in three provinces within the Republic, namely Limpopo, Mpumalanga and Kwa-Zulu Natal. The Government of the Republic owns the land that SAFCOL uses for its commercial forestry business operations within the Komatiland package and it leases the land from Department of Agriculture, Forestry and Fisheries (DAFF) through a long-term lease.

The SAFCOL board had previously approved the lease back model. However, all stakeholders were not convinced that the leaseback model was the only form of settlement arrangement that SAFCOL can adopt, as it did not contribute sufficiently to the economic upliftment of land beneficiaries. The current leaseback model was therefore revised with the primary aim to ensure that there is commercial sustainability and the continuity of SAFCOL's business objectives as set out in terms of section 3 of the MSFA and the participation of the land beneficiaries in the economic activities in their land is achieved.

The leaseback model was then revised to take the form of a Business Model that is intended to ensure that the land beneficiaries of the government land reform program are part of the economic activities that will take place in their land. SAFCOL has recognized that land reform and restitution provides for an opportunity to increase the participation of the previously disadvantaged individuals in the forestry value chain, SAFCOL has therefore revisited its Business Model to align it with its overall levers of its business strategy, namely:

- Horizontal integration, and
- Vertical integration (Downstream Processing).

Some elements of the Department of Rural Development & Land Reform's Comprehensive Rural Development Programme were included in the Business Model.

This Business Model is a combination of both the lease back and strategic business partnership through Joint Ventures that will be established based on agreements between land beneficiaries and SAFCOL, in order to achieve the best possible benefits for all stakeholders. The principles of this proposed Business Model are as follows:

- Government to transfer the title and rights to the land to the successful land beneficiaries,
- The land beneficiaries own the land and leases it back to SAFCOL ,
- The land beneficiaries and SAFCOL to form Joint Ventures in ownership and management of business initiatives that of mutual interest (the land is not to be included in the partnership).

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R '000	R '000	R '000	R '000

Though there are approximately 44-registered land claims, SAFCOL will ensure that the Business Model will be applied to only 20 claims, which were researched, validated and subsequently gazetted.

SAFCOL will, as and when additional land claims are verified and gazetted, continue to engage with such land beneficiaries on the Business Model in order to ensure commercial sustainability and the continuity of SAFCOL's business.

Bank Facilities

There are contingent liabilities in respect of:

- Bank guarantees in respect of Group company liabilities to the amount of R 0.75 million (2018: 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.
- SAFCOL has provided a guarantee to the amount of R160 000 000 in respect of Komatiland Forests SOC Ltd obligations, including asset based finance
- SAFCOL has a credit card facility to the value of R2 500 000
- An automated clearing bureau credit facility of R5 440 000
- Fleet Card Facility of R200 000
- Daylight Limit of R52 000 000

Legal cases

The Group is currently involved in a number of legal disputes. The amount provided represents the directors' best estimate of the Group's liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action. Because of the nature of the disputes, the directors have not disclosed future information on the basis that they believe that this would be seriously prejudicial to the Group's position in defending the cases brought against it.

Estimates and assumptions

The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

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1. Competition Law Infringement Investigations

1.1 SAFCOL vs PNM Short haulers (Pty) Ltd, Tingovho Transport cc & MM Simelane Transport cc Case No. 2016NOV0645

On November 2016, SAFCOL lodged a complaint with the Competition Commission against PNM Shorthaulers (Pty) Ltd, Tingovho Transport cc and MM Simelane Transport cc.

The complaint is on the allegation that there is a concerted practice that has been identified by SAFCOL between PNM, Tingovho and MM Simelane on collusive tendering in contravention of section 4(1)(b)(iii) of the Competition Act 89 of 1998.

The complaint is still under investigation by the Commission and the period of this investigation was extended on 21 September 2019 in terms of section 50(4) of the Act.

1.2 Masterbord SA (PTY) Ltd (MASTERBORD) V Komatiland Forests SOC Limited (KLF) and South African Forestry Company SOC Limited (SAFCOL) - 2018DEC0036

On 26 February, SAFCOL/KLF received a letter from the Competition Commission SA.

The Competition Commission informed SAFCOL/KLF that Masterbord had lodged a complaint of abuse of dominance through exclusionary acts (including excessive pricing). SAFCOL/KLF has denied these claims and has submitted written representations to the Competition Commission.

This complaint is still under investigation.

2.1 Ladz Trading CC vs SAFCOL & Nomkhitha Mona

Late in March 2016, SAFCOL received summons from Ladz Trading cc for R498 980.28 alleging breach of an 'oral agreement' and claiming damages as a result.

SAFCOL has launched a counterclaim against Ms Nomkhitha Mona for R807 560.04. The matter is still pending at the High Court.

2.2 Erasmus vs KLF & T Xaba

Quotation from the panel beaters assessing the vehicle damage. The insurers did not provide an update report. The summons was received by KLF on the damage allegedly caused by one of the KLF's vehicles to the claimant's vehicle. The matter was handed over to the KLF's insurers to defend it in terms of the policy agreement that the insurers have with KLF. Should there be any liability for KLF, it will not be more than the excess payable in the event of vehicle damage.

The full extent of the financial exposure in the case is R10 228.06.

2.3 Economists.co.za (Pty) Ltd vs KLF

In November 2016, KLF received summons from Economists.co.za claiming payment of the sum of R399 000.00. KLF has entered an appearance to defend the matter due to issues related to the contraventions of the PFMA. The matter is pending in the High Court. The parties in the matter await a trial date from the Registrar of the High Court as the pleadings have closed.

There have been no developments in this matter since February 2018 and the plaintiff has not taken any further steps to advance the matter since KLF filed its plea and counterclaim.

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2.4 Julia Sambo v SAFCOL

This is a motor vehicle accident claim against SAFCOL arising out of alleged negligent driving by one of its employees. The matter has been referred to SAFCOL's insurers for settlement. The full extent of the financial exposure in the case is R29 364.99.

2.5 KLF vs Eskom (Rooywal)

Damages claim resulting from a fire. KLF sourced a legal opinion to ascertain the prospects of success on the merits of this matter. The legal opinion's conclusions were that there were poor prospects of success and recommended that this matter be abandoned.

The full extent of the financial implications in the abandonment of the case is R85 001 457.00.

2.6 KLF vs Eskom (Webber)

Damages claim resulting from a fire. KLF sourced a legal opinion to ascertain the prospects of success on the merits of this matter. The legal opinion's conclusions were that there were poor prospects of success and recommended that this matter be abandoned.

The extent of the financial implications in the abandonment of the case is R86 752 215.00.

2.7 KLF vs Dept of Public Works

Damages claim resulting from a fire. KLF sourced a legal opinion to ascertain the prospects of success on the merits of this matter. The legal opinion's conclusions were that there were poor prospects of success and recommended that this matter be abandoned.

The extent of the financial value in the abandonment of the case is R10 223 950.00.

2.8 KLF vs Thaba Chweu Municipality / Prov Gov of Mpumalanga

Damages claim resulting from a fire. KLF sourced a legal opinion to ascertain the prospects of success on the merits of this matter. The legal opinion's conclusions were that there were poor prospects of success and recommended that this matter be abandoned.

The extent of the financial value in the abandonment of the case is R24 502 260.00.

2.9 KLF vs Shaka Pallets CC & 2 Others

The summons was issued against the debtor for the repayment of R2 878 888.61. The judgment was obtained and the issue that remains is the recovery of the monies owed to KLF by the debtor. recover the amount.

2.10 KLF vs 4 J Timbers CC & 2 Others

The summons was issued against the debtor for the repayment of R1 035 852.51. Judgment was obtained in favour of KLF and the attorneys are working with the Sheriff on the execution thereof to recover the amount.

2.11 KLF vs Mason & Mason Trust

The summons was issued against Mason and Mason Trust for damages resulting from the fire that occurred on 08 June 2012. The matter is still pending at the High Court.

The extent of the financial value anticipated in the case is R17 494 323.00.

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	R '000	R '000	R '000	R '000

2.12 KLF vs Gildenhuys Malatjie Attorneys & Rivapro (Pty) Ltd

KLF has launched a professional negligence claim against Gildenhuys Malatjie Attorneys. KLF is pursuing a professional negligence claim against the attorneys handling this matter as they acted contrary to KLF's instructions and did not protect its interests despite numerous instructions over a long period of time.

The attorneys have been instructed to recover the judgment amounts as well as the legal fees arising out of this matter as these would not have been incurred but for the negligence of the former attorneys. Summons has been issued the matter is now in full litigation mode.

The extent of the financial value anticipated in the case is R286 647.60.

2.13 Phandahanu Forensics (Pty) Ltd vs SAFCOL

Early in June 2016, SAFCOL received summons from Phandahanu Forensics (Pty) Ltd alleging breach of an agreement and claiming payment for services allegedly rendered as a result. SAFCOL has settled the amount claimed by Phandahanu Forensics (Pty) Ltd and the matter is still pending in court for Phandahanu Forensics (Pty) Ltd to withdraw the claim so that the outstanding costs can be taxed.

SAFCOL still awaits the delivery of the final report by Phandahanu in terms of the agreement on the forensic investigation and the court action to be withdrawn.

The full extent of the financial exposure in the case is R189 496.50.

2.14 SAFCOL vs Buthelezi

This is a claim for unjust enrichment as Mr Buthelezi was erroneously paid in excess of what is due to him by SAFCOL. The extent of the financial value in the case is R19 018.12.

2.15 KLF vs Jossephy Lounge and Furniture CC

The summons was issued in March 2016 against Jossephy Lounge and Furniture cc in the Kwazulu-Natal High Court in Pietermaritzburg for the recovery of R303 046.28 that is owed to KLF for lumber that was supplied. The matter is pending in the High Court. The matter is proceeding in the High Court.

2.16 KLF vs Mega Mesh (Pty) Ltd

The summons were issued and Mega Mesh as well as Andrew Deborah Anne as defendants entered an appearance to defend. The attorneys have been instructed to apply for a court date to finalise this matter.

The extent of the financial value in the case is R200 578.31.

2.17 KLF vs GM Dladla

The summons was issued and judgment obtained against the former employee (GM Dladla). The issue outstanding is the taxation of the costs and the recovery of the debt owed to KLF R14 805.96.

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	R '000	R '000	R '000	R '000

2.18 The IFIRM Trading & Project (Pty) Ltd vs SAFCOL & NP Mona

In March 2017, SAFCOL received summons from IFIRM claiming payment of the sum of R873 053.95 from SAFCOL and NP Mona jointly and severally. The matter is pending in the High Court. SAFCOL still awaits a plea by IFIRM on the counter-claim filed to set aside the unlawful contract entered into with IFIRM by Ms Mona.

Judgment has been granted against MS Mona and she has launched proceedings to rescind the judgment. SAFCOL will not be opposing the rescission application and will abide the Court's decision.

There have been no further steps taken by the Plaintiff

2.19 John Wright Veneers (Pty) Ltd vs KLF

JWV has instituted legal action against KLF in the High Court, Pretoria. This is a breach of contract claim. JWV contends that KLF failed to deliver the monthly commitment of saw logs as agreed. KLF disputes this claim. This matter will be heard in court in 2020.

The full extent of the financial exposure in the case is R2 809 442.96.

2.20 Ukhamba Management Consultants CC vs KLF

Ukhamba has issued two summons against KLF in the High Court of South Africa, Johannesburg for an alleged breach contract for services rendered but not paid for by KLF, which claim KLF is disputing and defending. Ukhamba applied for default judgment against KLF, which KLF resisted successfully as the applications for summary judgment were dismissed. The matters are now proceeding normally and KLF has requested various documents from Ukhamba on which its claims are based.

The full extent of the financial exposure in the case is R10 702 883.33.

2.21 KLF vs Phakamoli (Pty) Ltd

This is a collection matter. The claim is one based on breach of contract for goods purchased and delivered. Summons has been issued and the matter is currently before court. The extent of the financial value in the case is R63 406.97.

2.22 KLF vs Khanyisa Mogale

Liability for professional negligence will be established as the prescription of the KLF's claim against a debtor occurred while the matter was in the care of Khanyisa Mogale Attorneys. The matter is pending in court. The pleadings have closed in this matter and all pre-trial procedure have to be complied with, after which a trial date will be applied for.

The extent of the financial value in the case is R446 331.95.

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
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2.23 KLF vs Marian Aaron Shiviri

This is a collection matter instituted by KLF for goods delivered purchased but not paid for by the debtor. The matter is currently before court for recovery. The extent of the financial value in the case is R26 015.95.

2.24 KLF vs Greengold Timber cc

The prospects of success are good and the debtor is paying instalment of R1000.00 payments constitute an acknowledgment of debt. Summons is being issued in Court and will be served on the Defendant shortly.

The extent of the financial value in the case is R251 329.16.

2.25 KLF vs Lowveld Lumber & Pallet cc

Although the matter is pending in court for a judgment, the debtor has been repaying the amount owed in small instalment. Judgment has been obtained but the execution of it is still underway, with an application being made to declare immovable property especially executable against the properties of the judgment debtors. Extent of the financial value in the case is R74 269.61.

2.26 KLF vs Kloofsige Saagmeule

Although the matter is pending in court for a judgment, the debtor has been repaying the amount owed in small instalments. The matter is ongoing.

The extent of the financial value in the case is R263 049.03.

2.27 KLF vs Diggersest (Pty) Ltd

Summons was issued and Diggersrest has entered appearance to defend. Our attorneys are now applying for summary judgment on the basis that the notice to defend is calculated to buy time for Diggerest as there is no valid defence to the claim.

The extent of the financial value in the case is R9 304 867.14.

2.28 KLF vs Terry Mahon N.O and White River Saw Mills (Pty) Ltd

This is a High Court application for a declaratory order confirming that the matter is not arbitrable. The matter is now ready for hearing and the parties await a hearing date.

The extent of the financial value in the case is R300 000.00.

2.29 Florence Guest Farm vs SAFCOL

SAFCOL Claim against our client for services rendered and goods sold. Plaintiff served us with Notice of Withdrawal, without rendering costs. We will prepare Rule 27(1) & (3).

The extent of the financial value in the case is R12 200.00.

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40. Related parties				
Relationships				
Ultimate shareholder			Government of the Republic of South Africa represented by the Minister of the Public Enterprises	
Subsidiaries			Komatiland Forests SOC Limited Abacus Forestries SOC Limited Kamhlabane Timber SOC Limited Industrias Florestias de Manica.	
Related party balances				
Investment Subsidiaries				
Investment in ABACUS	-	-	456	456
Investment in KLF	-	-	294 042	294 042
Loan accounts				
Owing (to) / by related parties				
Komatiland Forests SOC Limited	-	-	154 632	113 049
Payables to related parties				
Komatiland Forests SOC Limited	-	-	1 917	538
Other State Owned Entities	(7 875)	(604)	-	-
Department of Agriculture, Forestry and Fisheries	(132 097)	(64 915)	-	-
Receivables from Related parties				
Other state owned entities	327	306	-	-
Interest received				
Komatiland Forests SOC Limited	-	4	6 990	2 625
Interest paid				
Komatiland Forests SOC Limited	-	-	-	467
Other State Owned Entities	-	-	-	-
Sale of goods and services				
Komatiland Forests SOC Limited	-	-	170 082	163 281
Eskom	850	2 472	-	-
Other State Owned Entities	2 300	350	1 062	-
Purchase of goods and services				
Komatiland Forests SOC Limited	-	-	(540)	(556)
Eskom	(12 467)	(12 486)	-	-
Other State Owned Entities	(86 999)	(6 980)	(6 750)	(2 916)
Compensation to directors and other key management				
Short term employee benefits	3 449	3 186	3 449	3 186

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	R '000	R '000	R '000	R '000

Transactions between SAFCOL and its subsidiaries are mainly to settle third party obligations on behalf of each other. The Group also has a centralised treasury function where cash resources are pulled together to ensure that the Group obtains maximum interest benefits.

The Group leases land from the Department of Agriculture, Forestry and Fisheries through an undefined operating lease agreement.

41. Directors' emoluments

Executive

2019

	Emoluments	Reimbursement	Retirement fund	Total
OT Monaheng	2 744	3	298	3 045
J Maruma	147	-	-	147
VZ Tlale	109	-	-	109
	3 000	3	298	3 301

2018

	Emoluments	Reimbursement	Retirement fund	Total
OT Monaheng	861	2	81	944
GC Theron	1 753	15	-	1 768
T Pillay	1 287	-	80	1 367
VZ Tlale	540	8	-	548
	4 441	25	161	4 627

Non executive

2019 (01/10/18 – 31/03/ 19)

	Directors' fees	Reimbursements	Total
N Balton	154	2	156
P Derby	168	1	169
Y Pillay	171	1	172
L Mnisi	171	2	173
Z Zatu	171	3	175
L Mokgatle	154	7	161
M Baleni	198	5	203
P Makwana	447	-	447
B Hanise	168	3	171
J Yawitch	191	3	194
	1 995	27	2 022

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
2018 (01/04/18 – 30/09/18)				
	Directors' fees		Reimbursements	Total
MJ Rachidi	151		6	157
PE Molokwane	144		2	146
PM Mahlangu	151		2	153
RL Mabece	398		-	398
S Baduza	126		1	127
SM Mnguni	108		4	112
CPM Ngwenya	159		-	159
GC Theron	108		1	109
	1 344		16	1 360
2018				
	Directors' fees		Reimbursements	Total
MJ Rachidi	303		11	314
PE Molokwane	289		7	296
PM Mahlangu	298		4	302
RL Mabece	797		-	797
S Baduza	300		3	303
SM Mnguni	233		15	248
CPM Ngwenya	337		-	337
GC Theron	48		-	48
	2 605		40	2 645

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
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42. Prior period errors

The following were adjusted in the current year:

Statement of financial position	Group Restated values	Group Previously reported	Company Restated values	Company Previously reported
1. Property, plant & equipment	232 866	205 389	3 163	2 360
2. Biological assets: non-current	3 311 366	3 140 468	-	-
3. Biological assets: current	381 465	552 364	-	-
4. Investment in subsidiaries	-	-	294 498	-
5. Loans to group companies	-	-	113 049	407 546
6. Trade and other receivables	353 053	349 397	6 048	2 052
7. Trade and other payables	(281 608)	(235 609)	(109 603)	(115 167)
8. Provisions	(18 294)	(70 226)	-	-
9. Financial liability: non-current liability	-	-	(1 333)	(2 666)
10. Financial liability: current liability	-	-	(1 333)	-
11. Deferred tax	101 758	101 330	63 315	62 886
12. Retained earnings	(3 010 508)	(2 969 116)	(85 172)	(74 379)
13. Reserves	(10 702)	(4 059)	-	-
14. Non-controlling interest	(45 800)	(27 141)	-	-
	(1 013 596)	(1 042 797)	282 632	282 632
Statement of profit or loss				
15. Finance cost	(5 691)	(8 792)	-	-
16. Interest income	10 321	13 420	-	-
17. Taxation	-	-	(2 528)	(2 957)
	4 630	4 628	(2 528)	(2 957)

Statement of cash flow

18. Net cash from operating activities	(15 916)	(15 919)	1 567	42 762
19. Investing activities: loans to group	-	-	(68 852)	(107 381)
	(15 916)	(15 919)	(67 285)	(64 619)

Group & Entity:

Statement of financial position:

- Entity: adjustments passed to correct prior year accumulated depreciation on computers & vehicles due to write backs based on the assessment of the useful lives.
Group: It was noted that a number of assets disposed off or scrapped had not been excluded from the asset register. The useful life of PPE had been incorrectly estimated in the prior year. The adjustment made resulted in a restatement of prior year published figures relating to PPE.
- Biological assets prior year split between current and non-current portion was incorrectly processed.
- Adjustment passed to correct the classification of establishment loans on subsidiaries Komatiland Forests and ABACUS as previously classified as loans to group companies as investment in subsidiaries. (#4 & #5)
- Restatement on trade and other receivables relates to the correction of VAT which was overstated in the prior year, resulting in VAT receivables.
- Trade and other payables were restated to include reclassified land lease that had been recognised as a provision in the prior year. In the current year the land lease has been classified as a payable.
- Provision note was restated to classify land lease to trade payables.
- Financial liabilities classification corrected non-current and current split.
- Deferred tax and taxation opening balance adjusted due to rounding error.

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
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9. Entity: Restatement on retained earnings relates to asset adjustments, trade and other payables and deferred tax adjustment as explained in point 1, 4 & 8 above.

Group: retained earnings was restated to take into consideration the revision of asset adjustments, deferred tax and land lease prepayment raised.

10. Reserves and non-controlling interest restatement, is due to reclassification.

Statement of profit or loss:

11. Group: Correction of the internal entry included in finance costs and interest income.

Statement of cash flow:

12. Cash flow restated due to restatements passed on prior year (2018) AFS.

Disclosures:	Group Restated values	Group Previously reported	Company Restated values	Company Previously reported
<u>Irregular expenditure</u>	330 542	319 949	54 940	54 464
Irregular expenditure Irregular expenditure restated to agree back to final register.				
<u>Commitments</u>	223 307	279 707	-	-
Restatement due to prior year register was overstated				
<u>Related parties</u>	64 915	51 293	-	-
Reversal of DAFF land lease provision now classified as payables.				
Entity note updated for investment in subsidiaries and loans to group balance				
<u>Operating leases - as lessee (expenses)</u>	(22 572)	(2 397 438)	(17 880)	(17 537)
Entity: disclosure update with correct amount.				
Group: restated taking into account that the lease agreement between DAFF and SAFCOL is not yet determinable. There is no approved lease to determine the lease term.				
<u>Deferred tax reconciliation</u>	-	-	63 315	62 886
Deferred tax opening balance adjusted due to rounding error				
<u>Financial assets by category</u>	351 641	349 045	6 036	2 052
Disclosure has been corrected				
<u>Financial liabilities by category</u>	-	-	97 477	115 640
Disclosure has been corrected				

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	Group 2019	2018 Restated*	Company 2019	2018 Restated*
	R '000	R '000	R '000	R '000

43. Risk management

The Group is exposed to various financial risks due to the nature of its activities and the use of various financial instruments. The Board has the overall responsibility for the establishment and oversight of the Group's risk management framework.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern. The Group's overall strategy is to position itself as an attractive business partner by continuous management of the Group's statement of financial position, preserve cash and seek alternative funding alternatives.

The 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 (2018: 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.

Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, 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

Financial assets

Other financial assets	3 096	3 831	1 353	2 087
Loans to group companies	-	-	154 632	113 049
loans				
Cash and cash equivalents	156 079	181 848	129 886	146 280
Trade and other receivables	465 742	351 641	2 023	6 036
	624 917	537 320	287 894	267 452

Financial liabilities

Finance lease obligation	49 784	51 902	-	-
Financial liabilities	1 333	2 666	1 333	2 666
Trade payables	346 899	253 732	109 854	97 477
	398 016	308 300	111 187	100 143

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
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43. 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 2019	Carrying amount	Contractual amount	Less than 1 year	2 - 5 years
Finance lease obligation	51 117	51 117	21 087	30 029
Trade and other payables	346 899	346 899	346 899	-
	398 016	398 016	367 986	30 029
At 31 March 2018	Carrying amount	Contractual amount	Less than 1 year	2 - 5 years
Finance lease obligation	54 568	54 568	22 470	32 098
Trade and other payables	253 732	253 732	253 732	-
	308 300	308 300	276 202	32 098

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
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43. Risk management (continued)

Company

At 31 March 2019	Carrying amount	Contractual amount	Less than 1 year	2 - 5 years
Trade and other payables	109 854	109 854	109 854	-

At 31 March 2018	Carrying amount	Contractual amount	Less than 1 year	2 - 5 years
Trade and other payables	97 477	97 477	97 477	-

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.

Ratios

The gearing ratio at 2019 and 2018 respectively were as follows:

Total borrowings

Finance lease obligation	20	(51 117)	(54 568)	-	-
Total debt		(51 117)	(54 568)	-	-
Total equity		(3 189 317)	(3 293 423)	(529 287)	(532 227)
Total capital		(3 240 434)	(3 347 991)	(529 287)	(532 227)

Gearing ratio	(1.6)%	(1.6)%	(0)%	(0)%
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Financial risk management

The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures. A central treasury department (group treasury) under policies approved by the board carries out risk management. Group treasury identifies, evaluates and hedges financial risks in close co operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the group held deposits at call of R107 million (2018 – R125 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Notes to the Consolidated Annual Financial Statements

	Group 2019	2018 Restated*	Company 2019	2018 Restated*
	R '000	R '000	R '000	R '000

43. Risk management (continued)

Management monitors rolling forecasts of the group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents based on expected cash flows. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt-financing plans.

Credit risk

Trade receivables

The group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

2019	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0%	2%	5%	100%	
Gross carrying amount – trade receivables	-	62 318	7 460	16 845	86 623
Loss allowance	-	1 246	374	16 785	18 405

The closing loss allowances for trade receivables and contract assets as at 31 March 2019 reconcile to the opening loss allowances as follows:

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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	Group 2019	2018 Restated*	Company 2019	2018 Restated*
	R '000	R '000	R '000	R '000

43. Risk management (continued)

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Compliance risk

Compliance risk is the risk of non compliance with any statutory requirement of National or local Government and includes the South African Reserve Bank, Financial Services Board and various financial exchanges.

This is minimised through effective monitoring and reporting to ensure compliance with the 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.

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.

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	Group 2019	2018 Restated*	Company 2019	2018 Restated*
	R '000	R '000	R '000	R '000

43. Risk management (continued)

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:

Group

	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
Financial assets				
Cash and cash equivalents	156 079	156 079	181 848	181 848
Trade and other receivables	465 742	465 742	351 641	351 641
	621 821	621 821	533 489	533 489

	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
Financial liabilities				
Finance lease obligations	51 117	51 117	54 568	54 568
Trade and other payables	346 899	346 899	253 732	253 732
	398 016	398 016	308 300	308 300

Company

	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
Financial Assets				
Other financial assets	1 353	1 353	2 087	2 087
Cash and cash equivalents	129 886	129 886	146 280	146 280
Trade and other receivables	2 023	2 023	6 036	6 036
Loans to group companies Non interest bearing loans	154 632	154 632	113 049	113 049
	287 894	287 894	267 452	267 452

	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
Financial liabilities				
Trade and other payables	109 854	109 854	97 477	97 477

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	Group 2019	2018 Restated*	Company 2019	2018 Restated*
	R '000	R '000	R '000	R '000

43. 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 rates are fixed interest rates linked to prime. The Group also invests funds in the money market at both fixed and floating interest rates. The underlying interest rate risk associated with this risk is managed by maintaining an appropriate mix between fixed and floating interest rates.

Shortfalls are funded by the holding company, South African Forestry Company SOC Limited, as and when required. Surplus funds from operations are transferred to the holding company on a daily basis. These surpluses or shortfalls bear interest on a floating interest intercompany account.

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected above.

Available for sale financial assets

The fair value of available for sale financial assets is determined by reference to the deemed cost price or quoted price at the reporting date.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Carrying amount approximates fair value due to the short term nature of trade and other receivables.

Other loans and receivables

The fair value of other loans and receivables is based on cash flows discounted using the effective interest rate at the reporting date. Carrying amount approximates fair value due to the short term nature of other loans and receivables.

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	Group 2019	2018 Restated*	Company 2019	2018 Restated*
	R '000	R '000	R '000	R '000

43. Risk management (continued)

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

Additional text 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 2019: 8% to 10.5%
- 31 March 2018: 8% to 10.5%

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	Group 2019	2018 Restated*	Company 2019	2018 Restated*
	R '000	R '000	R '000	R '000

43. Risk management (continued)

Interest rate risk sensitivity:

Finance costs

• 5% Increase in interest rate	4 684	5 976	45	653
• 5% Decrease in interest rate	4 238	5 406	40	591

Loss after tax

• 5% Increase in interest rate	123 517	84 176	3 088	6 598
• 5% Decrease in interest rate	111 753	76 159	2 794	5 970

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 3

Recurring fair value measurements

Assets

Biological assets

Biological assets	3 213 285	3 311 366	-	-
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Other financial assets

Unlisted shares (NTE & Guardrisk)	3 096	3 831	1 353	2 087
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Total	3 216 381	3 315 197	1 353	2 087
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* Gains and losses recognised in profit or loss are included in other income on the Statement of Comprehensive Income.

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	Group 2019	2018 Restated*	Company 2019	2018 Restated*
	R '000	R '000	R '000	R '000

43. Risk management (continued)

Fair values

Information about valuation techniques and inputs used to derive level 3 fair values

Biological assets - standing timber

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

The most significant judgements and assumptions relate to:

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

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

Weighted average range of probabilities

	High	Low
10% change in Weighted Average Capital	3 812 775	3 235 892
10% change in Price	4 310 558	2 695 341
10% change in Costs	3 157 961	3 847 938
10% change in Volume	4 161 206	2 844 692

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

Level 3 Reconciliation:

Opening balance	3 692 831	3 836 936
Harvested timber	(933 271)	(895 106)
Fair value	823 377	751 001
Closing balance	3 582 937	3 692 831

44. Going concern

The annual 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.

45. Events after the reporting period

In order to identify events after the reporting period, all material matters affecting the Company between the approval of the financial statements and publication of this report were taken into account. There were no matters arising.

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	Group 2019	2018 Restated*	Company 2019	2018 Restated*
	R '000	R '000	R '000	R '000

46. Fruitless and wasteful expenditure

There were a number of incidents of fruitless and wasteful expenditure which were individually or collectively (where items are closely related) below the materiality threshold. Management continues to institute preventive and corrective measures, including disciplinary action, as considered appropriate. Funds are also recovered as relevant based on the outcome of the disciplinary hearings.

Fruitless and wasteful expenditure movement

Opening balance	279	79	207	33
Incurred for the year	164	200	146	174
Closing balance	443	279	353	207

47. Irregular Expenditure

Section 55(2)(b)(i) of the PFMA requires that the particulars of any irregular expenditure, fruitless and wasteful expenditure as well as material losses due to criminal conduct be disclosed in the annual financial statements. The group has to report any losses that individually or collectively (where items are closely related) exceed R25 million in terms of the significance and materiality framework agreed with the shareholder.

Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation. The scope is very broad as it includes all transgressions of any laws and regulations as well as internal policies and procedures regardless of whether the breaches were deliberate or accidental, or if they happened unknowingly or in good faith, or if value was received or not.

Condonation of the irregular expenditure is obtained from the relevant internal governance structure, government department or National Treasury.

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	Group 2019 R '000	2018 Restated* R '000	Company 2019 R '000	2018 Restated* R '000
Irregular				
Opening balance	330 542	369 250	54 940	27 675
Irregular expenditure identified in current year	129 373	233 296	16 522	31 573
Condoned in current year relating to prior year	-	(198 446)	-	(4 308)
Condoned in current year relating to current year	(11 993)	(73 558)	-	-
	447 922	330 542	71 462	54 940

Non-compliance with SCM Policies

Irregular expenditure relating to non compliance with SCM policies has been identified. The majority of the expenditure relates to costs incurred through contracts and quotations that were awarded without following prescribed SCM policies and Treasury Regulations.

In order to ensure that these findings will not be repeated various measures have been put in place to ensure that all SCM Policies and Treasury Regulations are followed before awarding a contract and when quotations are sourced.

Furthermore, investigations have been instituted to identify root causes of the irregular expenditure and assist with consequence management. The investigations also review and test whether value for money was received by the company for services and goods provided.

The SCM environment is continuously been strengthened and supported by appropriate oversight to eliminate future non-compliance.

Irregular expenditure – Due to other service providers being unfairly disqualified	93 133
Irregular expenditure – Minimum quotes not obtained	6 723
Irregular expenditure – Other non-compliance with supply chain policy	29 517
Irregular expenditure identified in the current year	<u>129 373</u>

GENERAL INFORMATION

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ACFO	Acting Chief Financial Officer
AFS	Annual Financial Statements
AGM	Annual General Meeting
AGSA	Auditor-General of South Africa
ARC	Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
CAE	Chief Audit Executive
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Co-Act	Companies Act 71 of 2008
CSI	Corporate Social Investment
DAFF	Department of Agriculture, Forestry and Fisheries
DARDLR	Department of Agriculture, Rural Development and Land Reform
DEFF	Department of Environment, Forestry and Fisheries
DIFR	Disabling Injury Frequency Rate
DPE	Department of Public Enterprise
DRDLR	Department of Rural Development and Land Reform
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ECD	Early Childhood Development
EE	Employment Equity
ESD	Enterprise and Supplier Development
FINCO	Finance Investments and Transactions Committee
FITP	Forestry Industrial Technology Park
FP&M SETA	Fibre Processing and Manufacturing Sector Education and Training Authority
FSC®	Forest Stewardship Council
GROUP	SAFCOL, together with its subsidiaries, namely, Abacus SOC Ltd, Kamhlabane SOC Ltd and KLF SOC Ltd with its subsidiary, IFLOMA.
Ha	hectare(s)
HC	Human Capital
HR&REMCO	Human Resources and Remuneration Committee
HRIS	Human Resources Information System
ICT	Information and Communication Technology
IFLOMA	Indústrias Florestais de Manica, SARL
IFRS	International Financial Reporting Standards
IGEPE	Instituto de Gestão das Participações do Estado
IPAP	Industrial Policy Action Plan
IR	Integrated Report
ISO	International Organization for Standardization
JCF	Joint Community Forum
KLF	Komatiland Forests SOC Ltd
KPA	Key Performance Area
KPI	Key Performance Indicator
KZN	KwaZulu-Natal
L&D	Learning and Development
LMS	Learner Management System
MSFA	Management of State Forests Act (No 128 of 1992)
Moi	Memorandum of Incorporation
MoU	Memorandum of Understanding
NDP	National Development Plan
NFA	National Forests Act (No. 84 of 1998)
NGP	New Growth Path
NSF	National Skills Fund
NT	National Treasury
PEFC	Programme for the Endorsement of Forest Certification
PFMA	Public Finance Management Act (No 1 of 1999)
PwD	People with Disabilities

R&D	Research and Development
SAFCOL	South African Forestry Company SOC Limited, also referred to as the Company
SAFFCAWU	South African Forestry Farming, Catering and Allied Workers Union
SEC	Social and Ethics Committee
SETA	Sector Education and Training Authority
SHEQ	Safety, Health, Environment and Quality
SHEQC	Safety, Health, Environment and Quality Committee
SINTAF	Sindicato Nacional dos Trabalhadores Agropecuos e Florestais
SMF	Significance and Materiality Framework
SOC	State Owned Company
TU	Temporarily Unplanted Area
TUP	Temporarily Unplanted Percentage

CORPORATE INFORMATION

REGISTERED NAME:	South African Forestry Company SOC Ltd
REGISTRATION NUMBER:	1992/005427/30
PHYSICAL ADDRESS:	Podium at Menlyn 43 Ingersol Road Lynwood Glen Pretoria 0081
POSTAL ADDRESS:	P.O. Box 1771 Silverton 0127
TELEPHONE NUMBER/S:	+27 12 436 6300
WEBSITE ADDRESS:	www.safcol.co.za
COMPANY SECRETARY	Hulisani Murovhi SAFCOLSecretariat@safcol.co.za
INFORMATION QUERIES	info@safcol.co.za
MEDIA / COMMUNICATIONS	communication@safcol.co.za



Head Office:
Pretoria

Telephone:
(012) 436 6300

Postal Address:
PO Box 1771
Silverton
0127

Physical Address:
Podium at Menlyn
43 Ingersol Road
Lynnwood Glen
Pretoria
0081