



**INTEGRATED
REPORT
2016 / 2017**

CONTENTS

4 The South African Forestry Company (SOC) Limited (SAFCOL)



6 About this Report



Board responsibility and approval	6
Scope and boundary	6
Reporting suite	7
Assurance approach	7
Our six capitals	8
Forward-looking statements	10
Request for feedback	10

12 Highlights for the Year Under Review



Financial highlights	12
Operational highlights	12
Socio-economic transformation highlights	12
Summary performance against Shareholder's Compact	13

15 Chairperson's Welcome



Introduction	15
Highlights of the year under review	15
Our strategy	16
Governance	17
Board matters	18
Management and our people	18
Transformation	18
Outlook	19
Appreciation	20

22 Who We Are



Our Mandate	23
Our Vision	23
Our Mission	23
Our Values	23
Our Organisational Structure	24
Where we operate	25
Our forests	25
Our operations	26
Komatiland Forests (KLF)	26
Indústrias Florestais De Manica, SARL (IFLOMA)	29
Our business and operating model	30
Our stakeholders and how we engage with them	33



CONTENTS

38 Chief Executive's Report

Financial highlights	38
Operational highlights	38
Lessons learned and areas of improvement	39
Strategy	39
Key strategic and operational risks to mitigate	40

48 Our Strategy

Our strategic objectives - What we want to do	48
Our strategic initiatives - How we plan to do it	49
Our strategic success - How we measure	52

60 Performance Review

Performance against Shareholder's Compact	60
Komatiland Forests (KLF) Forests division	66
Challenges Experienced	67
Looking ahead	68
Processing division overview	69
IFLOMA	70
Research and development	71

80 Land Claims

Summary of Current Land Claim Status	80
Outlook	80

43 Material Risks and Opportunities

Materiality definition	43
Our key risks	43
Our key opportunities	45

54 Chief Financial Officer's Report

Highlights for the year under review	54
Financial performance overview	55
Performance against the Shareholder's Compact	56
Assets and liability management	56
Five-year trends	57
Minority shareholding	58
Financial risk management	58

73 Socio Economic Transformation

Our impact on society	73
Relationship with communities	73
Corporate Social Investment (CSI)	74
Enterprise and Supplier Development (ESD)	78

82 Human Resource Overview

Our employees	82
Training facilities	83
Community training	83
Mentoring and coaching programme	83
Employee relations	83
Learning and development	84
Bursary allocation and expenditure	45
Employment equity	85
Workforce fatalities	85
Integrated Health & Wellness	85
Employee Terminations	86
Outlook	86

88 Abridged Governance Assurance and Directors' Report

The Board of Directors	88
Board committees	91
Executive management	94
Corporate governance	95
Board Performance	96
Risk Management	97
Internal Audit	98
Forensic investigations	98
Quarterly Risk Review	99
Annual Risk Reviews	99
Outlook	99
Audit and Risk Management Committee Report	100

102 Remuneration

Overview	102
Remuneration philosophy	102
Components of remuneration	102
Performance management	103
Executive committee members and Directors' remuneration	103

104 Other

Directors' responsibilities and approval	105
Company secretary certificate	107
Report of the Auditor-General	108
Annexure - Auditor-General's Report	115

112 Financial Statements

Financial statement	118
Accounting policies	
general information	123
Abbreviations	192

193 Administration and Contact Details

The South African Forestry Company (SOC) Limited (SAFCOL)

We Are A South African State-Owned Company (SOC) with Revenue **of more than R1 billion** per year

We Are **Self-Funded** our Balance Sheet is **Unencumbered**

Our World-Class Research and Development Centre Employing 8 Scientists ensures our Plantations are Managed Sustainably

We Are Environmentally Responsible at our Core with **38% of our Forest Area Dedicated To Conservation**

We Support More than 20 000 **People in the Communities Next to which We Operate**

SAFCOL's operational subsidiary Komatiland Forests (KLF) has been -100% Forest Stewardship Council (FSC)®;

- certified for 19 years;
- 1st organisation in Africa; and
- 2nd globally to be 100% FSC ®.



We Have

An inherent long-term view with our Tree Harvesting Cycles spanning up to Three Decades

We Had

2 283 Employees at **SAFCOL**, on 31 March 2017

We Manage

272 307 Hectares (ha) of Forest Plantations in South Africa and Mozambique making us the third Largest Forestry **Company in Africa**

Our

Established Nurseries produce +10 Million Seedlings and Cuttings per year. This is the Pipeline Underpinning the Sustainability of our Business

We

Processed almost 10% of the Logs we produce per year



About this Report

This Integrated Report is SAFCOL's story.

It is based on the principles contained in the International Integrated Reporting Framework (the International <IR> Framework) published by the International Integrated Reporting Council (IIRC). <IR> focuses on value creation over the short, medium and long term, guided by the six capitals set out in the International <IR> Framework, thereby ensuring that all resources, and how they interact with one another, are considered.

Our report covers performance for the 2016/17 financial year and issues that are material to SAFCOL's strategy and operations. Material matters have been determined through a process of Stakeholder consultation and by considering the SAFCOL's strategic priorities, key risks and opportunities.

The SAFCOL Integrated Report is available for download on our website at www.safcol.co.za

Board Responsibility and Approval

The Board is accountable for the integrity and completeness of the Integrated Report and any supplementary information, assisted by the Audit and Risk Management Committee (ARMC) and the Social and Ethics Committee (SEC).

The Board has applied its collective mind to the preparation and presentation of the Integrated Report and has concluded that it is presented in accordance with the International <IR> Framework.

The Board, considering the completeness of the material items dealt with and the reliability of information presented, based on the combined assurance process followed, approved the 2016/17 Integrated Report, Annual Financial Statements and supplementary information on 31 August 2017.

Scope and Boundary

This Integrated Report reviews our economic, technical, operational, social and environmental performance for the year from 1 April 2016 to 31 March 2017.

Our Integrated Report should be read in conjunction with our full set of Group Annual Financial Statements for a comprehensive overview of our financial performance. Unless otherwise stated, the information in this report refers to the performance of SAFCOL, which include the Komatiland Forests (KLF) and the subsidiary operations of Industrias Florestais de Manica, SARL (IFLOMA).



Integrated report and fact sheets

The Integrated Report, which provides an overview of our performance, is prepared in accordance with the IIRC's International <IR> Framework, and subject to combined assurance. Supplementary information, pertinent to interested stakeholders, is available at the back of the report and additional fact sheets are available online at www.safcol.co.za

Annual Financial Statements

The consolidated financial statements of SAFCOL (SOC) Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the requirements of the Public Finance Management Act (PFMA) of 1999 and Companies Act (CA) of 2008, and audited by independent auditors.

Assurance Approach

SAFCOL's Combined Assurance Plan encompasses the assurances provided by the Company's Board of Directors, management, internal and external audit functions and other business advisers.

Through our integrated assurance model, limited and complete assurance is provided by internal and external specialists, which include amongst others:

- Auditor-General of South Africa (AGSA);
- SAFCOL Internal Audit function;
- Independent Safety, Health, Environment and Quality (SHEQ) verification agencies;
- Independent B-BBEE verification agencies; and
- Forest Stewardship Council® Certification.

The Forest Stewardship Council® (FSC) is a global not-for-profit organisation that sets the standards for what is a responsibly managed forest, environmentally, financially and socially.

Standards are set through consulting with their global network of environmental, social, and economic members to ensure that forest standards represent everyone's needs, from Indigenous People to endangered animal species.



FSC® members include some of the world’s leading environmental groups such as World Wildlife Fund for nature (WWF) and Greenpeace, social organisations such as the National Aboriginal Forestry Association of Canada, businesses in forestry value chain. The FSC® has given SAFCOL’s operations a 100% certification in 2016/17 – meaning that the business met all the globally set criteria for a responsibly-managed forestry operation.

SAFCOL was the first organisation in Africa to obtain a 100% FSC® certification and the second globally.



This certification confirms that the long-term monitoring and management of our forestry asset is world class and is sustainable for all stakeholders.





Please see www.fsc.org for further details on the FSC®.

Our Six Capitals

The IIRC framework has introduced the concept of reporting how a business creates value through the use of six Capitals.

For the purposes of SAFCOL’s Integrated Report the ‘Capitals’ can be categorised and described as follows:

Capital	Description	Key facts
<p>Financial Capital</p> 	<ul style="list-style-type: none"> • Our funding structure and capital available for investment; and • Capital generated through sales and operations. <p>See CFO’s Report and audited financial statements for more details.</p>	<ul style="list-style-type: none"> • Unencumbered balance sheet; • Never required State bailout; and • Disciplined long-term capital allocation strategies in place.
<p>Manufactured Capital</p> 	<ul style="list-style-type: none"> • Our plantations; • Our sawmill; and • Our nursery. <p>See Forestry operations for more details.</p>	<ul style="list-style-type: none"> • 189 760 ha (121 585 ha commercial plantations) of pine, eucalyptus and wattle plantations in South Africa; • 82 547 ha (15 258 ha commercial plantations) of pine and eucalyptus plantations in Mozambique; • 30 year harvesting cycle for pine; • 8-22 year harvesting cycle for eucalyptus and wattle; • Processing 10% of our logs; and • Established nurseries produced more than 10 million seedlings and cuttings per year.

Capital	Description	Key facts
Intellectual Capital 	Organisational, Knowledge-based intangibles, including: <ul style="list-style-type: none"> • Our scientists; • Our research and development capabilities; and • Forestry scenario analysis software. See Research and Development for more details.	<ul style="list-style-type: none"> • Eight forestry scientists in Africa; • World-class Research and Development facilities in Sabie; and • 2 papers published in Southern Forest, that is, a journal of forest science.
Human Capital 	<ul style="list-style-type: none"> • Our people See Our employees for more details.	<ul style="list-style-type: none"> • We had 2 283 employees as at 31 March 2017.
Social and Relationship Capital 	The relationships that we have with our key Stakeholders. See Our Stakeholders and how we engage with them for more details.	<ul style="list-style-type: none"> • We support more than 20 000 people in the communities adjacent to our operations.
Natural Capital 	<ul style="list-style-type: none"> • Land; and • Natural assets including biological assets such as wetlands, natural forests and grasslands. 	<ul style="list-style-type: none"> • SAFCOL leases the majority of its land from the State, but owns a small portion; • Two-thirds of SAFCOL's area is managed as conservation areas; and • Approximately 57% of SAFCOL land is under claim.



Forward-looking Statements

Certain statements in this report regarding SAFCOL's business operations may constitute forward-looking statements. These include all statements other than statements of historical fact, including those regarding the financial position, business strategy, management plans and objectives for future operations.

Forward-looking statements constitute our current expectations based on reasonable assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised, and as such, are not intended to be a guarantee of future results. Actual results could 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, any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Request for Feedback

We welcome feedback on our Integrated Report to ensure that we continue to disclose information that is representative of our performance and relevant to all our Stakeholders.

For queries or suggestions kindly contact us on communication@safcol.co.za





Highlights for the Year Under Review

Financial Highlights

- Revenue exceeded R1 billion for the first time in the 2016/17 financial year;
- Managed to consistently improve revenue over the past five years;
- Achieved an operational profit of R50 million vs R43 million loss in prior year;
- Maintained unencumbered balance sheet and self-funded financial status;
- SAFCOL has never received funding from the State; and
- Consistently strengthening internal controls.

Operational Highlights

- Maintained 100 % FSC® certification in South Africa as at 31 March 2017;
- Our subsidiary Komatiland Forests (KLF) has been FSC® certified since 1997 – the first South African forestry company, and only the second in the world to achieve this feat. This further confirms that we are managing our forests environmentally, financially and socially; and
- Timbadola Sawmill was awarded the Productivity South Africa (SA) Award for the Public-Sector company with the most improved productivity thanks to a concerted effort resulting in improvements in quality, delivery times, average selling price and operational expenses at the sawmill.

Socio-Economic Transformation Highlights

- Connected the rural communities around Evane Primary School, Mathangetshitshi High School, Prince Somcuba Primary School and Ngome Primary School by installing wireless Internet pilot programme;
- SAFCOL donated 10 computers as well as workstations to Evane Primary School;
- SAFCOL donated 20 computers to Mathangetshitshi High School and provided free Internet access through its established Wide Area Network (WAN) across SAFCOL operations;
- Awarded a total of 37 bursaries to students and employees for further training; and
- Spent 6.76% of net profit after tax on Corporate Social Investment (CSI) against the Forestry Charter's target of 1%.



Summary Performance against Shareholder's Compact

The Minister of Public Enterprises, as the Shareholder representative, sets clearly defined key performance indicators (KPIs) in the Shareholder's Compact with SAFCOL.

During the year under review, SAFCOL scored 54.71 out of 100 in terms of its Shareholder Compact as noted in the table below.

STRATEGIC INTENT	SCORE	PERFORMANCE COMMENTARY
Financial and Commercial sustainability	26.25/30 87%	Good performance, apart from underperformance in working capital management.
Sustainable Forest Management and Expansion	8.18/30 27%	Underperformance in IFLOMA, Timber processing and occupational safety.
Strategy Implementation	2.5/10 25%	Slow progress on vertical integration and slow IFLOMA turnaround.
Socio-economic transformation	17.78/30 59%	Satisfactory progress; Transformation remains a challenge.
TOTAL	54.71/100 55%	

2020 target Shareholder's Compact score 90%

See [Performance against Shareholder's Compact](#) for more details

See [Our strategic initiatives – How we measure success](#) for more details





Chairperson's Welcome

Introduction

It gives me great pleasure to share this Integrated Report with you. 2016/17 was a year where organisations, all over the world, were operating in an uncertain and tough environment, and it has been no different for SAFCOL. This report tells our story and how our long-term strategy aims to leverage the opportunities and manage the risks we face.

Operating environment

The South African economy entered a technical recession in the first quarter of 2017 with growth contracting by 0.7%, after shrinking by 0.3% in the fourth quarter of 2016. South Africa's unemployment rate also jumped to 27.7%.

The rand has been extremely volatile over the year under review and not only poses a significant risk to the downside in so far as inflation is concerned, but it impacts our CAPEX plans and how we approach capital allocation.

The overall State of the South African economy is reflected by the fact that business and consumer confidence is down at levels last seen in the mid-1980s.

It is not all doom and gloom, though. Looking through the current cycle of slow growth and political uncertainty, we continue to see local and global market demand for high-quality timber products grown according to sustainable practices.

Highlights of the Year Under Review

The year under review has been challenging to SAFCOL for a number of reasons. Whilst the Company sought to appoint permanent senior management to drive the strategy, and critical contracts were coming to an end, we still managed to reach a turnover of R1 billion. This achievement is the result of a well-motivated team and opportunities arising through collaboration between experienced leaders and learned young professionals.

SAFCOL has once again achieved a 100% FSC® certification. We were one of the first companies in the world to join the FSC®, and our consistent performance in FSC® audits makes us one of the best managed sustainable forests in the world.



We must thank our foresters, some of whom are still young, but very passionate about proving why SAFCOL is ready to provide forestry management service beyond our borders.

Performance against our Shareholder's Compact has proved to be a challenge in the light of what I have mentioned above. Whilst the Company undertook to implement capital projects, some endeavours needed to be revisited in the light of broader socio-economic environment. However, we are pleased to announce, that despite the ever-challenging environment, we still managed to obtain a performance in excess of 50%.

Our Strategy

At the heart of our strategy is the drive to create a long-term mindset for the Company and our people. As a business, we have always committed to a 30 year harvesting cycle for pine and a 8-22 year harvesting cycle for eucalyptus and wattle. This has made SAFCOL the market leader with the best lumber in South Africa.

The Board's involvement with strategy formulation has resulted in a business positioned beyond only being the supplier of sawlogs and lumber – it has fostered an organisation that is now the champion of forestry industrialisation and forestry transformation in South Africa.

Through our strategy formulation, we have identified the following key strategic initiatives:

- Vertical integration – envisages state-of-the-art processing for SAFCOL, establishment of partnerships with established industry players as well as new entrants whilst promoting real transformation which incorporates the local communities;
- Horizontal integration – envisages all the state-owned commercial forests in South Africa being managed under SAFCOL, thus ensuring that South Africans get commercial value for every hectare of state-owned forests. This will also increase the capacity of SAFCOL to benefit more South Africans socio- economically;
- Africa strategy – expanding SAFCOL's continental footprint is a key strategic initiative for a number of reasons. It not only addresses the risk of SAFCOL's long-term sustainability in light of land claims in South Africa, but from an African continent point of view, commercial forests are critical for the fight against climate change and industrialisation in this context. IFLOMA is a strategic asset for SAFCOL and our foothold on the rest of the continent. We have now found innovative options that will not only save SAFCOL money, but should result in the asset reaching self-sufficiency sooner than what was expected 18 months ago. The success of IFLOMA for South Africa and Mozambique will create a case study for the rest of the continent and how to deal with challenges such as language, legislation and organisational culture. The Board has full appreciation for the strategic importance of IFLOMA in our Africa strategy; and
- Forestry management services - is a key differentiator for SAFCOL. The depth of skills, knowledge and research capabilities at our disposal must be leveraged to benefit more South Africans and the continent as a whole. SAFCOL not only brings its intellectual capital, but the ability to teach, train and develop capacity with local people wherever we go in South Africa and the continent.



Governance

The Board members carried out their fiduciary duties vigilantly through Board meetings, Board committees and various other activities which included operational visits. Corporate governance prescripts applicable to SAFCOL remained the key tools used by the Board in ensuring that the Company is properly steered. Details can be found in the corporate governance section of this report.

Our key governance concern, and major focus area for the Board over the short-term, is the qualified audit SAFCOL's financial statements received for the period under review. The qualification primarily relates to irregular expenditure identified by the Auditor General.

In response, management has strengthened internal controls in supply chain management and procurement in particular. An irregular expenditure register has been compiled and it is reviewed by management on a monthly basis as well as by internal audit. This register will be presented to the Board for consideration on a quarterly basis, with management being held accountable.



Board Matters

Only one Board change occurred over the period, with Ms Nazia Cassim resigning from the Board effective from 1 September 2016.

We thank her for her service.

Management and our People

The management structure still has a number of acting positions in key roles.

Despite the uncertainty, the various levels of leadership at SAFCOL, together with the entire staff complement, have shown why SAFCOL's future is bright.

SAFCOL targets zero fatalities, but unfortunately three fatalities were reported during the past year. Two of the fatalities were directly linked to the manual chainsaw harvesting activities. We continue to implement a detailed mitigation plan focusing on training and regular refresher training of chainsaw operators, coupled with increased supervision, pro-active inspections and skills development to enable supervisors and managers to identify and correct unsafe felling practices before such accidents occur.

We consider mechanised harvesting as one of the solutions to save lives in the long run.



Transformation

SAFCOL's dual mandate is to make money for the State whilst driving transformation in the forestry industry. We therefore have a duty to be financially sustainable whilst leveraging our financial sustainability in order to facilitate transformation.

Transformation in the forestry industry means the inclusion of the historically disadvantaged groups in the entire forestry value chain.



There are numerous reports of companies that appear to be empowered on paper, while in reality excluding black people and women in ownership and management. The development and growth of the industry can only occur in a sustainable way when all the people of South Africa, especially the local communities where the forests are, begin to experience the real value of being Shareholders and Co-Managers of South African forests.

SAFCOL continues to push its targets regarding women leaders throughout its operations and three of our top eight most senior managers are black women. It is also encouraging that some of the best performing foresters and planners at SAFCOL are young women.

Outlook

The future of SAFCOL and forestry in South Africa is promising indeed. We have been in discussions with the Department of Agriculture, Forestry and Fisheries (DAFF) for the purposes of enabling SAFCOL to fulfil its founding mandate of managing State commercial forests. We anticipate that the next Integrated Report will present a horizontally integrated SAFCOL.

Vertical integration also promises to present the country with more industries out of forestry, as well as new black-owned and managed businesses with SAFCOL support.

We are looking forward to our inaugural Forestry Industrialisation conference planned for the last quarter of the calendar year. SAFCOL expects the conference to bring all the relevant stakeholders under one roof for the good of the country and industry.

I believe the conference will be a springboard for identifying and utilising opportunities in the forestry value chain. We hope to identify challenges and solutions in creating a wood utilisation culture in South Africa.



Appreciation

I would like to thank all the SAFCOL employees for their dedication and hard work in making this a billion-rand company, not only in terms of asset base, but also in terms of revenue. The dedication and creativity shown by all in the past year is indicative of how important a successful SAFCOL is to each one of us.

I would also like to thank SAFCOL customers and local communities for the co- operation and symbiotic relationship that makes us realise that our success is only possible with their success.

The Department of Public Enterprises (DPE) led by SAFCOL Shareholder representative, Honourable Minister Lynne Brown MP, former Deputy Minister Bulelani Magwanishe, Director-General Mr Richard Seleke, and the employees who made us feel much loved and supported. We wish to express our sincere gratitude to the former Deputy Minister of Public Enterprises, the Honourable Mr Bulelani Magwanishe for his support during the 2016/17 financial year. We also wish to thank the Honourable Dikobe Ben Martins, the current Deputy Minister of Public Enterprises for his assistance whilst finalising the 2016/17 Integrated Report. We look forward to working closely with him during the coming financial year. The considerate manner of support has enabled SAFCOL to be where it is today and has also given us confidence that the next year will even be better.

The Parliamentary Portfolio Committee on Public Enterprises and the National Council of Provinces Select Committee on Public Enterprises have also jolted us to ensure that we stay on course. We thank them for their support and attention to detail.

Lastly, the SAFCOL Board members continued to show their unwavering dedication to the company as true patriots. There are many instances where the Board members put the interests of the company ahead of their own personal interest without complaining. This they did, knowing well that the only reward is satisfaction of a company well run, integrity of the members and not an extra cent in their pockets.

Bravo SAFCOL team. Well done!



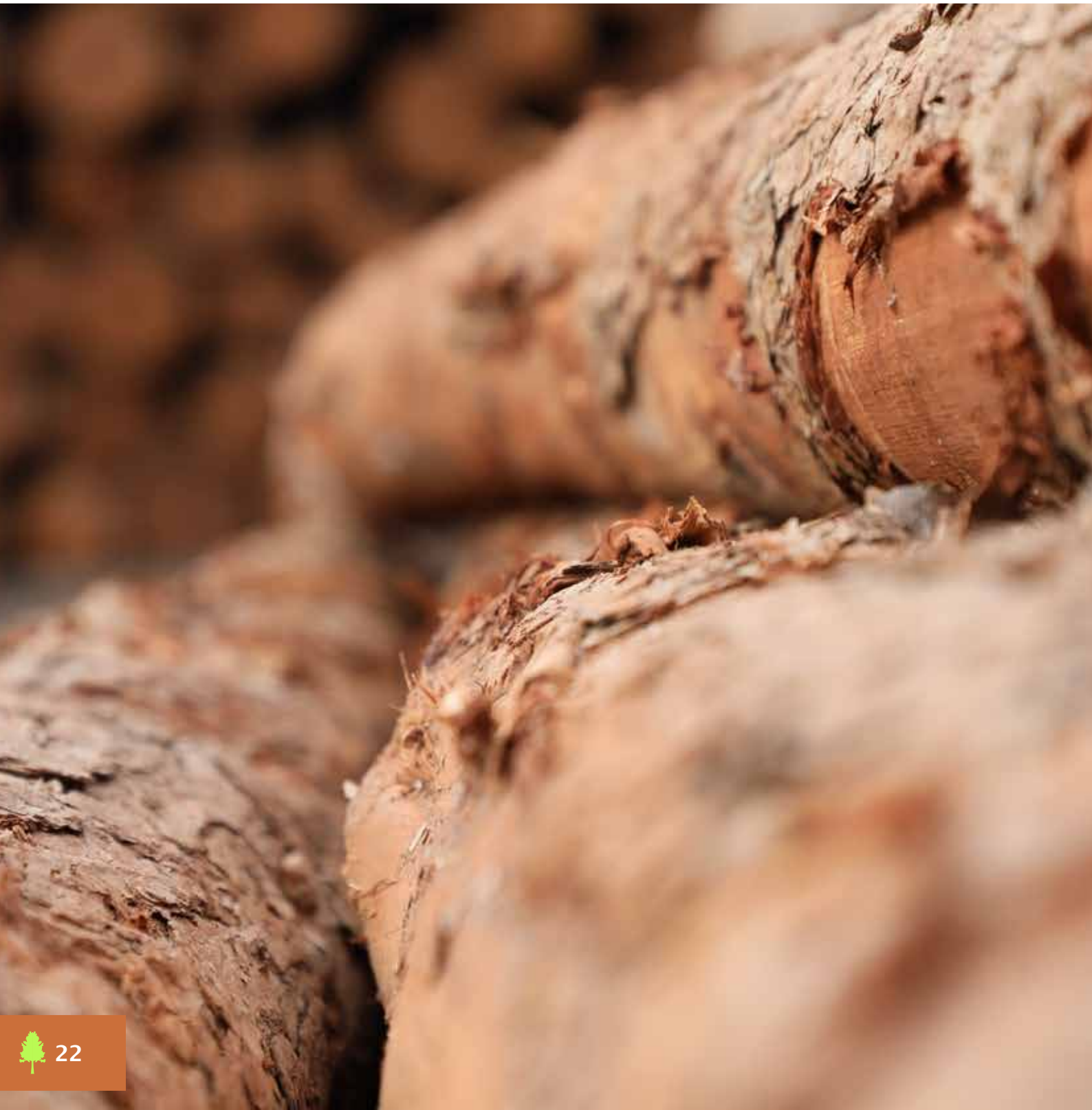


Who We Are

The South African Forestry Company (SOC) Ltd (SAFCOL) was established as a State-owned company in 1992 under the Management of State Forests Act of 1992 for the management of and control over State forests.

We are an integrated forestry business operating predominantly in South Africa through the wholly-owned company of Komatiland Forests (KLF). KLF owns 80% of the Mozambican plantation forestry business Indústrias Florestais de Manica (IFLOMA).

We supply the market with timber logs and processed timber, which are primarily used for structural construction, including roof trusses, industrial applications, pallets and packaging.



Our Mandate

As a State-owned company, we have a dual mandate of commercial viability, alongside Socio-Economic Development.

- Our commercial mandate is to conduct forestry business, which includes timber harvesting, timber processing and related activities, both domestically and internationally; and
- Our Socio-economic development mandate is to show an effective return to our shareholder, whilst we contribute to economic development mainly in the rural areas.

Our Vision

We strive to be a world leader in the integrated forestry products business, powering sustainable growth through partnerships with communities.

Our Mission

We are dedicated to growing our business in the forestry value chain and maximising Stakeholder value.

We are driven by an unwavering commitment to facilitate sustainable development of communities and wealth creation.

Our Values

We are passionate about forests and the communities around them;

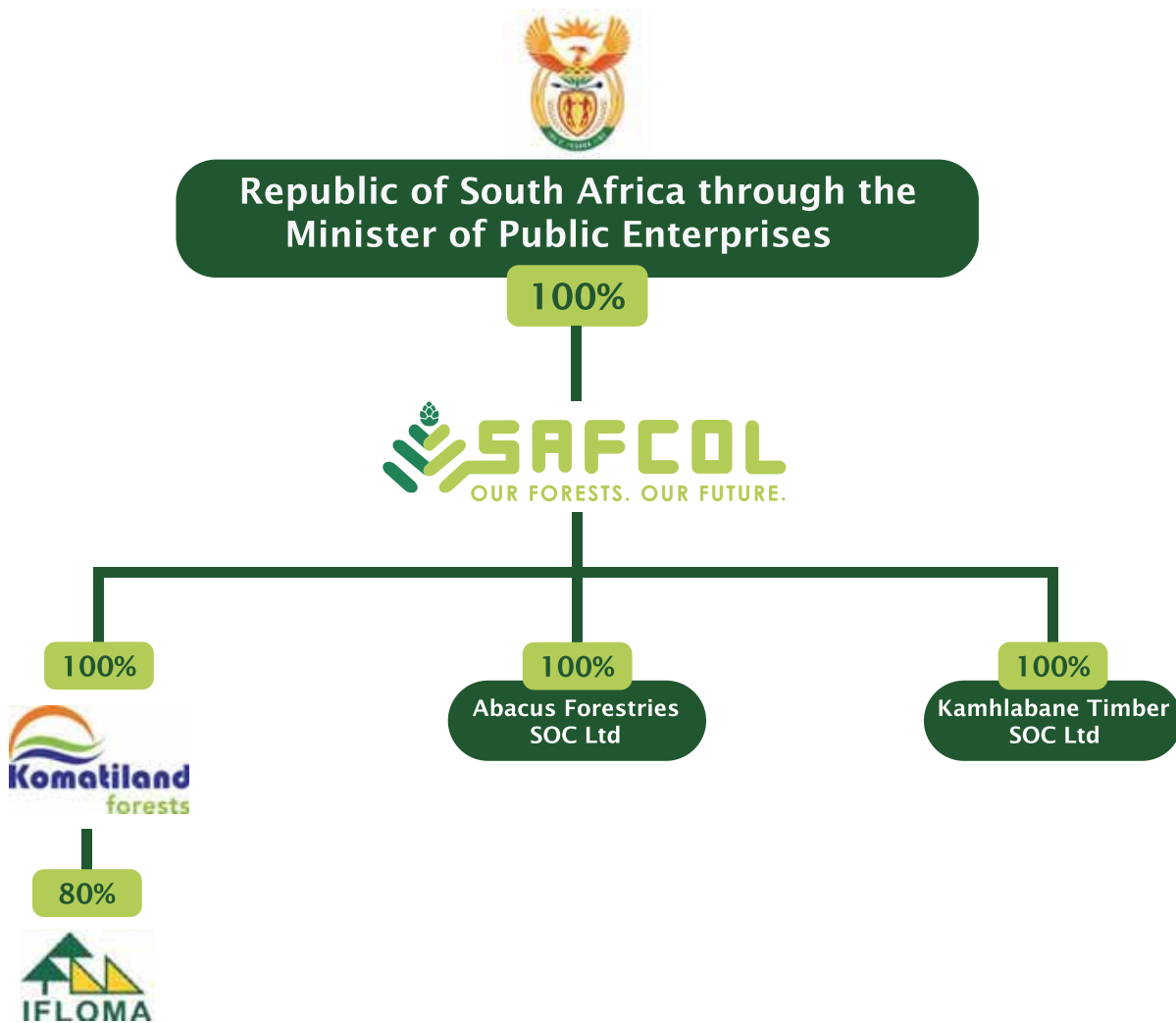
We respect and value our employees and customers;

We conduct ourselves with honesty and integrity; and

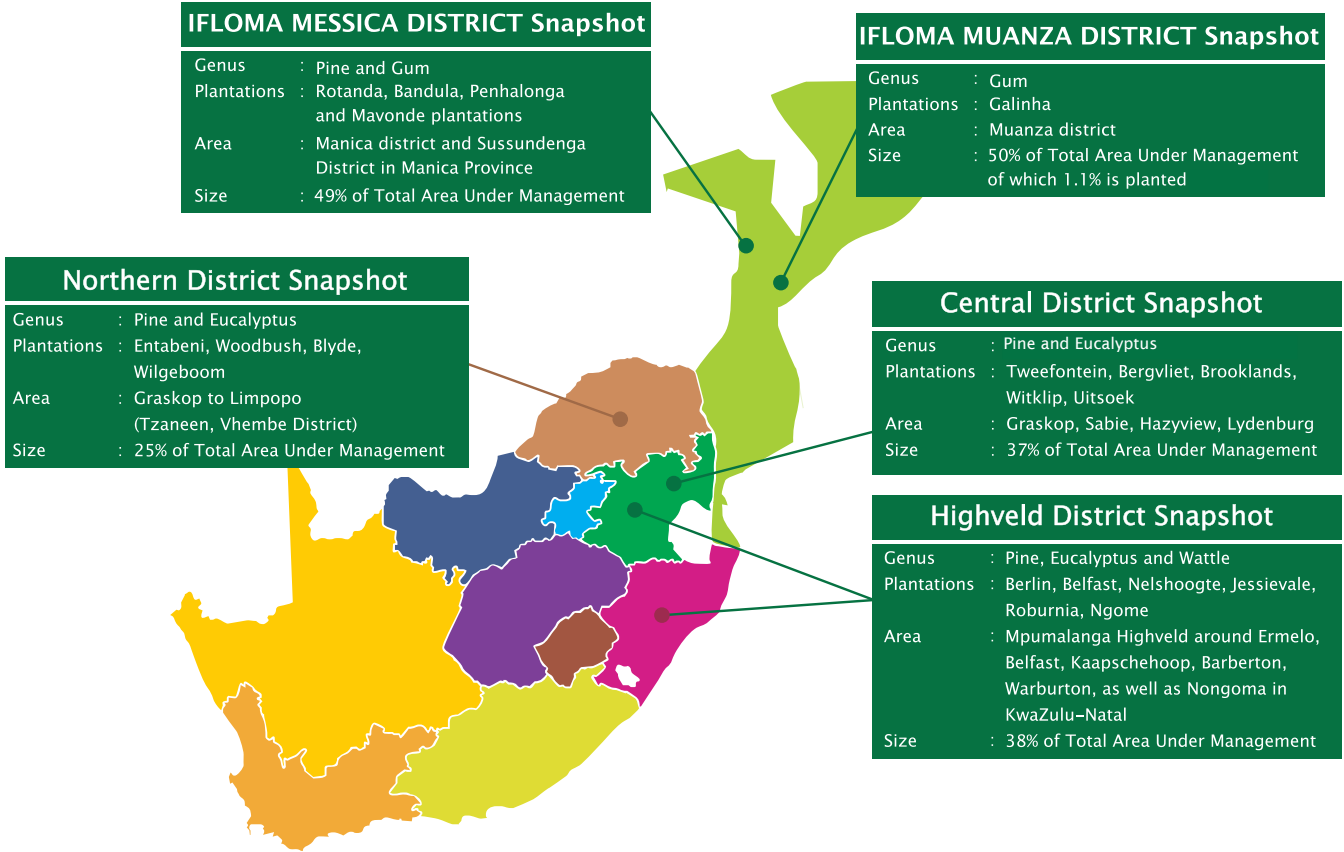
We strive for excellence and innovation in our business.



Our Organisational Structure



Where We Operate



93% of our plantations are Pine Forests with the rest made up from wattle and eucalyptus

Our Forests

Plantation	Total Area	Plantable Area	Planted Area	TU Area	Conservation
SOUTH AFRICA	189 760	121 585	118 796	2 789	68 175
IFLOMA MESSICA	31 754	16 275	14 926	1 348	15 479
IFLOMA MUANZA	50 793	29 827	331	41	20 966
TOTAL IFLOMA	82 547	46 102	15 258	1 389	36 445
TOTAL	272 307	167 687	134 054	4 178	104 620
		62%	49%	2%	38%

TU - Temporarily Unplanted Area - plantable area which has been harvested, but awaits the rainy planting season to be replanted.
 Conservation Area - area which is not commercially planted, but consists of natural forests, wetlands, grasslands and water courses.



Our Operations

Komatiland Forests (KLF)

Forestry

KLF manages 15 prime softwood saw-log plantations, spanning 189 760 ha in Mpumalanga, Limpopo and Kwa-Zulu Natal, where we are committed to growing and sustainably maintaining our natural forests for the benefit of all the communities that depend on them.

The plantations are clustered into three districts, namely Highveld, Central and the North and represent approximately 10% of the commercial forestry plantation area in South Africa, which makes SAFCOL the third-biggest forestry operation on the African continent.

Our plantations are harvested on an 8-30 year cycle, dependant on the genus and intended forest products, or rotation with approximately 1.4 million m³ of logs harvested every year. Simultaneously, approximately 4 000 ha or 5% of our plantations are replanted per year using improved genetic material which is generated by our world-class research and development centre.

Through our approach to forestry management and leveraging our research and development capability, SAFCOL has created a fantastic sustainable biological asset, with some of the best and largest trees in South Africa. Given that we produce saw logs, a larger diameter is crucial as opposed to pulp and paper where volume is paramount.

Timber Processing

KLF owns and operates the Timbadola Sawmill, a softwood processing sawmill built in the 1960s, located in Limpopo and is the largest employer in the Levubu area. The Sawmill can process approximately 130 000 m³ of the logs per annum produced by our forestry operations are processed by the Timbadola Sawmill. This Sawmill and plantations in the North are aligned and operate inter-dependently. Most of processed lumber products are SABS-graded and certified for use as construction material.

We have a custom-cut arrangement with John Wright Veneer (JWV) Sawmill in the Highveld area of Mpumalanga, and we previously had a custom-cut arrangement with Ringkink Sawmill, which terminated in September 2016. These sawmills processed approximately 15% of the logs we produce.

Key Facts Timbadola has processed
throughput of 136 448m³
in a reporting year.



Research and Development

SAFCOL has a state-of-the-art research centre on the Tweefontein plantation outside Sabie, operated by eight full-time scientists and three technicians.

This centre conducts research on:

- Silviculture practices;
- Pest and diseases tolerance;
- Genetic improvements;
- Wood-quality testing;
- Growth and yield modelling; and
- Engineered wood products.

This includes research into new hybrid species to achieve better quality timber, improved wood properties and future volume growth.

Based on preliminary results from trials, there are clear indications that new hybrid species are yielding more volume at an earlier age, and are more resistant to diseases and pests than current species.

There is also a nursery on the Tweefontein plantation, in close proximity to the research centre, which produces in excess of 10 million seedlings and cuttings per year and supplies all plantations operated by KLF, thereby ensuring sustainable feedstock for all our plantations, as well as sales of seed to the private sector.

Central to managing our forests is our research and development team, ensuring:

- The best genetic material available is planted;
- The material is correctly matched to the site; and
- The growing stock is managed following the most appropriate silvicultural practices.

Our research and development team is critical to our research and development processes which is also looking into the use and application of engineered wood products.



Training Centre

SAFCOL is a proponent of lifelong learning and a leader in training and development. We have a dedicated training facility at Platorand in Sabie that focuses not only on core industry skills, but also skills related to downstream activities.

Training short skills programmes conducted during the 2016/17 year:

1273 Forestry-related
short-skills
programmes

259 ICT
short-skills
programmes

400 External
short-skills
programmes

SAFCOL furthermore supports the Forestry Chair at the University of Pretoria in order to promote forestry in tertiary education. The following qualifications were completed by SAFCOL bursary students at the University of Pretoria during 2016/17:

Ph.D. – Three students (Forest science)

M.Sc. – Two students (Forest Management and Environment)

An additional 12 SAFCOL bursars, concluded their studies during the year with, amongst other, the following qualifications:

- National Diploma in Wood Technology;
- B.Sc. in Wood Science;
- M.Sc. in Forestry;
- Honours in Mechanical Engineering; and
- Post Graduate Diploma in Forestry and Wood Science.

We also have relationships with the forestry departments at the Universities of Venda, Mpumalanga and Stellenbosch.

Ecotourism

We share our passion for forests through ecotourism and operate a range of well-known hiking trails, picnic sites, waterfalls, Lakenvlei lodge in Belfast, as well as a forestry museum in Sabie.

Our facilities include Magoebaskloof at Woodbush plantation, the Mac Mac Forest Retreat at Tweefontein plantation, Hangklip at Entabeni plantation and Kaapschehoop at Berlin plantation. We regularly play host to various popular sporting events, such as the Sabie Classic Mountain Bike Race, the Kaapschehoop 3 in 1 Marathon and the Limpopo Schools Mountain Bike Race.



Indústrias Florestais De Manica, SARL (IFLOMA)

IFLOMA is a Mozambique-based Public Limited Liability Company, which was established in the 1980s as a State initiative. As part of the SOC privatisation programme in Mozambique, 80% of the share capital of IFLOMA was sold to KLF in 2004, with the remaining 20% of the shares being held by IGEPE, Mozambique's State Shareholding Management Institute.

IFLOMA is 100% consolidated and KLF accounts for 100% of its assets and liabilities.

Existing Operations (IFLOMA I)

The operations are located in the Manica province, an ideal location from which to serve markets in Mozambique and Zimbabwe.

The current IFLOMA operations are made up of four plantations namely Rotanda, Bandula, Penhalonga and Mavonde plantations situated in Manica province, located close to the western border of Zimbabwe, as well as a warehouse in Maputo. The total landholding area is 31 754 ha, of which 16 275 ha is plantable for commercial forestry.

Expansion Opportunity (IFLOMA II)

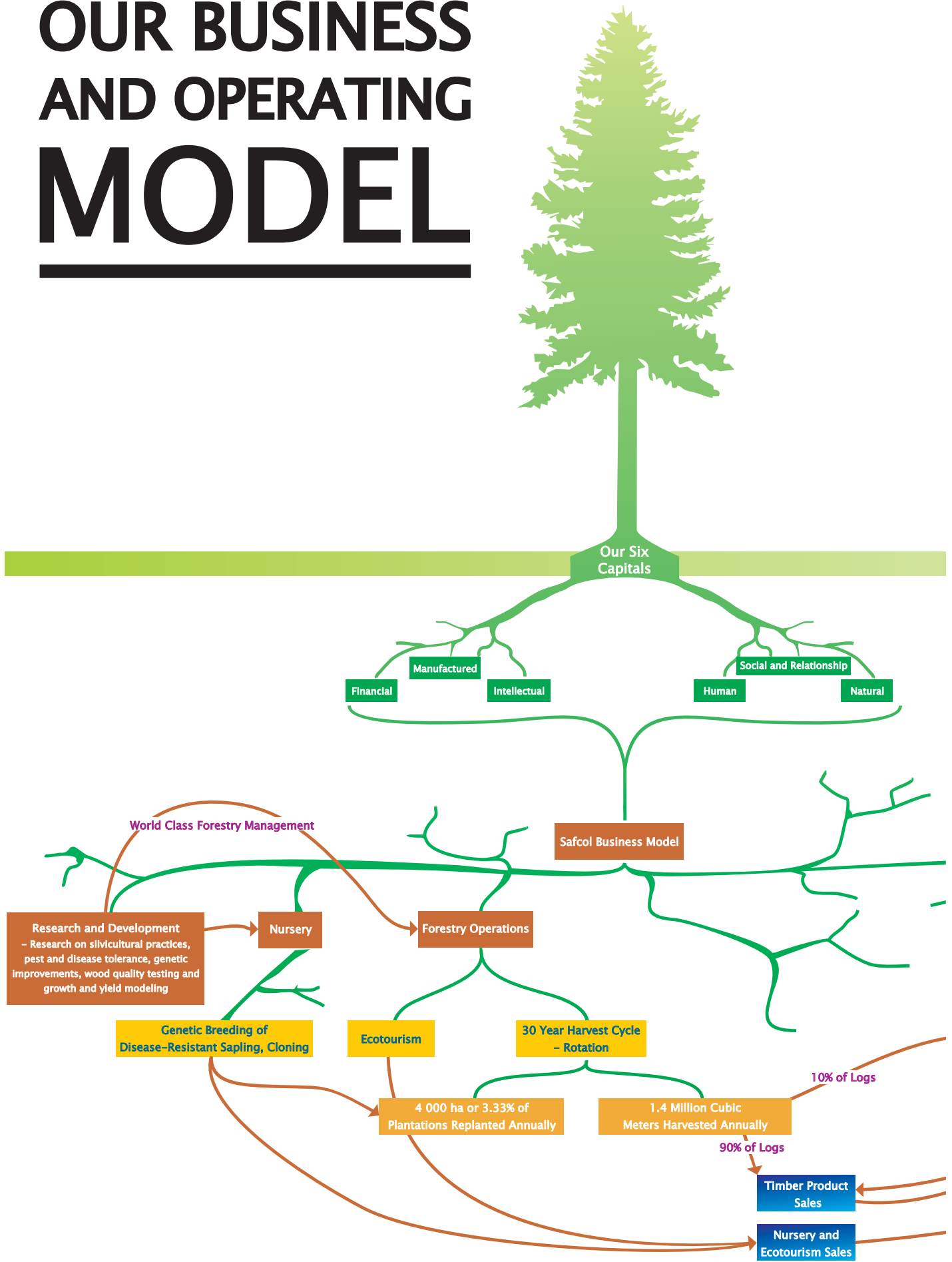
The new IFLOMA expansion area is situated in the Sofala province at Muanza District, about 450 km from IFLOMA I (North of Beira).

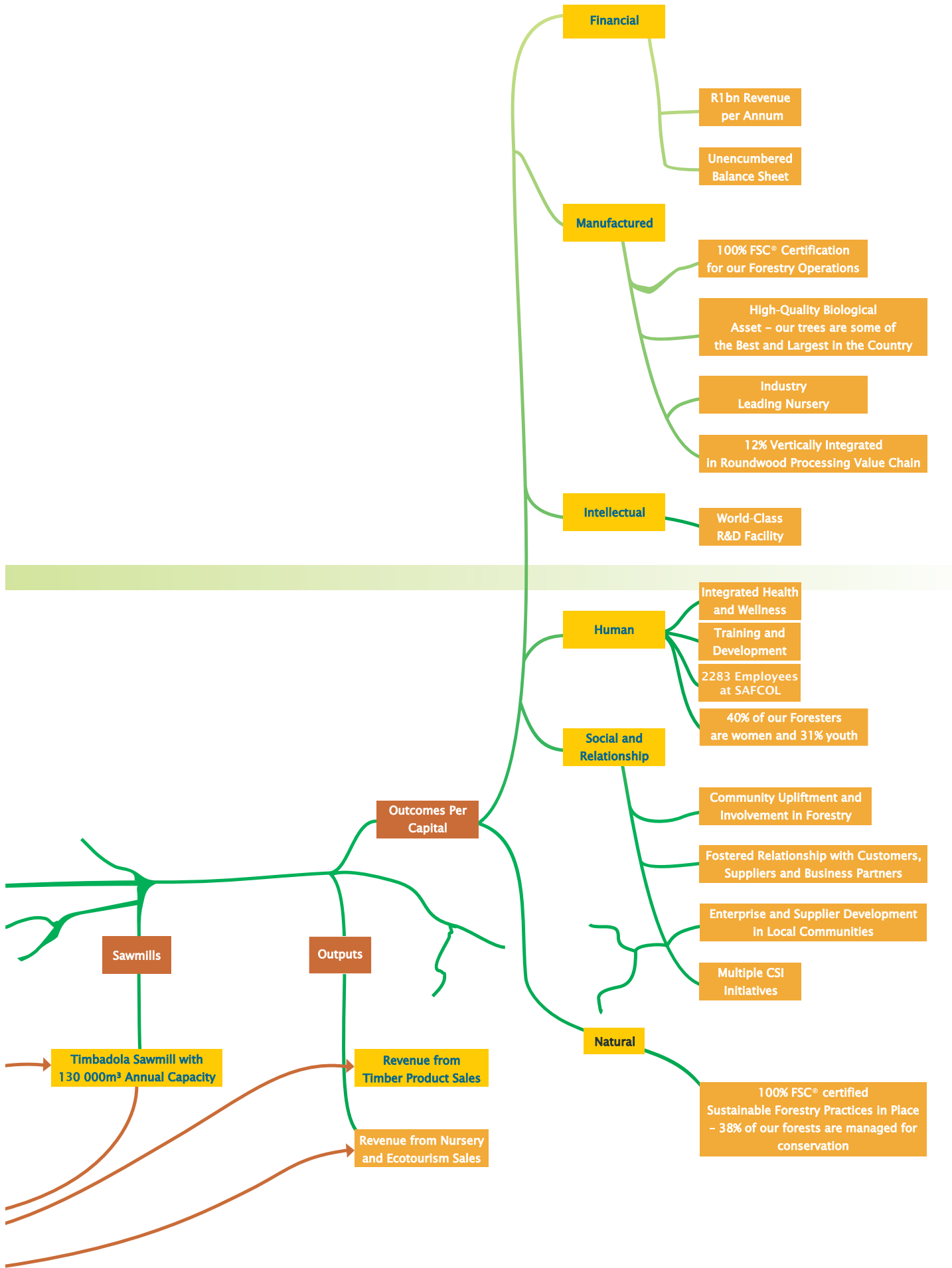
IFLOMA II has a title deed for 82 547 ha with a plantable area of 46 102 ha. Of this, the area that is currently planted is 331 ha.

It is intended that IFLOMA II will be planted with Eucalyptus species with a short (10-year) rotation for pulp timber supply.



OUR BUSINESS AND OPERATING MODEL







Our Stakeholders and How we engage with them

SAFCOL operates within a multiple Stakeholder environment and our success is dependent on the extent to which our results and initiatives are aligned to the reasonable expectations of our Stakeholders. We need to ensure effective Stakeholder management to successfully deliver on our mandate and strategic objectives. SAFCOL has a tailor-made engagement approach for each Stakeholder Group, as detailed in the table below.

Stakeholder Group	Major objectives of the Stakeholder Group	Relevance to SAFCOL in terms of strategy and operations	How we engaged in the year under review
Parliament of the Republic of South Africa	<ul style="list-style-type: none"> • Holds SAFCOL accountable in terms of relevant legislation and its mandate on behalf of the citizens of the Republic of South Africa (RSA). 	<ul style="list-style-type: none"> • Ensure compliance with relevant legislation; and • Deliver on the developmental mandate. 	<ul style="list-style-type: none"> • Presentations to the Portfolio and Select Committees; • Submissions of annual reports to Parliament; and • Responses to Parliamentary Questions.
National Treasury	<ul style="list-style-type: none"> • Strict adherence to Public Finance Management Act (PFMA) & Preferential Procurement Policy Framework Act (PPPFA) in the management of SAFCOL's finance and procurement processes. 	<ul style="list-style-type: none"> • Approval of PFMA Applications; and • Compliance to planning and reporting requirements. 	<ul style="list-style-type: none"> • Quarterly reports, Corporate Plans, Various SOC forums.
Shareholder: Department of Public Enterprises (DPE)	<ul style="list-style-type: none"> • To drive investment, productivity and transformation in its portfolio of SOCs, their customers and suppliers; and • To unlock growth, drive industrialisation, create jobs and develop skills. 	<ul style="list-style-type: none"> • Obligations in terms of the Strategic Intent Statement and the Shareholder's Compact are central to SAFCOL strategy and how management are held accountable; and • Facilitator for State interaction. 	<ul style="list-style-type: none"> • Monthly meetings; • Monthly and quarterly reports; • Project-specific planning meetings as directed by both principals (Shareholder and Board); • Joint DPE-S AFCOL stakeholder events; and • Annual General Meeting (AGM).



Stakeholder Group	Major objectives of the Stakeholder Group	Relevance to SAFCOL in terms of strategy and operations	How we engaged in the year under review
Department of Agriculture Forestry and Fisheries (DAFF)	<ul style="list-style-type: none"> Ensures legislative compliance in respect of SAFCOL's obligations in terms of the National Forests Act of 1998 and the Management of State Forests Act of 1992; and Effective administration of lease rentals. 	<ul style="list-style-type: none"> Potential management or incorporation of category B and C forestry plantations into SAFCOL. <p>See strategic initiative on increasing access to DAFF plantable areas/ technical assistance to DAFF in terms of forestry management.</p>	<ul style="list-style-type: none"> Meetings; and Discussions on leasing additional land to increase our area of operation.
Department of Rural Development and Land Reform (DRDLR)	<ul style="list-style-type: none"> Effective land restitution to claimants and protection of the State's rights and long-term assets. 	<ul style="list-style-type: none"> DRDLR framework for land restitution, linked to SAFCOL settlement model; and Support provided to the Land Restitution Commission. 	<ul style="list-style-type: none"> Meetings; and Discussions on resolving the claims in progress.
Department of Trade and Industry (DTI)	<ul style="list-style-type: none"> High value-added manufacturing and export growth, as required by Industrial Policy Action Plan (IPAP) and the National Development Plan (NDP). 	<ul style="list-style-type: none"> Exports and investment in new plant and equipment will contribute to this objective. 	<ul style="list-style-type: none"> Meetings; and Attended workshops hosted by DTI.
Other State agencies, such as the Council for Scientific and Industrial Research (CSIR) and the Agricultural Research Council (ARC)	<ul style="list-style-type: none"> Contribute to the country's national Research & Development (R&D) agenda; and Relationship with SAFCOL on research and tree breeding for the benefit of the country. 	<ul style="list-style-type: none"> SAFCOL's industrialisation efforts require collaboration with the country's research entities. 	<ul style="list-style-type: none"> Working with institutions to develop innovative solutions for an integrated forestry sector; and Serve on forums for improving coordination in managing industry-wide risks.



Stakeholder Group	Major objectives of the Stakeholder Group	Relevance to SAFCOL in terms of strategy and operations	How we engaged in the year under review
Provincial Government	<ul style="list-style-type: none"> Focus on the roll out of social infrastructure; and Alignment to provincial development plans. 	<ul style="list-style-type: none"> Opportunity to use our products in infrastructure. 	<ul style="list-style-type: none"> Meetings; and Projects.
Regulators	<ul style="list-style-type: none"> Ensure the continuous development of the forestry sector. 	<ul style="list-style-type: none"> We engage with legislators and regulators as part of our compliance activities; and SAFCOL belongs to relevant industry bodies and associations to support the development of the forestry sector. 	<ul style="list-style-type: none"> Continuous engagement with the Competition Commission, Forestry SA, Sawmilling SA.
Land claimants and communities	<ul style="list-style-type: none"> Restitution of land rights on State land where SAFCOL manages plantations; and Community development and access to economic opportunities. 	<ul style="list-style-type: none"> Approximately 57% of SAFCOL land is under claim and aim to become a preferred partner for claimants after the settlement stage; We played a pivotal role in developing communities surrounding its plantations as part of its dual mandate; and We are members of the inter-departmental committee established to address and resolve land claims, as well as update, communities on the state of their claims. 	<ul style="list-style-type: none"> Meetings; and Regularly interact with communities in the areas where we operate to understand their challenges.

Stakeholder Group	Major objectives of the Stakeholder Group	Relevance to SAFCOL in terms of strategy and operations	How we engaged in the year under review
Organised Labour (Unions)	<ul style="list-style-type: none"> Ensuring fair labour practices and a sustainable company. 	<ul style="list-style-type: none"> Collective agreements; and Internal communication programme, succession planning, wellness programmes, transformation forum and fair labour practices. 	<ul style="list-style-type: none"> Signed a recognition agreement with new union, South African Forestry, Farming and Catering Allied Workers (SAFFCAWU); and Wage negotiations were successfully concluded without industrial action with both Unions (SAFFCAWU and SINTAF).
Employees	<ul style="list-style-type: none"> Ensuring continuous learning and development; Ensuring a motivated workforce; Ensuring Human Capital processes are fair; and Ensuring appropriate employee engagement. 	<ul style="list-style-type: none"> Internal communication programme, succession planning, wellness programmes, learning and development programmes, transformation forum and fair labour practices. 	<ul style="list-style-type: none"> Continuous training and development of our people; Internal Newsletter and electronic communication; Team meetings; Performance development; Integrated occupational health programme continues to grow, with the Department of Health in the Vhembe district, taking a major role in the Timbadola clinic activities; and HIV programme gained momentum through partnership with AgriAids.
Customers	<ul style="list-style-type: none"> Quality of products; Fair pricing; and Customer service. 	<ul style="list-style-type: none"> Credit management is more client orientated; and Extended payment terms offered to customers in the economic downturn, coupled with effective credit management. 	<ul style="list-style-type: none"> Regular interaction with customers and managing their expectations.



Stakeholder Group	Major objectives of the Stakeholder Group	Relevance to SAFCOL in terms of strategy and operations	How we engaged in the year under review
Media	<ul style="list-style-type: none"> • The media plays a crucial role in communicating various milestones of SAFCOL: and • The media being the watchdog on behalf of the public, plays a crucial role in ensuring they are managed efficiently and in the best interest of the country. 	<ul style="list-style-type: none"> • Reputation management; • Work with media as partners in telling a proudly SA story; and • Promote SOCs as engines of economic growth in SA. 	<ul style="list-style-type: none"> • Interaction with the media.
Mozambique Government and Mozambique Institute for management of State owned assets (IGEPE) as 20% owner of IFLOMA	<ul style="list-style-type: none"> • Profitable and sustainable IFLOMA operations. 	<ul style="list-style-type: none"> • Key Stakeholder in terms of IFLOMA and the potential expansion of operations in Mozambique. 	<ul style="list-style-type: none"> • Developed a turnaround plan for IFLOMA to resume operations; and • Meetings held with IGEPE.



Chief Executive Officer's Report

Financial Highlights

The year under review saw SAFCOL delivering a much improved performance compared to the 2015/16 financial year, against an increasingly challenging local economic environment, with the credit downgrade of South Africa and its entering a recession further worsening our outlook.

In this context, our achievement of returning the business to profitability – a major Key Performance Indicator (KPI) for our management team – and our revenue breaking through the R1 billion-mark for the first time ever, are testament to the efforts of our team in realising opportunities and strict operational expenditure control.

We have maintained our unencumbered balance sheet and have not ever approached the State for funding.

Operational Highlights

The coming year marks the 20th consecutive year for SAFCOL subsidiary KLF, to have achieved 100% FSC® Certification (June 2017), making our company the first in South Africa, and only the second in the world to achieve such a long-standing mark of excellence.

This is indeed something SAFCOL should take pride in, and is a crucial step in our ambition to become a leader in the integrated forestry industry in Africa, sowing our commitment to economic, social and environmental sustainability.

The team at our Timbadola Sawmill has to be commended for their efforts to turn around their operations – they were awarded first prize as the public-sector company with the most improved productivity by Productivity SA.

Empowering and supporting the communities around our areas of operation is a key priority for SAFCOL, and we have had a busy year engaging with the people around our plantations. SAFCOL owns and operates its own Wide Area Network (WAN) across the plantations and offices in the four provinces, this allowed us to implement a pilot project where we have equipped schools surrounding the Ngome plantation in Kwa-Zulu Natal (namely Evane Primary school, Mathangetshitshi High School, Prince Somcuba Primary School and Ngome Primary School) with free wireless Internet, in a step towards empowering the people in a rural community.



Community members also have access to the computer facilities and the Internet at the schools. We plan to use this approach as we implement similar initiatives in other communities in the rural areas in which we operate, contributing to further education and empowerment of local communities.

The Supply Chain Management (SCM) function has been centralised and a structure in support of the centralisation has been approved. Management is in the process of ensuring that the SCM department is capacitated to ensure that all procurement is managed from a central point to ensure appropriate control and management of all procurement within the relevant regulatory framework and processes.

Lessons learned and Areas of Improvement

While the year provided positive results for our business, there are areas where improved performance is required.

Logistics

We lost out on a significant portion of revenue due to inbound logistics contractors that were not appointed as a result of various procurement challenges, which included the inability to source suitable service providers.

This, in turn, resulted in us missing key processing targets in production and sales volumes of lumber products. The reality of our status as a state-owned company is that contracts often take longer than in our publicly-traded competitors to finalise, owing to strict due diligence and approval requirements. We have therefore put in place a process to establish key contracts well in advance given their strategic importance to our operations.

Qualified audit opinion

As noted by the Chairman, SAFCOL's financial statements received a qualified audit opinion from the Auditor General for the year under review. As a management team we are very disappointed with this outcome, and have as a matter of urgency strengthened controls and processes in the affected areas of our operations. Furthermore, obtaining an unqualified audit opinion in the 2017/18 financial year will be one of the management team's key performance targets over the next 12 months.

Strategy

As a management team, we have short to medium-term strategic focus areas.



Vertical integration

SAFCOL only participates in 12% of the forestry value chain at the moment. We are exploring a model in which we partner with the industry and communities to drive true transformation in the industry, to ensure our own sustainability, and to be a leader in the forestry industry in South Africa.

Our Timbadola Sawmill has been in need of maintenance and upgrade, but we are re-evaluating the upgrade of the facility, due to an increase in the scope of investment required and to allow for other strategic capital projects to be implemented. We are exploring various opportunities such as treated poles, bio- energy production, timber-frame structures and other initiatives in order to increase revenue and sustainability for the company, as well as driving economic development in South Africa, and in particular in the rural areas.

Africa strategy

As we look to operationalise IFLOMA, this should contribute more meaningfully to our revenue stream, and provide us with a footprint for expansion to the rest of the Continent.

Forestry management services

Our research and development team have not only been investigating ways to increase our wood production and enhance the quality of the harvested products, they are also developing innovative forestry management practices which we aim to leverage.

Key Strategic and Operational Risks to Mitigate

Occupational Safety

Sadly, we suffered three workforce fatalities in the year. Any fatality is unacceptable in our business and we have immediately sought to address the problem through an increased focus on safety awareness and safety management.

We will be investing in increased mechanised harvesting in an effort to safeguard our employees. It should also bring predictability to our operations, as we take the potential for human error out of the equation and move people increasingly to downstream operations. Importantly, we will go about this in a way that does not decrease employment opportunities.

Land Claims

Approximately 57% of the land we lease from the State to manage our plantations, are pending land claims. As a custodian of the land on which we operate and a committed partner to achieving economic transformation, we are working with the State to expedite the claims process.

We are developing a mutually-beneficial strategic partnership model in which both SAFCOL and the communities will be sustained in the long term. Importantly, we are also educating the claimants on the forestry industry and the long-term mindset required to successfully manage plantations.



Climate Change

Climate change and natural disasters are two of the biggest risks to the forestry industry. In the past year we have experienced the effects of a drought and damage wrought to infrastructure by storms, while our Bergvliet plantation in Mpumalanga was hit by a devastating fire. Our Belfast plantation experienced a tornado, and cyclone Dineo caused flood damage throughout many plantations.

We expect such risks to continue to be major threats going forward, and we have stepped up our planning against these eventualities, through the research and development of drought and disease-resistant trees and fire management protocols.

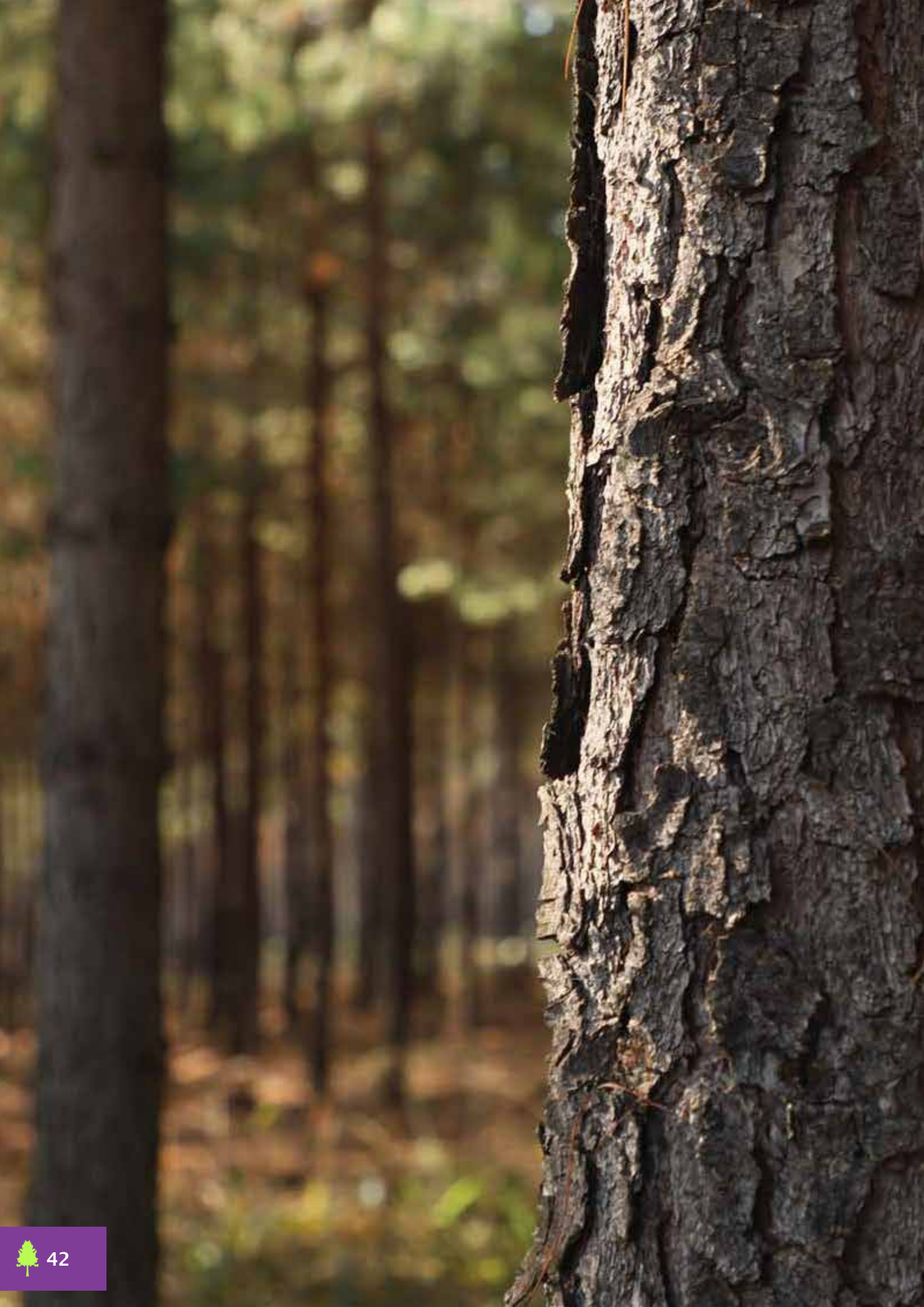
Outlook

The integrated forestry industry has many opportunities, given increased urbanisation, as well as the cost-effective and environmentally-conscious solutions that timber-related products offer.

The local and global operating environment is becoming increasingly competitive and substantial changes can and will occur in the next 30 years, as we look to harvest the trees we plant today. Our research and development team is critical to our process of managing our risks and we plan to leverage and expand this world-class division as we look into the use and application of engineered wood products in the local environment. In an effort to diversify our revenue base, we are looking into ways to maximise the use of our assets, such as through ecotourism. This is currently a small portion of our revenue, but we are conducting feasibility studies into the expansion of this revenue stream.

We look forward to building on the successes achieved in the past year and increase our market share following the optimisation of our operations, while forming mutually profitable partnerships with the communities in the areas where we operate.





Material Risks and Opportunities

Materiality Definition

We apply the principle of materiality in determining which information is included in our Integrated Report.

This report focuses on matters, opportunities and risks which could have a material impact on SAFCOL's ability to thrive as a sustainable business for the long-term benefit of all our Stakeholders.

Our Key Risks

Risk	Why is this a risk?	What are we doing about it?
Land claims	Approximately 57% of land in operation is subject to land claims from communities. This presents a material risk to the longevity and sustainability of our operations.	<p>SAFCOL is committed to the empowerment of the communities in which we operate and fully co-operate with the land reform process.</p> <p>We participate in Joint Community Forums (JCF) to communicate with the communities on the status of their land claims, as well as address issues such as potential land invasions.</p> <p>In an effort to facilitate the successful and timeous resolution of land claims, and ensure a sustainable future, we are working with the DRDLR on revising the existing lease-back and partnership model which will focus on:</p> <ul style="list-style-type: none"> • The inclusion of communities and land claimants in SAFCOL's operations' value chain; and • The integration of CSI and ESD initiatives for communities within the forestry value chain.
Timber theft	The rural nature of SAFCOL's operations, combined with high unemployment in many of these areas, have made theft of timber and illegal logging a significant risk.	<p>We are actively engaging with the companies responsible for providing forest guards to provide better oversight.</p> <p>Our long-term strategy of partnering with and providing training to the communities around our operations, should result in reduced theft.</p>



Risk	Why is this a risk?	What are we doing about it?
Pests and diseases	Extensive baboon damage to plantations is a significant problem for the entire forestry industry, as the animals severely damage the bark of trees, resulting in lower than expected volumes.	SAFCOL works with animal experts and other industry stakeholders on the Baboon Damage Working Group on finding sustainable solutions to the problem.
	Wood wasps have done extensive damage to nearly all the pine trees in SAFCOL's plantations.	We have deployed biological control agents such as nematodes and wasps that feed on the problematic wasps. We inoculate trees and regularly monitor dying trees. Signs of success can be seen in the smaller number of trees that need inoculation every year.
	A fungus causing pitch cancer in pine trees has resulted in high mortalities.	We have introduced disease-resistant hybrids which minimised the mortalities significantly.
Climate change	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.	Our research and development team works with experts in the industry and academia to highlight major trends in climate change, and develop strategies to mitigate against the impact of these. We will review our climate change policy and strategy in 2017/18 and establish baselines with respect to resource use and the offsetting of emissions.
Natural disasters	Forestry plantations are vulnerable to natural disasters, such as drought, cyclones and heavy storms.	Our risk management team continuously reviews and updates SAFCOL's strategies and protocol for all eventualities of disaster management.



Risk	Why is this a risk?	What are we doing about it?
Fire risk	The drought in many parts of South Africa has made our forests especially vulnerable to the risk of damage by fire	SAFCOL works with Forestry South Africa to ensure the integration of firefighting strategies for the industry. We also conduct fuel reduction during the rainy season, using scientific methods to reduce the risk of fire significantly.
Infrastructure maintenance	Ageing infrastructure that is key to SAFCOL's operations presents a safety risk, and results in inefficient operations.	SAFCOL is reevaluating the upgrade of the Timbadola Sawmill, which should result in increased productivity, volumes and higher quality.

Our Key Opportunities

Opportunity	Why is this an opportunity?	What are we doing about it?
Engineered wood products and infrastructure applications of wood	Serves as a means to diversify our product offering, revenue stream and client base through greater participation in the overall timber value chain.	Our research and development teams are investigating a number of areas, including: <ul style="list-style-type: none"> • Wood panels – board products with a range of engineering properties; and • Engineered wood products – made from wood boards and other wood elements, bound together with structural resins, ensuring strength and durability – including: <ol style="list-style-type: none"> i. Cross-laminated timber (CLT) – used in wide range of applications in single and multi-storey structures, public buildings and specialised construction, such as bridges; ii. Glue-laminated beams – stronger than steel, in terms of the same amount of mass, but takes less energy to produce; and



Opportunity	Why is this an opportunity?	What are we doing about it?
		<p>iii. Treated poles – one of the most important products derived from roundwood. Most poles are treated to protect them against insect and fungal attack, ensuring useful life of up to 50 years. These are used inter alia as retainer walls, telegraph poles, electrification poles and as building foundations. The infrastructure market in Africa presents an excellent market for these poles.</p> <ul style="list-style-type: none"> • Wood chips can be a value-adding use of forest and sawmill residuals – these chips are used for pulp and paper, particleboard and for energy (burned in a co-generation plant or converted to pellets or bio-fuel).
Partnerships	<p>As we aim to diversify our revenue streams and become more involved in downstream activities, we need the support of the communities in the areas where we operate. In order to grow sustainably and empower our society, we aim to form partnerships with the society around us.</p>	<p>We have been working with the various communities where we operate, to help them start sustainable businesses and aim to position SAFCOL as partner of choice.</p>
Vertical integration	<p>All of our major competitors have reached stronger financial positions, thanks in part to vertical integration, and we believe this is a key opportunity for us as well.</p>	<p>We aim to partner in downstream operations with the communities where we operate, which would enable us to benefit from value addition to our raw material, and ultimately increase our turnover and profitability, as well as our transformational goals.</p>
Horizontal integration	<p>In line with our mandate, we intend to integrate horizontally by gaining access to other planted and unplanted areas.</p>	<p>We are engaging with DAFF regarding a number of the department’s commercial plantations. We are also assessing the opportunity for gaining access to additional planted areas through the direct management of plantations and the off-take of logs, or by offering forestry management services to assist DAFF in running the plantations.</p>



Opportunity	Why is this an opportunity?	What are we doing about it?
Agroforestry	Some of the land claimants in the areas of SAFCOL's operations have indicated their need for farming projects, and we have offered support to these initiatives.	The Makhonjwa beekeeping cooperative in the Bergvliet plantation is our first partner in this regard, and we are exploring more opportunities in this field.
Ecotourism	We currently operate one lodge at Lakenvlei, as well as various facilities including picnic sites, waterfalls and hiking trails. We have extensive assets that can be used to expand this area of revenue.	We are busy conducting feasibility studies for the ecotourism business, as well as property management, as there has been a significant amount of degradation to some of the housing and related property assets in our forests.
Expansion into Africa	We have seen strong market growth in the rest of the Continent, thanks to urbanisation and the resultant growth in construction activity.	Once the turnaround for IFLOMA has been effected, this should provide further support to African expansion, as our Mozambican operations are positioned for an attractive foothold on the Continent.
Growing our exports	The need for wood products globally is growing and international markets could absorb excess volume produced in South Africa.	We are currently exploring export opportunities in both Africa and First World Countries.



Our Strategy

Our Strategic Objectives – What we want to do

SAFCOL has three strategic objectives aimed at ensuring that we have a profitable and sustainable business for the benefit of all our Stakeholders and wider society. The achievement of our strategic objectives is interdependent and ultimately driven by our ability to manage, operate and expand our forestry operations.



Our Strategic Initiatives – How we plan to do it

STRATEGIC INITIATIVE #1 – Vertical Integration

SAFCOL only participates in 12% of the forestry value chain at the moment. Vertical integration envisages state-of-the-art processing for SAFCOL, the establishment of partnerships with established industry players as well as new entrants, whilst promoting real transformation, which incorporates the local communities.

Actions Being Taken

- We are looking to partner with the CSIR and Department of Science and Technology (DST) regarding applied research within the forests value chain which can be commercialised;
- SAFCOL is looking to establish a pilot manufacturing plant to assemble timber- frame panels. This will include the manufacturing facility and construction teams putting up the buildings on site. The pilot plant will highlight the potential in terms of available technology and equipment, market readiness for timber-frame structures, human capital requirements etc. which can be further expanded as the product demand increases;
- SAFCOL conducted an assessment into the establishment of a timber poles treatment facility. The project was identified as a vertical integration activity for SAFCOL to add further value to its timber products and thereby increase revenue generation, with the target market being, amongst others, Eskom, for the supply of treated timber poles; and
- SAFCOL is assessing various new downstream products that can be produced from its quality timber, such as:
 - » Engineered Wood Products (EWP) including CLT, and possibly Medium Density Fibreboard (MDF);
 - » Potential furniture products;
 - » Electricity co-generation from SAFCOL's forestry and processing residues; and
 - » Value chain optimisation.
- We intend to electronically track the full life cycle of our trees from the nursery through to the end-customer. This will lead to greater efficiencies and controls since the life-cycle costs for each tree can be tracked, which will assist in the determination of selling prices.



STRATEGIC INITIATIVE #2 – Horizontal Integration

Our horizontal integration strategy envisages all the state-owned forests in South Africa being managed by SAFCOL, thus ensuring that South Africans get commercial value for every hectare of state-owned forests. This will also increase our capacity to benefit more South Africans socio-economically.

The DAFF manages a number of category B and C plantations. We are engaging with the DAFF to finalise a Memorandum of Understanding (MoU) regarding the DAFF category B and C plantations.

We are assessing the opportunity of gaining access to additional planted areas through the direct management of the plantations and the off-take of logs or by offering forestry management services to assist DAFF in running the plantations.

STRATEGIC INITIATIVE #3 – Africa Strategy

Expanding SAFCOL's continental footprint is a key strategic initiative for a number of reasons. It not only addresses the risk of SAFCOL's long-term sustainability in light of land claims in South Africa, but from an African Continent point of view, commercial forests are critical for the fight against climate change and the development of industrialisation. In this context IFLOMA is a strategic asset for SAFCOL and our foothold on the rest of the Continent.

IFLOMA has been under care and maintenance for a number of years, and SAFCOL has taken a decision to operationalise IFLOMA. Options for funding the operationalisation and expansion of IFLOMA are currently being pursued.

The final investment budget will be determined, and the following activities are underway:

- An assessment and prioritisation of repair and rehabilitation that is required for vehicles, equipment, roads and other infrastructure will determine the required costs;
- An assessment of the processing facilities (sawmill and pole treatment plant) in terms of required capital and operational expenditure. Capital allocation will be prioritised in alignment with market requirements for processed products and expected returns;
- A planting plan has been developed and will be revised in line with the capital allocation; and
- An assessment of the seedling requirements and condition of the nursery to determine whether it can meet the planting plan requirements.

Key strategic challenges:

- » Specialised skill sets such as forest planning, research, and technical services are currently limited within IFLOMA and will have to initially be supported from the South African operations; and
- » Stakeholder management.



STRATEGIC INITIATIVE #4 – Forestry Management Services

Forestry management services is a key differentiator for SAFCOL. As noted under Strategic Initiative #3, we are currently working on the operationalisation of IFLOMA as a test case for the proposed forestry management services to be offered. Services which can be offered across the forestry value chain from the nursery to logistics include the following activities:

- Plantation silviculture including:
 - » Establishment – planting and tending;
 - » Forest protection – weeding, pest management and fire management; and
 - » Value-adding activities – pruning and thinning.
- Research and nursery development and management;
- Forestry road infrastructure development and maintenance;
- Harvesting operations;
- Logistics; and
- Forest planning, inventory analysis and mapping of the raw material resource.

Our Strategic Success – How we Measure

SAFCOL's strategic initiatives are closely linked to our Shareholder's Compact. We therefore believe that if we effectively implement these initiatives, it will translate into an improvement in the Shareholder's Compact overall score.

As stated earlier in this report we believe that there is room for improvement in our Shareholder's Compact score. We are targeting a marked improvement in our performance over the medium term.

54.7% Current
Shareholder's
Compact score

75% 2019 target
Shareholder's
Compact score

90% 2020 target
Shareholder's
Compact score







Chief Financial Officer's Report



Highlights for the Year Under Review

- Group net profit after tax R114.44 million (Loss of R43m in Prior Year);
- Revenue R1 013 billion (up 13.7% over Prior Year);
- Reduction of operating costs of R62 million year on year thanks to implemented efficiency measures (7.4% of cost base);
- Total asset value of R4.7 billion (1.0% over Prior Year);
- Achieved 88% of the financial targets in the Shareholder's compact;
- Maintained an unencumbered balance sheet;
- Average log selling price (Rm³) R603.93 vs R560.51 (in Prior Year up 7%); and
- Average lumber selling price (Rm³) R2 914.22 vs R2 664.01 (in Prior Year up 9%).

The 2016/17 financial year has been a year of transition for the Group, with changes in Executive Management, and a refinement of the corporate strategy – as we specifically focused on revenue generation and growth – combined with cost containment measures throughout the business.

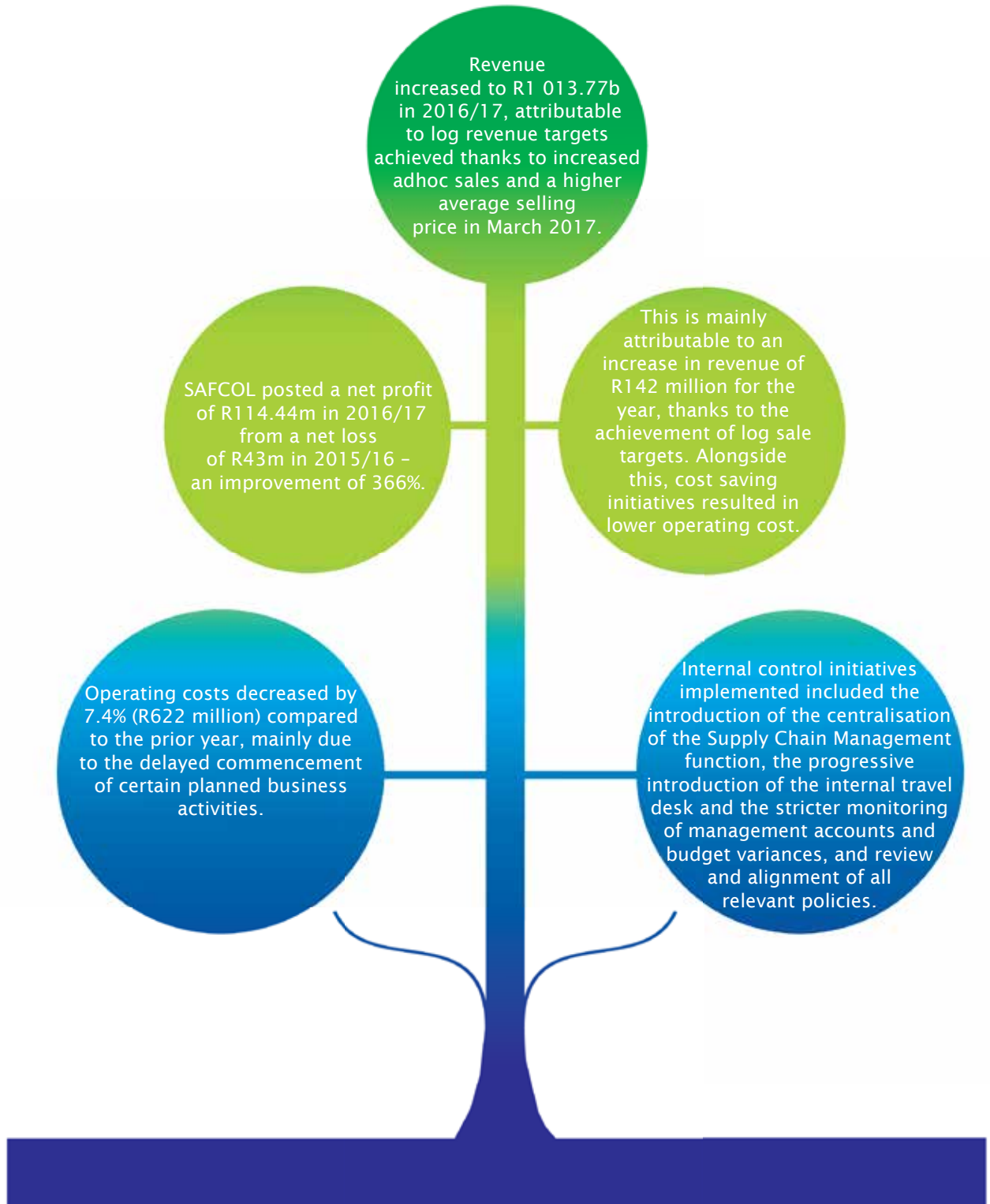
As a management team, we are pleased to note that these strategic refinements are having the desired effect.

Despite a challenging environment, the Group has generated strong financial results with revenue in excess of R1 billion. There has also been a marked improvement in our performance against our financial targets in the Shareholder's Compact.



Financial

Performance Overview



Performance against the Shareholder's Compact

The Group achieved 88% of the financial sustainability KPIs of the Shareholder's Compact in 2016/17 compared to 20% achieved in 2015/16.

Financial and Commercial Sustainability			
Key Performance Area	Key Performance Indicator	31 March 2017	Annual
		Actuals	Target
Financial Returns	EBITDA/Revenue	17.1%	3.5%
	ROE (Excluding FV movements & Translation Gains(Losses))	3.5%	1.5%
	Revenue Growth	13.7%	5%
Creditworthiness	Cash Interest Cover	19.7	1.5
Working Capital Management	Current Ratio (Excluding NCAHFS and Biological Assets)	2.2	≤ 3.5
	Cash Ratio	1.0	1.5
	Debtors Days	37	80
	Inventory	33	40

Asset and Liability Management

Our overall financial position remained stable year-on-year.

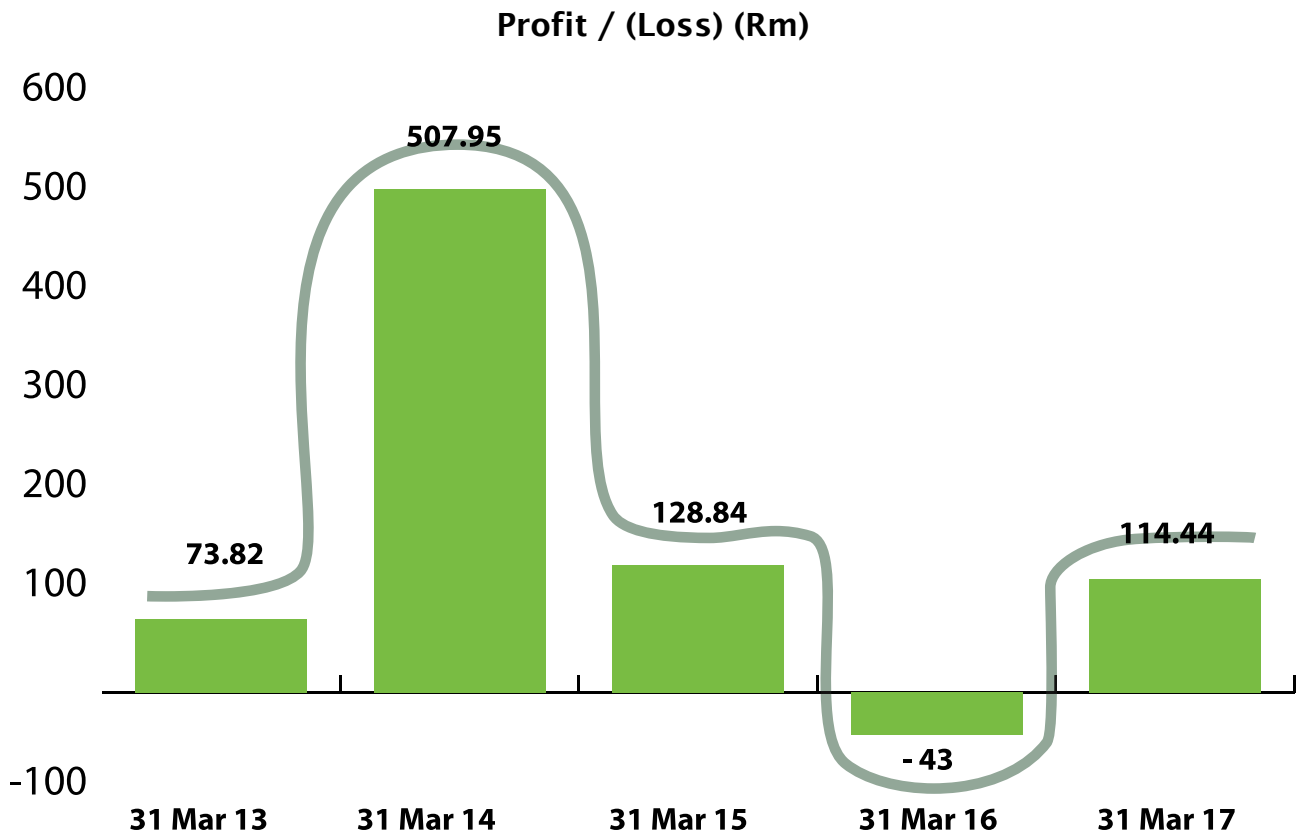
Financial Position overview			
Description	YTD actuals	YTD actuals	Actual vs Prior year Variance %
	31 Mar 17 (Rm)	31 Mar 16 (Rm)	
Total non-current assets	3 810.58	3 909.08	-2.5%
Total current assets	927.44	781.32	18.7%
Total assets	4 738.02	4 690.40	1.0%
Equity	3 346.08	3 267.42	2.4%
Total non-current liabilities	1 146.05	1 166.78	1.8%
Total current liabilities	245.90	256.20	4.0%
Total equity and liabilities	4 738.02	4 690.40	-1.0%

- The significant increase in current assets is attributed to:
 - » Higher accounts receivable, thanks to the increase in sales and special sales agreements;

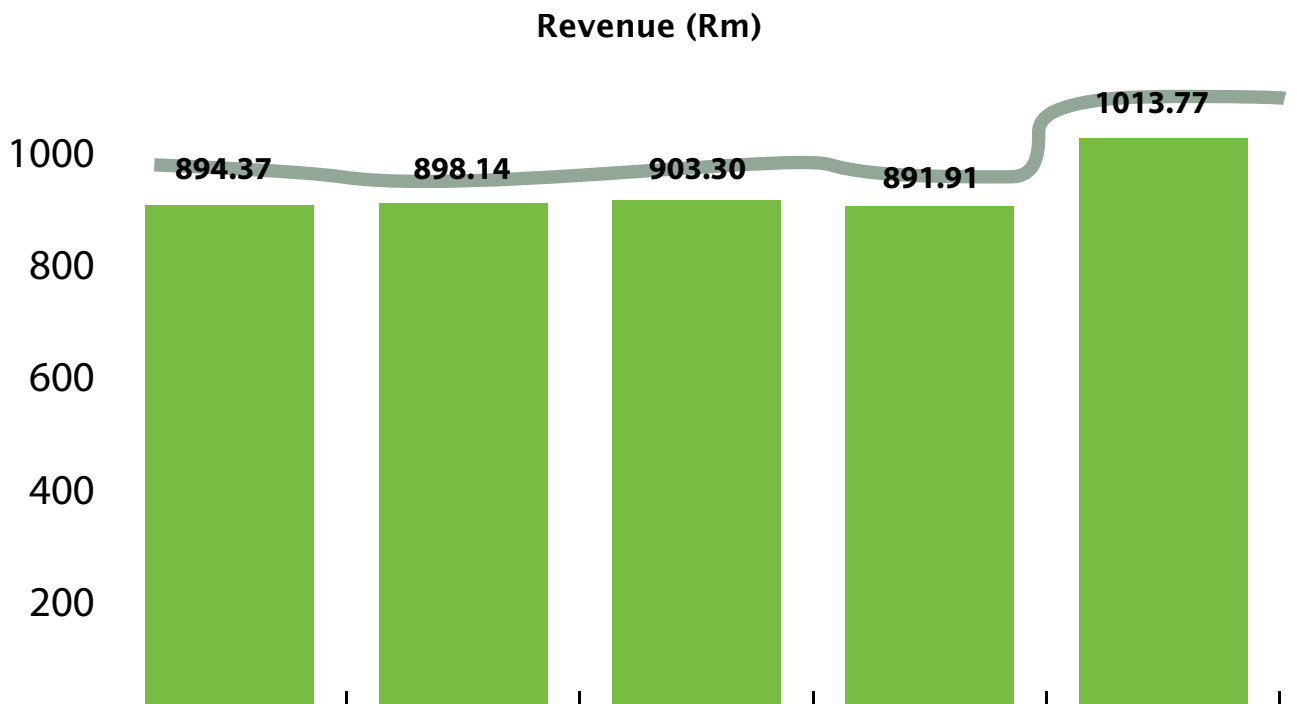


- » Biological assets remained stable year-on-year; and
- » Increase in cash received from sales.
- There has been no material change in the fair value of the biological assets.

Five Year Trends

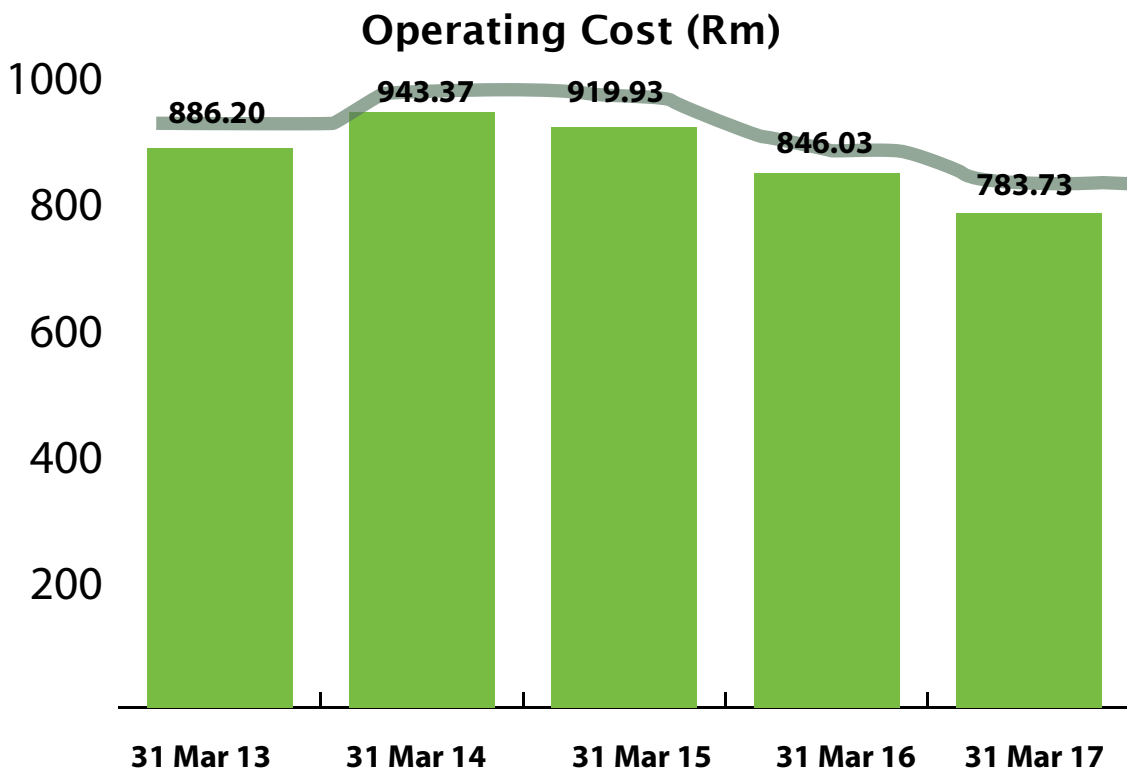


SAFCOL posted a net profit of R114.44m in 2016/17 from a net loss of R43m in 2015/16 – an improvement of 366%.



Revenue increased to R1 013.77b in 2016/17, attributable to log revenue targets achieved due to increased adhoc sales and a higher average selling price in March 2017.





Operating Costs decreased by 7.4% compared to prior year, mainly due to the delayed commencement of certain planned business activities and certain cost control initiatives, such as the centralisation of the supply chain management function, the progressive introduction of the internal travel desk and stricter monitoring of management accounts and budget variances.

Minority Shareholding

SAFCOL is holding Minority Shares on behalf of the State in the following companies, that is, Singisi Forest Products (Pty) Ltd, SiyaQhubeka Forest (Pty) Ltd, Amathole Forestry Company (Pty) Ltd and MTO Forestry (Pty) Ltd. Included in the cash reserves is R74 million which comprises of dividends received in respect of minority shareholdings and interest accumulated thereof.

Financial Risk Management

Financial risks related to funding, interest rates and foreign exchange are managed by the Treasury function. Short- and long-term funding requirements are assessed to optimise the funding structures and liquidity risks associated with borrowings. These are managed by staggering the timing of maturities of borrowings and maintaining appropriate short-term committed and uncommitted banking and debt facilities.

We are mindful of the financial commitments that will be made in terms of SAFCOL's strategic objectives, including the commensurate funding, and we will carefully consider the impact on the business and the ability to fund all such objectives.





Performance against Shareholder's Compact

The Minister of Public Enterprises, as the sole Shareholder representative, sets out strategic intent with clearly defined KPIs in the Shareholder's Compact.

Key elements of strategic intent covered in the compact score card, with their respective weightings out of a total score of 100, are:

- Financial and Commercial Sustainability (30);
- Sustainable Forest Management and Expansion (30);
- Strategy Implementation (10); and
- Socio-Economic Development (30).

SAFCOL achieved 54.7% for the year under review. The Board has set a medium-term target Shareholder's compact score of 75% for 2018/19 and of 90% for 2019/20.

Revenue should increase over time, thanks to the implementation of various planned strategic initiatives. Some of these will entail capital investment on processing capacity and expansion in African Continent which will impact the company's cash flow for a number of years, but the business is bound to be better positioned over the long term.

We have also reviewed the organisational structure in line with the strategy, and the new structure will be implemented in the 2017/18 financial year. It should provide the SAFCOL with the necessary capacity to deliver on its strategic imperatives.

The supply chain area experienced serious teething problems as a result of moving from a decentralised model to a centralised model. This resulted in delays in the procurement of certain critical commodities and services and resulted in the delay in implementing key strategic initiatives and projects. This will be rectified as soon as the structure is fully resourced.



Shareholder's Compact 2016/17

Element of Strategic Intent	Key Performance Area	Key Performance Indicators	Prior Full Year 2015/16	Full Year 2016/17	Full Year 2016/17 Target	Score
Financial and Commercial Sustainability (30)	Financial Returns.	EBITDA / Revenue [%].	-17.2	17.1%	3.5%	<u>26.25</u> 30
		Return on equity excluding fair value movements and translation gains (losses).	-1.3	3.5%	1.5%	
		Revenue growth [%].	N/A	13.7%	5%	
	Creditworthiness.	Cash Interest Cover.	-15.0	19.7	1.5	
		Current Ratio.	1.7	2.2	≤3.5	
	Working Capital Management.	Cash Ratio.	0.8	1.0	1.5	
		Debtor's days.	N/A	37	80	
		Inventory days.	N/A	33	40	
Sustainable Forest Management and Expansion (30)	Area of Forest under Management.	Total gross stocked area				<u>8.18</u> 30
		Maintain Planted Area in SA [ha].	121 637	121 486	121 000	
		Mozambique: Maintain Current Plantable Area IFLOMA [ha] (Manica).	16 273	16 275	16 233	
		Expansion of planted area				
		Mozambique: New establishment IFLOMA [ha] (Sofala).	52.53	121	2 000	
		FSC® Certification				
		Total forest area in SA fully certified to FSC® or PEFC standard [%].	100%	100%	100%	
	Timber Processing.	Volume South African Operations				
		Timbadola Intake [m³].	131 179	76 109	130 000	
		Total Lumber Volume Sold [m³].	N/A	69 397	129 175	
Lumber Market Share [%].		N/A	4%	8%		
Custom Cut						
Focus on Safety (Occupational).	Ringkink/JWV [m³].	82 933	60 339	150 000		
	Fatalities index.	3	3	0		
	DIFR index.	2.4	2.2	1.8		



Element of Strategic Intent	Key Performance Area	Key Performance Indicators	Prior Full Year 2015/16	Full Year 2016/17	Full Year 2016/17 Target	Score
Strategy Implementation (10)	Vertical Integration.	Timbadola Upgrade.	N/A	Appointment of advisors underway for tender to be issued.	Q1 Submit to Shareholder a Board approved implementation plan. Q2 Finalise co-generation plant pre-feasibility study.	2.5 10
				The PFMA application is subject to tender.	Q4 Submit to Shareholder a Board approved PFMA application with funding plan.	
		Establishment of the Sabie complex (sawmill, plywood and co-generation plants).	N/A	Revised strategy includes this activity under medium- to long-term deliverable.	Submit to Shareholder a Board approved Sabie complex project implementation plan.	
		Creation of furniture manufacturing business.	Limpuma Furniture Cooperative established.	SAFCOL has established two additional furniture manufacturing businesses based in KZN and Mpumalanga.	Create two furniture manufacturing businesses with a partner.	
	Industrialise production process of timber-framed structures.	Professional Engagement with COENG Consulting and Construction Engineers.	RFI issued to test the SA market for manufacturing equipment for closed timber frame panels; no responses received.	Create one industrial zone for timber-framed structures.		
Horizontal integration.	Assessment and development of implementation plan towards agroforestry business.	One project identified and implemented in Limpopo.	Signed a contract with Makhontjwa co-operative for the Beekeeping Project at Bergvliet plantation.	Sign a contract with a partner to start agroforestry projects around communities.		



Element of Strategic Intent	Key Performance Area		Key Performance Indicators	Prior Full Year 2015/16	Full Year 2016/17	Full Year 2016/17 Target	Score		
	IFLOMA.		Consider and approve options to improve IFLOMA profitability.	N/A	Members of the project team, together with DPE representatives, visited the operations to assess short-term opportunities and actions required to operationalise the business. IFLOMA taken out of "care and maintenance" and various operational activities. recommended.	Submit to shareholder a Board approved turnaround and investment plan by Q1 of the financial year.			
B-BBEE Elements									
Socio- Economic Development (30)	Skills development.	Scarce and Critical Skills.	Internships, Learnerships, Bursaries and Artisans.	Total number of Interns & Graduate Trainees.	29	27	25		
				Total number of Artisans training.	10	15	15		
				Engineering students.	5	6	5		
				Number of Sector Specific Trainees: Forestry and Processing Learnerships.	85	103	103		
				Foresters and Wood Technologists.	13	15	12		
				Training spend as percentage of Total Training Spend against Employees Cost inclusive of 1% Skills Levy.	5.0% (16 709 862)	5.46% (R18 010 235)	6% (R19 800 000)		
	Employment Equity.	Job Creation.	Employment Created.	Total Direct Job.	N/A	4 116	2 898	17.78 30	
				Total Number Black Employees [%].	N/A	96%	81%		
			Senior Managers.	Total Senior Management.	52 Black Management Employees.		31		29
				Black Senior Managers [%].		57%	60%		
				Black Female Senior Managers [%].		16%	30%		
			Middle Managers.	Total Middle Management Personnel.	18 Black Female Management Employees.		54		105
				Black Middle Managers		70%	72%		
				Black Female Middle Managers.		30%	22%		
			Acceptable Percentage of Black Employees with Disabilities.			15 Black Employees with Disabilities.	0.88%		2%
			Total Number of Employees with Disabilities.				18		22
			Percentage Black Employees with Disabilities.				83%		82%



Element of Strategic Intent	Key Performance Area	Key Performance Indicators	Prior Full Year 2015/16	Full Year 2016/17	Full Year 2016/17 Target	Score	
Enterprise and Supplier Development.	ESD.	B-BBEE Procurement Recognition Level.	2	2	5		
		B-BBEE Total Procurement Spend.	N/A	R457 256 545	R802 738 966		
		Local Content.	81%	50%	55%		
		B-BBEE Spend on SMME (QSE's & EME's).	96%	35%	37.20%		
		B-BBEE spend on marginalised groups.	Black Women Owned Suppliers.	96% Procurement spend on marginalised groups.	14%	8%	
			Youth Owned Suppliers.		2%	3%	
			Disabled Owned Suppliers.		0.18%	1%	
		Supplier Development Spend.	N/A	R2 322 223	R2 320 900		
		Enterprise Development Spend.	R1 910 259	R2 134 902	R2 130 229		
		Socio-economic Development.	Corporate Social Investment.	SED Spend.	R7 530 572	R7 697 405	R1 866 102
TOTAL						54.71 %	







Komatiland Forests (KLF)

Forests Division

Highlights for the financial year under review:

- Achieved set financial targets (operational revenue and profit targets);
- Operational costs were managed and reduced below budget;
- Maintained 100 % FSC® certification in South Africa;
- Maintained Temporarily Unplanted Area below 3%;
- Total log sales increased by 23% when compared to the prior year; and
- Log sales volumes and revenue targets were met for the first time with regards to our eucalyptus trees.

Log Sales Review

Volume		Revenue
1 446 860m ³	2016/17	R913.6million
1 266 663m ³	2015/16	R738.9 million

Log sales volumes outperformed the prior year by almost 16%. This outstanding log sales performance has contributed significantly in the achievement of the R1 billion revenue mark for SAFCOL.



Challenges Experienced

Logistics

Issues with internal logistics had the largest impact on our performance during the year under review. Key contracts for the delivery of logs to our sawmills expired and we were unable to reach an agreement with a suitable alternative service provider. This resulted in a significantly reduced volume that was available for internal processing, leading to lower revenues. However, short-term plans were implemented to reduce the negative impact caused by the unavailability of outsourced transport. Subsequently SAFCOL appointed a transport service provider.

Damage to Growing Stock

The following natural events were experienced during the year across our plantations:

- Drought;
- Flooding;
- Wind damage;
- Extensive baboon damage; and
- Fire.

See our [Key Risks](#) for more details.



Sustainability

SAFCOL harvests mature pine trees on a 30 year rotational cycle, which means that for every tree we harvest we plant another to be harvested in 30 years' time. The temporarily unplanted area (TU) was 2,5% which is 0,5% better than the 3% industry best practice.

We aim to keep this at a minimum to ensure land is used optimally to grow plantations, as delays in the planting process leads to delays in the harvesting cycle. KLF maintained its planted area of 121 585 ha against a target of 121 000 ha.

Outlook

In line with our strategic initiatives, we will focus on the following in the coming year:

- Achieving zero fatalities and creating a safe and healthy environment for all employees;
- Increasing the mechanisation of silviculture and harvesting to reduce workplace injuries and fatalities, without impacting the employment numbers;
- Expand the mechanised harvesting in the Highveld region;
- Achieving financial targets;
- Training and development of our employees;
- Sustainable forest management including agroforestry initiatives; and
- The Eskom biomass project to absorb pulp and waste wood material.



Processing Division Overview

Highlights for the year:

- Exceeded budget expectations despite significantly reduced production throughput (average conversion rate at Timbadola was 46% vs 44.9% in prior year);
- Vigorous cost-saving initiatives under difficult circumstances;
- Successful internal efforts to secure some log deliveries through own transport arrangements;
- Sustained profitability and budget-beating performances at custom-cut operations (average conversion rate at custom-cut operations: 51.3% vs 51.4% in prior year); and
- Lumber pricing strategy and benchmarking actions kept in line with industry trends, with record prices achieved for lumber products during the year.

Performance at a Glance

Volume (Intake)		Volume (Sales)	Revenue (Sales)
136 448m ³	2016/17	69 397m ³	R202,6m
214 112m ³	2015/16	104 007m ³	R274,9m

Challenges Experienced

- Sales were negatively affected by limited product output from the sawmill operations as a result of poor log supply due to inbound logistical contracting issues;
- Volumes achieved were almost 40% below target, and have resulted in our market share being reduced to 2% from an average of 7% in previous years;
- Abnormally high rainfall resulted in an inability to supply contracted log volumes; and
- Major fire at Timbadola wetmill that was effectively contained and extinguished.



Outlook

The requirement for consistent high-quality raw material supply to our sawmilling operations remains the top priority going forward, in order to normalise production throughput, productivity and optimised product sales revenue.

The anticipated technology upgrade of Timbadola is a crucial requirement if we are to ensure timber processing operations that effectively produce quality lumber products. Focused contract management of custom-cut operations will add value to SAFCOL obtaining maximum selling prices.

IFLOMA

Performance at a glance

Revenue		Operational costs
R3,87m	2016/2017	R20,81m
R2,64m	2015/2016	R26,05m

IFLOMA is SAFCOL's Mozambican operations, of which it owns 80% through Komatiland Forests. The remaining 20% is owned by the Mozambican government through IGEPE. This business has been operating under care and maintenance and we have developed a plan to operationalise the business, which will be implemented in the 2017/18 financial year.

The revenue of R3.87m generated, consists mainly of sundry lumber sales, and is an improvement of 46.6% over the prior year. This is predominantly as a result of increased direct lumber sales in Mozambique. Operational costs were 20.1% lower than the prior year, due to cost containment measures.



Outlook

The key priority for IFLOMA is to increase its participation in the forestry value chain. Partnering with local businesses downstream will not only help to facilitate this, it will also support the local economy.

The short-term focus will be on the upgrading and restart of the sawmill at Messica. In the Sofala province the company will focus on increasing planting, leveraging off SAFCOL's research and development department, as well as its nursery.

Research and Development

Highlights for the current year:

- 498.4 kg of seed harvested and cleaned during the period and was put into cold storage;
- 1 035 kg of seed was sold; and
- A total of nine research trials were planted (7 breeding trials, 1 seed orchard and 1 controlled pollination (CP) trial).

Performance at a Glance:

- The research pine and eucalyptus hybrid programme has become a crucial focus as the future growth material for forestry. A dedicated, controlled pollination team ensures that hybrid seeds are produced for the various hybrids being evaluated;
- Aspects that are being evaluated in new hybrid species are:
 - » Tolerance to extreme weather conditions such as cold and drought;
 - » Disease tolerance; and
 - » Improved volume growth and wood quality.

Outlook

In the short- to medium-term, the research centre will increase its capabilities to further downstream processing, including new product development such as timber- frame structures and engineered wood products.





SOCIO-ECONOMIC TRANSFORMATION

3.

- Be a Catalyst in Rural Economic Development
- Lead Environmentally Sustainable Forestry



Socio Economic Transformation

Highlights for the year:

- Connected the rural communities around Evane Primary School, Mathangetshitshi High School, Prince Somcuba Primary School and Ngome Primary School by installing wireless Internet pilot programme;
- SAFCOL donated 10 computers as well as workstations to Evane Primary School;
- SAFCOL donated 20 computers to Mathangetshitshi High School and provided free Internet access through its established Wide Area Network (WAN) across of SAFCOL operations;
- Awarded a total of 37 bursaries to students and employees for further training;
- Spent 6.76% of net profit after tax on social and economic development against the Forestry Charter's target of 1%;
- Fire awareness programmes for schools conducted in all three provinces where SAFCOL operates;
- Established 2 additional youth manufacturing cooperatives;
- Electrification of Ngome Primary School; and
- Built timber-frame structures for various communities.

Our Impact on Society

We aim to play a catalytic role in rural development and economic transformation in the forestry sector. We believe transformation translates to fair and meaningful participation of all people working directly or indirectly with SAFCOL or within the forestry industry.

Relationship with Communities

We have 13 signed social compacts with communities and land claimants adjacent to our operations. These compacts are agreements which assist in continuous engagements with the communities through JCFs which sits at least quarterly. The JCFs are used as a platform where community needs are submitted and prioritised, which informs the CSI projects that are implemented. Furthermore, SAFCOL is also provided with an opportunity to present prospects and discuss challenges that affect both parties.



Corporate Social Investment (CSI)

Our CSI activities are aimed at:

- Supporting the growth and development of adjacent communities and the society in which we operate;
- Creating an environment conducive to social empowerment and stability by contributing to meet the communities' needs; and
- Facilitating rural economic empowerment.

Our developmental focus is on:

- Education;
- Environmental awareness;
- Healthcare;
- Social infrastructure;
- Small business development; and
- Agroforestry.

Below are some of the highlights of our contributions in the past year.

Education Contribution

Electrification of Ngome Primary School: This school, close to the Ngome Plantation in Kwa-Zulu Natal, has been without electricity since its establishment 15 years ago.

Social Infrastructure

We are in an ideal position to contribute to the green building industry by implementing timber-frame structures within our CSI and ESD projects. These structures are good alternatives to traditional building, as they are made of renewable resources, potentially more cost-effective than conventional building methods, quick to erect even in challenging terrains and consist of very good insulation properties. This form of structures are especially popular in many developed economies and we believe it will help to address the current and social infrastructure needs.



We have built timber-frame structures for various communities in our areas of operation (Kwa-Zulu Natal, Mpumalanga and Limpopo):

- Tsolobolo ECD Centre;
- Vriesland Primary School Kitchen;
- Makhambane / Palm Ridge Community Hall;
- Marongwane Primary School Kitchen; and
- Evane Primary School – Renovations.

Timber-frame Structures



Makhambane / Palm Ridge Community Hall



Tsolobolo ECD Centre



Vriesland Primary School Kitchen



Marongwane Primary School – Kitchen



As part of our community development mandate and to ensure proper hygiene and sanitation in early childhood development centres, we have also built ablution blocks where these were needed:

- Modjadji ECD Centre;
- Phutaditshaba ECD Centre;
- Tsolobolo ECD Centre;
- Sandford ECD Centre; and
- Mapheleni Community Hall.

Ablution Blocks



Modjadji ECD Centre



Phutaditshaba ECD Centre



Tsolobolo ECD Centre



Mapheleni Community Hall

As part of our healthcare development focus, we have drilled and equipped a borehole for the Khalavha, community in Limpopo province. We also drilled and equipped a borehole for Emahashini Community (Prince Somcuba Primary School) in Kwa-Zulu Natal (KZN) province.

Boreholes in Limpopo and KZN



Khalavha Borehole



Emahashini Borehole



Enterprise and Supplier Development (ESD)

The promotion of entrepreneurship and small business remains an important priority of the development agenda within South Africa. SAFCOL is committed to ensure that SMMEs, especially those operating in our value chain and the forestry sector, progressively increase their contribution in terms of growth and performance of the local economy in critical areas such as job creation, equity and access to markets. This should ultimately support localisation.

The development of sustainable black-owned enterprises is critical in transforming the sector. ESD within the forestry sector is based on the concept of using forests (plantations) or forest-based resources as a vehicle for economic growth, employment and socio-economic upliftment that takes people from a subsistence livelihood system into the market economy.

We aim to facilitate ESD initiatives that will create and expand opportunities for small businesses. These initiatives target black-owned enterprises with a turnover of less than R50 million to cover a broad range of designated groups with a key focus on:

- SMMEs identified in rural areas;
- Black Woman-Owned Enterprises;
- Black Youth-Owned Enterprises; and
- People Living with Disabilities-Owned Enterprises.

Over the past year we have initiated a number of ESD programmes with a strong emphasis on rural development. We recognised that people from rural areas where we operate are marginalised by a low level of skills and education, poorly-developed infrastructure, unemployment and HIV/Aids. We have partnered with industry bodies such as National Youth Development Agency, Small Enterprise Development Agency and South Africa Essential Oil Business Incubator to offer training and support to the communities in our areas of operation.

- Furniture manufacturing project: Three furniture manufacturing co-operatives, Limpuma in Limpopo, Asizimisele in KZN and Thembalabasha in Mpumalanga are under SAFCOL's ESD incubation programme where they are provided with business development services such as capacity building in various skills and access to startup costs. Two of the three co-operatives, that is, Asizimisele and Thembalabasha were formed during the 2016/17 financial year. These co-operatives manufacture furniture such as school desks, bookshelves, kitchen cupboards and wardrobes for sale to the public, repair desks for local schools. More than 40 jobs were created in the area;
- Moringa Farm: The Tsolobolo land claimant group has established an emerging small-scale commercial farm to produce Moringa (horseradish tree) products for use in health-related consumer products. We have provided financial and non-financial assistance to the farm;



- **Blairemore Charcoal:** The project in Mpumalanga started towards the end of 2016 and produced more than 18 tons of charcoal in the last quarter. We have assisted in finding customers for the produce, protective clothing, as well as supplying a tarpaulins to keep the charcoal dry;
- **Makhonjwa Primary co-operative beekeeping initiative:** The Geelhoutboom land claimant group established a co-operative to conduct a beekeeping project that will benefit 10 co-operative members and started operating with beehives at the Bergvliet plantation at the beginning of 2017. We have donated wood and protective clothing to the co-operative;
- **Tshakuma Nursery:** We have invested in a small-scale nursery close to Thohoyandou in Limpopo. The nursery provides seedlings of vegetables and fruit trees to local farmers. It has partnered with a local FET college to provide its learners with in- service training. We have provided planting bags, tools and seeds to help expand the nursery;
- **Siyimbokodo Forest and Agriculture co-operative:** The Kamgadzeni land claimants have formed a 100% black women-owned co-operative and have been awarded a manual harvesting contract. We have provided training, equipment, protective clothing and tools to ensure effective production;
- **Siyabonga Cleaners Primary:** This co-operative has been awarded a cleaning contract for ecotourism facilities. We have assisted in providing cleaning materials and other related consumables; and
- **Con-Care Primary co-operative:** This group has been awarded a silviculture contract at Ngome plantation, and we have assisted the group with training, forestry tools and equipment.



Summary of Current Land Claim Status

Land Claims Status	Number of Claimants	Sum of Affected Area (ha)
Mpumalanga	20	67 507
Investigation	16	50 112
Negotiation	4	17 395
Limpopo	23	32 459
Investigation	2	823
Negotiation	18	24 237
Settlement	3	7 398
KZN	1	6 013
Negotiation	1	6 013
Grand Total	44	105 978

SAFCOL leases land from the State on which the plantations are established, and approximately 57%* of all KLF's plantations are under land claims in different stages of progress on restitution. Unresolved claims pose a significant risk to the business.

Given the importance of the matter, an inter-departmental State team, where SAFCOL is represented, was established and has been convened quarterly to expedite the settlement process. Safcol aim to facilitate the timeously resolution of land claims according to a mutually beneficial settlement model.

In the period under review, we have also continued to engage land claimants through the JCFs. The purpose of these meetings are to respond to the community with regards to the status of their land claims, to address community concerns, as well as potential land invasion in certain areas.

Outlook

As custodians of South Africa's forests and as a company that is committed to transformation of the communities where we operate, SAFCOL is fully supportive of the efforts to achieve land reform. We also recognise the need to empower land claimant communities, to enable them to manage their property sustainably. Therefore, the Board has requested a review of the previously approved model straight leaseback wherein emphasis would be on the following principles:

- Inclusion of communities and land claimants in the business operations' value chain; and
- Integration of CSI and ESD initiatives within the forestry value chain.

Relevant Stakeholders, including land claimants, will be engaged during the development of the proposed model.

*SAFCOL previously reported on approximately 61% which was based on a study that was done in 2008. Currently approximately 57% is under claim and is based on the current status report received from the Land Claims Commission



Human Resource Overview

Highlights for the year:

- Mentorship and Coaching Programme for women in Forestry;
- SAFCOL has 65 Foresters of which 91% is black, 40% are women and 31% youth;
- 103 Forestry and Processing Learnerships awarded and 15 Apprentices appointed;
- Trained 43 learners on the construction of timber-frame structures;
- A total of 12 SAFCOL Bursars concluded their studies; and
- Awarded a total of 37 bursaries to students and employees for further training.

Our Employees

Our employees are one of our most valuable assets and we are committed to ensuring they are empowered through continuous learning skills development and training. It is also our way to address the skills shortages in the forestry industry. We had 2 283 employees at SAFCOL at the end of the year under review.

We aim to ensure access to high-quality and relevant education, training and skills development, including workplace learning and development for employees, communities and land claimants. Our objective is not merely on training people for employment purposes, but also on empowering people to create opportunities to make a living for themselves.

Element of Strategic Intent	Key Performance Area		Key Performance Indicators	31 March 2017	Full Year Target 2016/17
Socio-Economic Transformation	B-BBEE Elements				
	Skills development	Scarce and Critical Skills Internships, Learnerships, Bursaries and Artisans	Number Interns & Graduate Trainees	27	25
			Number of Artisans trainees	15	15
			Engineering students	6	5
			Number of Sector Specific Trainees: Forestry and Processing Learnerships	103	103
			Foresters and Wood Technologists	15	12
	Training spend as percentage of Total Training Spend against Employees Cost inclusive of 1% Skills Levy			5.46% (R18 010 235)	6%

We have been attempting to broaden our learner base in the past year in an attempt to spread forestry skills development over the country, and succeeded in recruiting from all nine provinces. We also offered a community house-building learnership and trained 43 learners on the construction of timber-frame structures.



Training Facilities

We have a training facility at Platorand in Sabie, Mpumalanga where we offer training and development to employees and the communities around us. In the past year we have also built new classrooms at the Timbadola Sawmill in Levubu, supporting the learnerships and apprentice programmes offered there.

Community Training

Training Plan	31 March 2017	Target 2016/17	In system from previous financial year/s
Short-skills programmes	350	400	0
Management trainees (interns)	27	25	0
Apprentices	15	15	16
Sector-specific trainees (learnerships)	103	103	24

Mentoring and Coaching Programme

SAFCOL introduced a Mentoring and Coaching Programme (pilot project) for young female professionals, mainly in the Forest, Planning and Processing divisions. The programme was launched on 18 November 2016 and has 33 participants, 30 females and 3 males. The emphasis for this pilot project was on the development of females. Out of the 33 participants there are 14 mentors and 19 mentees, who also received the required training and tools from the inception of the programme. The purpose of this programme is to create a platform for young professionals where skills and knowledge can be transferred and to assist in their career development and encourage a culture of high performance in the workplace. The programme has been a success thus far, and is planned to be rolled out to other business areas in the coming financial year.

Employee Relations

SAFCOL Management has continued to build constructive relationships with the Union (SAFFCAWU) of SAFCOL and the Union (SINTAF) of IFLOMA. Wage negotiations and agreements were finalised with both the Unions and there were no industrial action or work stoppages during the financial year.

The following table reflects disciplinary statistics at SAFCOL:

Nature of disciplinary action	Number
Verbal warnings	82
Written warnings	67
Final written warnings	10
Dismissals	30
Total	189



Learning and Development

Employee training

Training Plan	2016/17	Annual Target
Platorand Internal Forestry-related Short-Skills Programmes	1 273	1 001
Platorand Internal ICT Short-Skills Programmes	259	526
External Short-Skills Programmes	400	600

Training spend

Intervention	2016/17	Annual Target
Total training spend	R18 010 235	R19 800 000
Proportion of total training spend against employee costs inclusive of 1% Skills Development Levy	5.46% (90.9% of annual target)	6%

Bursary Allocation and Expenditure

Training Plan	2016/17	Annual Target	In system from previous financial year/s
Bursaries Awarded (internal)	10	19	15
Bursaries Awarded (external)	27	17	12

We also accommodated 10 Forestry National Diploma students, from Saasveld, for the practical portion of their studies in their second year of studies.

Employment Equity

We are committed to the transformation of our workplace and are busy implementing a detailed employment equity plan, which is being continuously monitored.

We have established consultative Employment Equity (EE) Committees in all three districts and a Central EE Committee. The EE Committee members were provided with the required training and are responsible for the monitoring and implementation of the EE programme which includes the review of policies, procedures and practices and to continuously strive for improved equity in the workplace.

SAFCOL has 65 Foresters of which 91% is black, out of the 91%, 40% are females and 31% youth.

Workforce Fatalities

We suffered three fatalities during the past year, two of which were directly related to manual chainsaw harvesting activities, and the other the result of a vehicle accident caused by non-compliance to safety procedures.

We have subsequently implemented a detailed mitigation action plan, focusing on training and more frequent refresher training of chainsaw operators, increased supervision and pro-active inspection criteria, additional awareness provided to employees on the importance of compliance to safety regulations and procedures, as well as engagement with the Union on more stringent consequence management as it relates to non-compliance to safety regulations and procedures. We believe this will enable supervisors and managers to identify and correct unsafe felling practices before such accidents occur.

We continue to drive compliance with prescribed Safety, Health and Environmental standards and practices in pursuit of a safer workplace for all. The Disabling Injury Frequency Rate (DIFR) for the year closed at 2.2, which is an improvement of 8.3% from the previous year.

Integrated Health & Wellness

We operate two clinics, one at Spitskop in Sabie and the other at the Timbadola Sawmill in Levubu, which focus on treating employees and the surrounding community for chronic conditions, as well as offering employee assistance programmes. AgriAids has partnered with SAFCOL and has been treating a number of patients, as well as engaged in outreach programmes – with the assistance of nurses from Occupational Care South Africa (OCSA) – to create awareness of and testing for HIV and Tuberculosis (TB).



Employee Terminations

We had 379 terminations for 2016/17 and the reasons for terminations are presented in the table below:

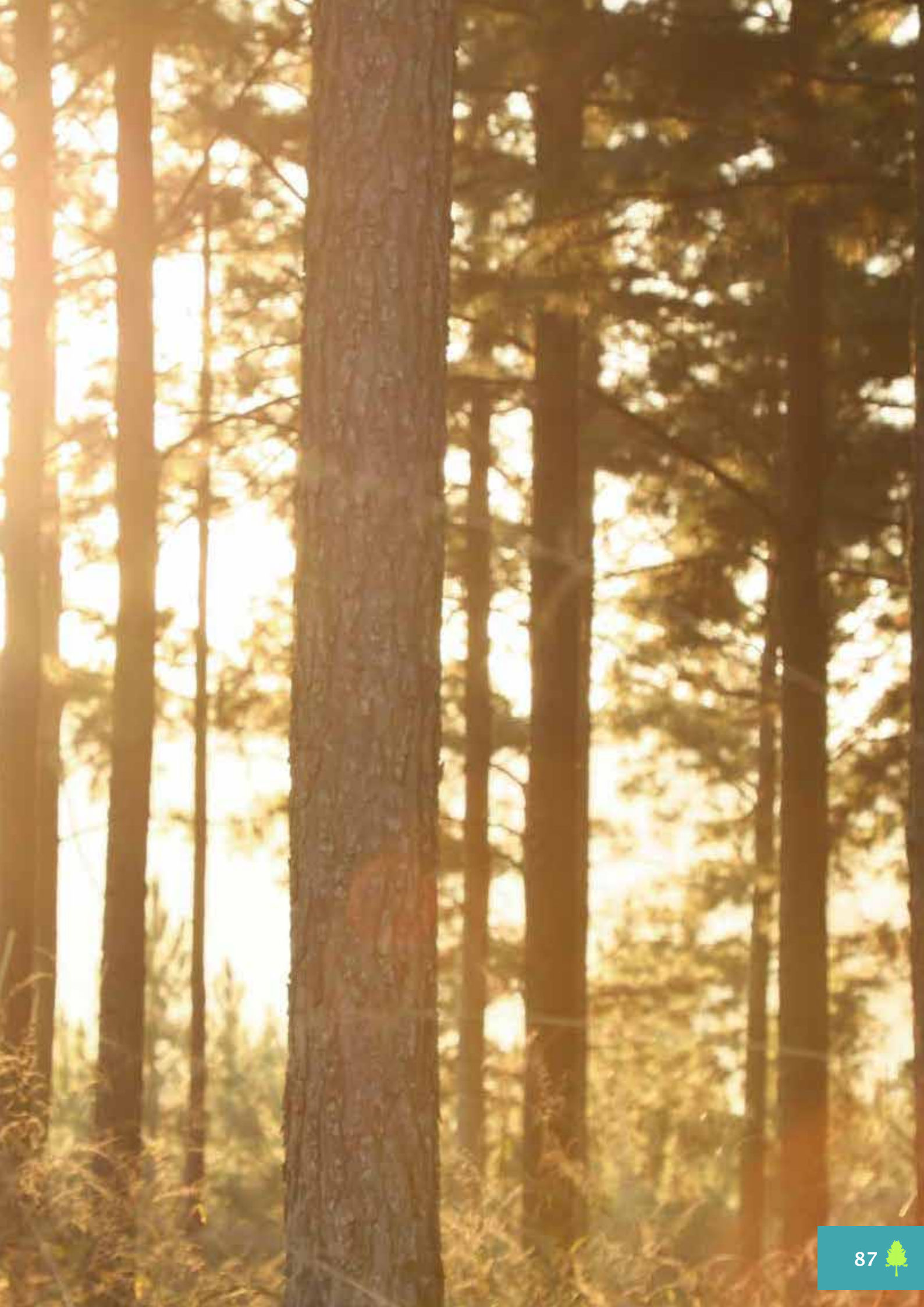
Reasons for terminations	Number
Death	17
Discharged	30
Retirements	43
Resigned	69
Ill Health retirement	5
Contract expired (learners/interns/ fixed term contracts)	252

Outlook

In the coming year we aim to:

- Conduct a feasibility study to investigate the possibility of upgrading the Platorand training centre to an Academy. The feasibility study includes amongst other things, to investigate the offering of additional accredited training programmes that respond to the forestry industry value chain;
- Conduct skills audit to identify the skills currently held by our employees and to compare this with the skills required now and in the future;
- Implement the first phase of Talent Management and Succession planning for scarce and critical skills;
- Improve in our representation of black female managers and employees with disabilities;
- Continue with training and development of our employees; and
- Create various platforms for employee engagement and innovation.





The Board of Directors

The Board of Directors are appointed by the Minister of Public Enterprises and comprises of executive and non-executive Directors. The majority of the Board are non- executive Directors to ensure independence and objectivity in decision making.

Mr RL Mabece – Board Chairperson

Tenure from 18 August 2015

Appointed as Non-Executive Director

Profession: Attorney of the High Court of South Africa

Qualifications

- LLB. University of the Western Cape;
- B.Proc. University of the Western Cape; and
- Higher Certificate (Project Management), Damelin Management School.



Mr GC Theron – Acting CEO

Tenure from 18 August 2015

Qualifications

- B.Com. Honours (Internal Auditing), University of Pretoria; and
- B.Com. Informatics, University of Pretoria.



Ms T Pillay – CFO

Tenure from 4 August 2016 (until 11 August 2017) Appointed as the CFO and Executive Director

Profession: Chartered Accountant South Africa CA (SA), SAICA

Qualifications

- B.Compt. Honours. University of South Africa (UNISA);
- B.Com. Accounting Science, University of Pretoria; and
- Advance Certificate in Auditing.



Ms S Baduza

Tenure from 18 August 2015

Appointed as Acting CFO on 11 March 2016 until 31 August 2016

Appointed as a Non-Executive Director

Profession: Chartered Accountant South Africa CA (SA), SAICA

Qualifications

- B.Com. Honours. (Accounting Sciences), University of Pretoria; and
- B.Com. Accounting Sciences, University of Pretoria.

Committee Membership

- Human Resources and Remuneration Committee (REMCO); and
- Finance and Investment Committee (FINCO).



Dr PM Mahlangu

Tenure from 18 August 2015

Appointed as Non-Executive Director

Qualifications

- Ph.D. (Educational Leadership, Management and Development, Curriculum and Instruction and Philosophy and History of Education), New Mexico; State University, U.S.A;
- M.Ed. (Education in Third World Countries and Political Economy); and
- B.Ed. (Education in Third World Countries and Political Economy), University of the Witwatersrand.

Committee Membership

- Social and Ethics Committee (SEC);
- Finance and Investment Committee (FINCO); and
- Audit and Risk Management Committee (ARMC).



Dr PE Molokwane

Tenure from 18 August 2015

Appointed as Non-Executive Director

Profession: Pr.Sci.Nat.

Qualifications

- Ph.D. in (Chemical Technology Environmental), Environmental Engineering, University of Pretoria;
- M.Sc. (Applied Radiation Science & Technology), University of North West;
- Post Graduate Diploma in Applied Radiation Sciences & Technology, University of North West; and
- B.Sc. (Physics) University of North West.

Committee Membership

- Human Resources and Remuneration Committee (REMCO);
- Finance and Investment Committee (FINCO); and
- Audit and Risk Management Committee (ARMC).



Mr SM Mnguni

Tenure from 18 August 2015
Appointed as Non-Executive Director

Qualifications

- B.Admin. Honours. University of Limpopo;
- B.Admin. University of Limpopo; and
- Leadership Development Programme (NQF 6), GIBS (University of Pretoria).

Committee Membership

- Human Resources and Remuneration Committee (REMCO); and
- Social and Ethics Committee (SEC).



Ms CPM Ngwenya

Tenure from 18 August 2015
Appointed as Non-Executive Director
Profession: Social Worker (Unregistered)

Qualifications

- Master's Degree in Development Studies: University of Kwa-Zulu Natal;
- B.A Social Work, University of Durban Westville; and
- Certificate in Policies for the Promotion of Small and Medium Enterprises, Japan International Corporation Agency (JICA).

Committee Membership

- Social and Ethics Committee (SEC); and
- Audit and Risk Management Committee (ARMC).



Mr MJ Rachidi

Tenure from 18 August 2015
Appointed as Non-Executive Director

Qualifications

- Management Development Programme, Wits Business School;
- Computer Operations and Programming, Control Data Institute; and
- Primary Teachers Certificate, Sekhukhune Training College.

Committee Membership

- Social and Ethics Committee (SEC); and
- Finance and Investment Committee (FINCO).



Changes to the Board during the year under review:

Ms N Carrim resigned from the Board effective 1 September 2016.

Board Committees

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

- Audit and Risk Management Committee (ARMC);
- Social and Ethics Committee (SEC);
- Finance and Investment Committee (FINCO); and
- Human Resources and Remuneration Committee (REMCO).

Audit and Risk Management Committee (ARMC)

This committee has the responsibility to oversee the company's monitoring and control systems. It must ensure, amongst others, that the disclosure of risks is comprehensive, timely and relevant, the internal control systems are operating effectively and that there is an effective internal audit function.

ARMC Attendance		
CPM Ngwenya	3/3	100%
PE Molokwane	3/3	100%
PM Mahlangu	3/3	100%

2016/17 ARMC Activities

Considered and recommended the following matters to the Board:

- ICT Strategy;
- Asset Management Policy;
- Pay Card Policy;
- Company-Owned Motor Vehicle Usage Policy;
- Travel and Subsistence Policy; and
- Internal Audit Plan.

Social and Ethics Committee (SEC)

The role of the committee is to monitor the company's activities with regard to any relevant legislation, other legal requirements or prevailing codes of best practice with regard to: social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, labour and employment.



SEC Attendance

PM Mahlangu	3/3	100%
CPM Ngwenya	3/3	100%
SM Mnguni	0/3	0%
MJ Rachidi	2/3	66%

2016/17 SEC Activities

Considered and recommended the following matters to the Board:

- Employee code of conduct;
- Board code of conduct;
- Socio-economic development projects' visits; and
- Report on fatalities and injuries.

Finance and Investment Committee (FINCO)

The role of the committee is to assist the Board to ensure that the company's financial strategy is in place, to monitor compliance, the financial performance of the group and to consider matters relating to transformation with particular emphasis on procurement and enterprise development.

FINCO Attendance

S Baduza	3/3	100%
PE Molokwane	5/5	100%
PM Mahlangu	3/3	100%
MJ Rachidi	5/5	100%

2016/17 FINCO Activities

Consider and recommended the following matters to the Board:

- SAFCOL Delegation of Authority;
- Mobile Device Usage Policy;
- Supply Chain Management Policy;
- SAFCOL Corporate Plan;
- SAFCOL Strategy; and
- Timber-Frame Structure – Business Case.



Human Resources and Remuneration Committee (REMCO)

This committee is mandated to, amongst other things, provide oversight and ensure that SAFCOL remunerates Directors and executives fairly and responsibly. Disclosure of the remuneration of directors and executives is accurate, complete and transparent, and that human resource and related matters are properly attended to, in accordance with legislation, standards and policies of the Group.

REMCO Activities		
S Baduza	3/4	75%
SM Mnguni	1/4	25%
PE Molokwane	4/4	100%
MJ Rachidi Started on REMCO in 2017	1/1	100%
N Carrim Attended only two meetings as she resigned on 01 September 2016	2/2	100%

2016/17 REMCO Activities

Considered and recommended the following matters to the Board:

- Acting Policy;
- Work outside SAFCOL Policy;
- Recruitment and Selection Policy;
- Revised Disciplinary Policy and Schedule of Offenses; and
- Organisational Structure;

Company Secretary

The company secretary is responsible to the Board and Board Committees for, amongst others, ensuring compliance with procedures, applicable statutes and regulations. To enable the Board to function effectively, all Directors have full and timely access to information that may be relevant to them properly discharging their duties. This includes information such as corporate announcements, investor communications, agenda items for Board meetings, and other developments that may affect the Board and the Group's operations. Access to management is provided, where required.



Executive Management

Mr GC Theron

Acting Chief Executive Officer (CEO)

Date appointed: 15 December 2015

Qualifications

- B.Com. Honours (Internal Auditing), University of Pretoria; and
- B.Com. Informatics, University of Pretoria.



Ms T Pillay – CFO

Chief Financial Officer (CFO)

Date Appointed: 4 August 2016 (until 11 August 2017)

Profession: Chartered Accountant South Africa CA (SA), SAICA

Qualifications

- B.Compt. Honours, University of South Africa (UNISA);
- B.Com. Accounting Science, University of Pretoria; and
- Advance Certificate in Auditing.



Ms T Jacobs

Acting Senior Executive: Human Capital Management and Transformation

Date appointed: 7 January 2016

Qualifications

- B.A. Social Science, University of South Africa (UNISA);
- B.Com. Human Resource Management, University of South Africa (UNISA); and
- Balance Scorecard Professional, The Balance Scorecard Institute.



Mr K Mokobane

Acting Chief Operating Officer (COO)

Date appointed: 1 June 2016

Qualifications

- M.Sc. Forest Science, University of Pretoria;
- B.Sc. Forest Science, University of Stellenbosch;
- Management Development Programme, University of Pretoria; and
- Balanced Scorecard Professional, The Balanced Scorecard Institute.



Corporate Governance

Corporate Governance and PFMA

SAFCOL was established in 1992, as per the Management of State Forests Act of 1992. It is a registered state-owned company in terms of the Companies Act No. 71 of 2008 (as amended), and a Schedule 2 listed entity in terms of the Public Finance Management Act (PFMA) of 1999. The report presented is in accordance with the provisions of the prescribed legislation and related regulations and addresses both the performance and statutory information requirements. The Board is the accounting authority, as prescribed by the PFMA.

Shareholding

The State of the Republic of South Africa, through the Minister of Public Enterprises, is the sole Shareholder of SAFCOL.

The Directors embrace the principles, as set out in the King Report on Governance for South Africa 2009 (King III), and have adopted them as far as possible. By supporting King III, the Directors confirm the need to conduct the business with integrity and in accordance with generally-accepted corporate practice. This ethos is further supported by the Group's code of ethics, which sets out the obligations of Directors and employees in terms of ethical standards applicable within the Group.



Board Performance

The following Board meetings took place and were attended by Directors for the period under review.

Board Attendance

RL Mabece	14/14	100%
S Baduza	14/14	100%
PM Mahlangu	14/14	100%
SM Mnguni	5/14	36%
PE Molokwane	12/14	86%
CPM Ngwenya	14/14	100%
MJ Rachidi	10/14	71%
GC Theron	14/14	100%
T Pillay - Appointed on 12/08/16	8/8	100%
N Carrim - Resigned on 01/09/16	3/3	100%

2016/17 Board Activities

- Approval: Quarterly reports and PFMA Compliance Reports;
- Approval: Budget 2016/17 and draft Annual Financial Statements for submission to auditors;
- Approval: Socio-Economic Development Projects to be attended by Board members;
- Approval: Internal Audit Three Year Rolling Plan;
- Approval: Minimum wage adjustments;
- Approval: Shareholders Compact for submission to the Minister;
- Approval: 2016 Integrated Report;
- Recommendation: Section 45 financial assistance between SAFCOL and KLF;
- Approval: Organisational structure; and
- Approval: Corporate Plan and Strategy.

Going Concern

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

Risk Management

Introduction

SAFCOL's enterprise-wide risk management (ERM) system is based on ISO31000 principles. (See www.iso.org for more details)

Risk management is embedded and integrated in the strategy process, the execution of significant transactions, as well as the delivery of products and services from conception to delivery.

The risk management process includes the gathering and analysis of information in order to anticipate, respond to, and align emerging risks and opportunities to inform strategic and operational decisions.

Role of the Board and EXCO in risk management

The Board is ultimately responsible for risk governance and has implemented an effective system of internal controls to detect and prevent losses including potential reputational damage.

The Board is supported by the ARMC in overseeing risk governance. It should be noted that all other Board committees also play a role in the integrated risk management process.

A clearly documented delegation of authority is in place to ensure effective decision making and transparency within the organisation.

The EXCO is responsible for the implementation of risk governance processes and reports to the Board accordingly. In line with this mandate, the EXCO has appointed competent persons to implement policies and procedures to monitor high-risk areas.

SAFCOL's approach to risk management

We use a combination of a top-down and bottom-up approach to risk management, and utilise our business units' risk assessments to develop the Group risk profile.



Internal Audit

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

The internal audit coverage plan is based on the results of the Group-wide risk assessment and the approved company strategy. The coverage plan is updated annually and takes into account risk assessments, internal and external emerging strategic issues and the results of audits performed. This ensures that the audit coverage focusses on identified risks.

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

Internal Audit function achieved 78% of the coverage plan for the year, 22% has been cancelled as per management's request and approval from the Audit and Risk Management Committee. The scope of audits was to test for effectiveness and adequacy of the system of internal controls to manage and/or mitigate risk exposures. Corrective action plans were designed by management in order to improve control weaknesses identified by Internal Audit.

Forensic investigations

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

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

Investigations conducted during the year

During the 2016/17 financial year, 11 fraud related investigations were recorded in the fraud register. There has been a decrease in the number of reported cases in the current year compared to the previous year (down from 20 to 11). A fraud investigation procedure and whistle-blowing policy have been communicated to all employees.



Outcome of Investigations

No of cases	Outcomes
2	Internal disciplinary hearing conducted
1	Resignation
3	Investigation revealed no transgression
1	Disciplinary enquiry is underway
4	Investigation still underway

Quarterly Risk Reviews

All business units dedicate resources at least once a quarter to formally assess the internal control environment and address specific risks. This ensures that risks are mitigated at the appropriate levels of management throughout the Group.

Annual Risk Reviews

At least once a year, Executive Management and the Board undertake a rigorous strategic planning process, which includes the identification of risks and opportunities, as well as assigning responsibilities for mitigation, reporting and monitoring of risks.

Outlook

- Evolve and further embed the ERM system;
- Embed the standardisation of compliance terminology, framework, methodology and approaches;
- Implement Management Information System;
- Focus on emerging risks and opportunities in terms of strategic risk initiatives across the business;
- Embed Insurance policies and procedures;
- Embed Fraud Risk Management; and
- Develop a Fraud and Corruption Policy.



This is the report of the Audit and Risk Management Committee for the year ended 31 March 2017

Audit and Risk Management Committee's Terms of Reference

The Committee has conducted its affairs in compliance with the Board's approved terms of reference, and had discharged its responsibilities in accordance with the terms of reference, the PFMA, the National Treasury regulations and King III Code of Corporate Governance.

Audit and Risk Management Committee Members, Meeting Attendance and Assessment

The Audit and Risk Management Committee is independent and consists of three non-executive directors. It meets at least four times per year, as per its terms of reference. The Group Chief Executive Officer, Group Chief Financial Officer, Chief Audit Executive, Chief Risk Officer, the external auditors, and other assurance providers (legal, compliance, health and safety) attend meetings by invitation only. The purpose of the Risk and Audit Management Committee in addition to its statutory responsibility to the governing authority is to assist the Board in fulfilling its oversight responsibility regards integrated reporting, the system of internal control, the governance of risk, internal and external audit functions and process for monitoring statutory and regulatory compliance.

The Effectiveness of Internal Control

In execution of its duties during the past financial year, the Audit and Risk Management Committee has:

- Discussed and satisfied itself on the resolution of all significant issues raised by both internal and external auditors;
- Satisfied itself on the effectiveness of internal controls including the assurance received from management, internal auditors and external auditors;
- Reviewed the Annual Financial Statements and recommended the statements to the Board for approval;
- Reviewed the Group's policies and procedures for preventing, detecting and investigating fraud;
- Reviewed Group's compliance with significant legal and regulatory provisions;
- Reviewed reported cases of employee conflict of interest, misconduct or fraud, or any other unethical activity by employees of the group;
- Reviewed controls over significant financial and operational risks;
- Reviewed and acted on any other relevant matters referred to it by the Board;
- Reviewed the validity, accuracy, reliability and completeness of financial information provided by Management and other users of such information;
- Made recommendations to the Board regarding corrective actions to be taken as a consequence of audit findings;
- Received and dealt with concerns and complaints through the 'whistleblowing' mechanism, which were reported to the Committee by the Internal Audit function;
- Oversaw and approved the Quarterly Reports and Integrated Reporting;

- Ensured that a combined assurance model is applied, in order to provide a co-ordinated approach to all assurance activities;
- Satisfied itself of the expertise, resources and experience of the company's finance function;
- Assessed the effectiveness of the control environment through the use of assurance providers such as internal audit, external auditors and other independent assurance providers; and
- Where weaknesses were identified in internal controls, corrective actions were taken to eliminate or reduce the risks.

Internal Audit and Risk Function Unit

The Internal Audit unit reports directly to the Audit and Risk Management Committee and the Board. In line with the Internal Audit Unit the Committee has:

- i. Reviewed and recommended the Internal Audit Charter as updated with minor changes;
- ii. Evaluated the independence, effectiveness and performance of the function and compliance to its mandate;
- iii. Considered and satisfied itself that Internal Audit has the necessary resources and budget;
- iv. Approved the Internal Audit Plan; and
- v. Approved the Enterprise Risk Management Framework.

Audit Opinion

In becoming aware of challenges in SCM, the Company engaged an independent service provider to quantify the Irregular Expenditure (IE) and for the Board to consider condoning the IE. We note the qualified audit opinion, however SAFCOL still intends to engage the Auditor General (AG) regarding the opinion.



Ms. CPM Ngwenya
Chairperson of the Audit and Risk Management Committee.

Remuneration

Overview

The strategic aim of the SAFCOL Reward and Remuneration Policy is to provide guidelines for implementing processes and practices required to attract and retain competent, well-motivated and committed employees who will support the achievement of the company's objectives. The Reward and Remuneration Policy is aligned with SAFCOL's strategic direction and focuses on building a culture of excellence.

The Reward and Remuneration Policy is further aimed at attracting and retaining employees with critical and core skills, since the loss of these employees is costly to the company in terms of recruitment, training and development of new employees, and the loss of intellectual knowledge, experience and organisational memory suffered when employees leave.

Remuneration Philosophy

The Remuneration philosophy reflects SAFCOL's commitment to ensure that an appropriate balance is achieved between the interests of stakeholders, operational and strategic requirements, and to be compliant with best practice in the areas of remuneration, retention, recognition and reward in an effort to attract and retain superior-performing employees.

Components of Remuneration

SAFCOL's remuneration principles are based on:

- Pay levels that are competitive and comparative to the labour market;
- Pay for consistent performance, where superior-performance is valued and recognised;
- Fairness, consistency, transparency and internal equity;
- Rewards for individuals for the achievement of SAFCOL objectives and high levels of performance;
- Prudent attraction and retention tools that do not compromise the sustainability of SAFCOL; and
- Remuneration that is aligned with the Forestry Industry, SOCs and associated industries to ensure external equity.

The priorities for 2017/18 will be to develop an Executive Guaranteed Reward and Remuneration Policy which will regulate and provide guidelines in respect of executive remuneration and pay structures to guide the Board in making decisions on executive remuneration and incentives.



Performance Management

SAFCOL's Performance Management System enables the translation of the company's strategic priorities into performance measures for teams and individual employees and enables employees to understand how their daily work contributes to the achievement of strategic objectives.

During the 2016/17 financial year, employees contracted for the 2016/17 and 2017/18 financial year with the intention to ensure alignment of employees' performance agreements to the Corporate Plan and Shareholder's Compact short- to medium-term priorities and targets for each employee to see how their short-term contributions add value to the company's medium-term objectives.

The priorities for 2017/18 will be to review the performance management policy and processes to improve monitoring of performance throughout the year and the implementation of an ICT-based performance management system that will contribute to streamlined performance processes and monitoring.

Executive Committee Members' and Directors' Remuneration

Executive Committee Members' Remuneration			
Category and Position	Apr 2016 - Mar 2017		
	Salary (R)	Retirement Fund & Other contributions	2016/17 Total (R)
S Baduza ^{A B} Acting Chief Financial Officer Acting Period - 01 Apr 2016 to 31 Aug 2016	755 843	0	755 843
T Jacobs ^C Acting Senior Executive Human Capital Acting Period - 01 Apr 2016 to 31 July 2016 Acting Period - 01 Nov 2016 to 31 Mar 2017	85 416	0	85 416
T Pillay Chief Financial Officer	1 181 155	97 468	1 278 623
A Nkosi ^B Acting Senior Executive Human Capital Acting Period - 01 Aug 2016 to 31 Oct 2016	28 472	0	28 472
K Mokobane ^C Acting Chief Operating Officer Acting Period - 01 Jun 2016 - 31 Mar 2017	166 677	0	166 677
DJ Mbulaheni ^B Acting Chief Operating Officer Acting Period - 01 Apr 2016 to 31 May 2016	39 062	0	39 062
GC Theron ^{A C} Acting CEO effective from 15 December 2015 to date	1 995 000	0	1 995 000

A - Current Board Member

B - Acting Period

C - Currently Acting

Former Executive Committee Members Remuneration

Category and Position	Apr 2016 - Mar 2017		
	Salary (R)	Retirement Fund & Other contributions	2016/17 Total (R)
N Mona ^{D D1} Chief Executive Officer Termination Date - 15 December 2015	997 500	0	997 500
J Mphafudi ^{D D1} SE: HCM & Transformation Termination Date - 14 March 2016	426 666	23 016	449 681

D - Notice Payment

D 1 - Terminated

Important Note - Ms N Mona and J Mphafudi are the only two Executive Committee Members who received lumpsum payments resulting from termination of service.

Current Non-Executive Directors Fees

Category and Position	Apr 2016 - Mar 2017		
	Salary (R)	Retirement Fund & Other contributions	2016/17 Total (R)
RL Mabece	795 372	0	795 372
S Baduza	161 727	0	161 727
MJ Rachidi	350 426	0	350 426
N Carrim ^E	91 527	0	91 527
PM Mahlangu	270 775	0	270 775
PE Molokwane	319 238	0	319 238
CPM Ngwenya	366 378	0	366 378
SM Mnguni ^F	438 307	0	438 307

E - Former Board Member

F - Board Member received Lumpsum back pay in March 2017

Non-Executive Directors Important Note -There is no further information to report in the period under review as it relates to former Non-Executive Directors, as a result of Non-Executive Director's changes in August 2015.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

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 year 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 consolidated 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 judgments and estimates.

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 year to 31 March 2018 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Directors' Responsibilities and Approval

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 118 to 122. The consolidated annual financial statements set out on pages 118 to 122, which have been prepared on the going concern basis, were approved by the board on 31 August 2017 and were signed on their behalf by:

Approval of financial statements

RL Mabece



.....
Chairperson

GC Theron



.....
Acting Chief Executive Officer

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Company Secretary Certificate

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.



.....
L Matshidiso (Interim Company Secretary)



Report on the audit of the consolidated and separate financial statements

Qualified Opinion

1. I have audited the consolidated and separate financial statements of the South African Forestry Company SOC Ltd (SAFCOL) and its subsidiaries (the group) set out on pages 120 to 191, which comprise the consolidated and separate statement of financial position as at 31 March 2017, and 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 effects of the matter described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of SAFCOL as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (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.71 of 2008).

Basis for qualified opinion

Irregular expenditure

3. The public entity did not record all irregular expenditure incurred during the financial year in the notes to the annual financial statements, as required by section 55(2)(b)(i) of the PFMA, which resulted in irregular expenditure of R270.2 million and R32 million disclosed in note 36 to the consolidated and separate financial statements being understated by R108.4 million and R30.9 million respectively.
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 my report.
5. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with 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 code.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 37 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2017.

Responsibilities of the board of directors which constitutes 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 Companies Act, 2008 of South Africa 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 entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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 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 the 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 the auditor's report.

Report on the audit of the annual performance report

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 public entity. I have not evaluated the completeness and appropriateness of the performance indicators 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 public entity for the year ended 31 March 2017:

Objectives	Pages in the annual performance report
Objective 1 – Financial and Commercial Sustainability	54 - 58
Objective 2 – Sustainable Forest Management and Expansion	66 - 71
Objective 4 – Socio economic transformation	73 - 79

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:

Objective 4 – Socio economic transformation

Reported achievement not supported by sufficient appropriate audit evidence

Indicator: B-BBEE spend on marginalised group: disabled owned suppliers

18. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 0.18%. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 0.18%

Indicator: B-BBEE spend on marginalised group: Youth owned suppliers

19. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 2%. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 2%.

Indicator: Total Direct Jobs

20. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 2 414. This was due to limitations placed on the scope of our work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 2 414

Indicator: Black Women Owned Suppliers

21. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 14%. This was due to limitations placed on the scope of our work. I was unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement of 14%

Indicator: Local Content

22. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 50%. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 50%

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

- Objective 1 – Financial and Commercial Sustainability
- Objective 2 – Sustainable Forest Management and Expansion

Other matters

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

Achievement of planned targets

25. Refer to the annual performance report on pages 60 to 64 for information on the achievement of planned targets for the year and explanations provided for the under achievement of targets.



Adjustment of material misstatements

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Objective 1 – Financial and Commercial Sustainability. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information on Objective 1 – Financial and Commercial Sustainability.

Report on audit of compliance with legislation

Introduction and scope

27. 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 entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

28. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements, performance and annual report

29. The consolidated and separate financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 55(1) (a) and (b) of the PFMA and section 29(1)(a) of the Companies Act.

30. Material misstatements of irregular expenditure and related parties in the consolidated and separate financial statements identified by the auditors were corrected and the supporting records were provided subsequently.

31. Further, material misstatement of the cash flow statement of the separate financial statements and material misstatements of biological assets, property plant and equipment, cost of sales, fair value adjustments, operating expenditure and commitments in the consolidated financial statements, identified by the auditors were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements resulted in the consolidated and separate financial statements receiving a qualified audit opinion.

Expenditure management

32. Effective steps were not taken to prevent irregular expenditure, as required by section 51(1) (b) (ii) of the PFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph.

33. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R0.2 million, as disclosed in note 39 to the annual financial statements, in contravention of section 51(1)(b)(ii) of the PFMA.

Asset management

34. Proper control systems to safeguard and maintain assets were not implemented, as required by sections 50(1) (a) and 51(1) (c) of the PFMA as there was no approved asset management policy in place.

Procurement and contract management

35. Goods, works or service 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.

36. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by Preferential Procurement Regulation 9(1), consequently, commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by Preferential Procurement Regulation 9(1).

Other information

37. The South African Forestry Company SOC Limited and its subsidiaries' accounting authority are responsible for the other information. The other information comprises the information included in the integrated report which includes the director's 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 thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

38. 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.

39. 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. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

40. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

41. 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 performance report as well as to prevent and detect non-compliance with legislation.

Financial and performance management

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

43. 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 submitted for audit

Auditor - General

.....
Pretoria - 31 August 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

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.

Financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in the 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 South African Forestry Company SOC Limited 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 the auditor’s report. However, future events or conditions may cause a entity to cease to continue 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.

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 here applicable, related safeguards.



Financial statements

South African Forestry Company SOC Limited and its subsidiaries

Registration number 1992/005427/30

Consolidated Annual Financial Statements for the year ended 31 March 2017

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Development in the long term of the South African forestry industry and the optimising of its assets and land value
Directors	MJ Rachidi PE Molokwane PM Mahlangu RL Mabece S Baduza SM Mnguni CPM Ngwenya GC Theron T Pillay
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 of South Africa
Company Secretary	L Matshidiso (Interim)



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Statement of Financial Position as at 31 March 2017

	Note(s)	Group		Company	
		2017 R '000	Restated 2016 R '000	2017 R '000	Restated 2016 R '000
Assets					
Non-Current Assets					
Biological assets	3	3 440 844	3 508 701	-	-
Property, plant and equipment	4&42	221 828	254 069	1 955	2 178
Intangible assets	5	27 589	39 426	27 589	39 426
Other financial assets	6	2 829	2 053	2 186	1 410
Deferred tax	7	108 203	95 550	65 476	69 151
Retirement benefit ilstet	8	178	177	3	3
		3 801 471	3 899 976	97 209	112 168
Current Assets					
Inventories	9	57 623	68 299	153	198
Loans to group companies	10	-	-	300 165	293 857
Current tax receivable		44	46 485		
Trade and other receivables	11	239 156	122 161	2 823	5 115
Biological Assets	3	396 092	336 359		
Cash and cash equivalents	12	234 529	208 016	211 757	177 497
		927 444	781 320	514 898	476 667
Non-current assets held for sale	13&42	9108	9108		
Total Assets		4 738 023	4 690 404	612 107	588 835
Equity and Liabilities					
Equity					
Share capital	15	318 013	318 013	318 013	318 013
Reserves		18 337	541 18	129 043	129 043
Retained income	42	3 009 726	2 895 289	66 983	57 739
		3 346 076	3 267 420	514 039	504 795
Liabilities					
Non-Current Liabilities					
Finance lease liabilities	20	35011	50 785	-	-
Deferred tax	7	1 111 036	1 115 998	-	-
		1 146 047	1 166 783	-	-
Current Liabilities					
Current tax payable		304	-	-	-
Finance lease liabilities	20	20 237	20 687	-	-
Trade and other payables	21&42	211 197	231 701	98 068	84 040
Provisions	22	14 162	3 813	-	-
		245 900	256 201	98 068	84 040
Total Liabilities		1 391 947	1 422 984	98 068	84 040
Total Equity and Liabiliteis		4 738 023	4 690 404	612 107	588 835

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	Group		Company	
		2017 R '000	Restated 2016 R '000	2017 R '000	Restated 2016 R '000
Revenue	24	1 013 769	891 914	-	318
Cost of sales	25	(935 911)	(763 535)	-	-
Gross profit		77 858	128 379	-	318
Other operating income		44 739	16 612	141 446	77 701
Other operating expenses		(783 729)	(846 025)	(134 553)	(204 266)
Operating profit / (loss)	26	(661 132)	(701 034)	6 893	(126 247)
Investment income	27	12 759	12 632	11 003	12 100
Finance costs	28	(5 963)	(6 445)	(4 978)	(3 674)
Fair value adjustments	29	778 406	604 094	-	-
Profit / (loss) before taxation		124 070	(90 753)	12 918	(117 821)
Taxation	30	(9 633)	47 758	(3 674)	47 572
Profit / (loss) for the year		114 437	(42 995)	9 244	(70 249)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains on property revaluation		-	6 546	-	-
Tax on gain on property revaluations		-	(1 509)	-	-
Total items that will not be reclassified to profit or loss		-	5 037	-	-
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(35 781)	(13 254)	-	-
Other comprehensive income for the year net of taxation		(35 781)	(8 217)	-	-
Total comprehensive income / (loss) for the year		78 656	(51 212)	9 244	(70 249)

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Statement of Changes in Equity

	Share capital	Foreign	Retirement	Revaluation	Other NDR	Total reserves	Retained	Total equity
	R '000	currency translation reserve R '000	fund reserve R '000	reserve R '000	R '000	R '000	income R '000	R '000
Group								
Opening balance as previously reported	318 013	(67 656)	64 000	948	64 374	61 666	2 912 171	3 291 850
Prior year adjustments	-	-	-	-	-	-	26 114	26 114
Balance at 01 April 2015 as restated	318 013	(67 656)	64 000	948	64 374	61 666	2 938 284	3 317 963
Loss for the year	-	-	-	-	-	-	(42 995)	(42 995)
Other comprehensive income	-	(13 254)	-	5 037	-	(8 217)	-	(8 217)
Total comprehensive loss for the year	-	(13 254)	-	5 037	-	(8 217)	(42 995)	(51 212)
Asset adjustment	-	-	-	-	669	669	-	669
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	-	669	669	-	669
Balance at 01 April 2016	318 013	(80 910)	64 000	5 985	65 043	54 118	2 895 289	3 267 420
Profit for the year	-	-	-	-	-	-	114 437	114 437
Other comprehensive income	-	(35 781)	-	-	-	(35 781)	-	(35 781)
Total comprehensive income for the year	-	(35 781)	-	-	-	(35 781)	114 437	78 656
Balance at 31 March 2017	318 013	(116 691)	64 000	5 985	65 043	18 337	3 009 726	33 460 761
Note(s)	15	16	17	18	19			

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Statement of Changes in Equity

Company	Share capital	Foreign currency translation reserve	Retirement fund reserve	Revaluation reserve	Other NDR	Total reserves	Retained income	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Balance at 01 April 2015	318 013	-	64 000	-	64 374	128 374	127 988	574 375
Loss for the year	-	-	-	-	-	-	(70 249)	(70 249)
Total comprehensive Loss for the year	-	-	-	-	-	-	(70 249)	(70 249)
Asset adjustment	-	-	-	-	669	669	-	669
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	-	669	669	-	669
Balance at 01 April 2016	318 013	-	64 000	-	65 043	129 043	57 739	504 795
Profit for the year	-	-	-	-	-	-	9 244	9 244
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-	9 244	9 244
Balance at 31 March 2017	318 013	-	64 000	-	65 043	129 043	66 983	514 039
	15	16	17	18	19			



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Statement of Cash Flows

	Note(s)	Group		Company	
		2017 R '000	Restated 2016 R '000	2017 R '000	Restated 2016 R '000
Cash flows from operating activities					
Cash generated from / (used in) operations	31	33 081	(58 517)	35 675	(95 943)
Interest income		12 758	12 632	11 002	12 100
Dividend income		1		1	
Finance costs		(5 963)	(6 445)	(4 978)	(3 674)
Tax received / (paid)	32	19 502	(5 670)		
Net cash from operating activities		59 379	(58 000)	41 700	(87 517)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(15 403)	(48 998)	(356)	(707)
Sale of property, plant and equipment	4		(1 549)		
Loans to group companies repaid				(6 308)	(971)
Purchase of financial assets		(778)	87	(776)	87
Increase in non-current asset held for sale			6 546		
Net cash from investing activities		(16 181)	(43 914)	(7 440)	(1 591)
Cash flows from financing activities					
Finance lease payments		(16 224)	16 636		
Total cash movement for the year		26 974	(85 278)	34 260	(89 108)
Cash at the beginning of the year		208 016	293 294	177 497	266 605
Effect of movement in exchange rates on cash		(461)			
Total cash at end of the year	12	234 529	208 016	211 757	177 497

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

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 Statement of compliance

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods commencing on 1 April 2014.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.2 Consolidation

Basis of consolidation

Subsidiaries

The consolidated Annual Financial Statements incorporate the financial statements of the company and its subsidiaries. The company controls an entity if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

Subsidiaries are consolidated from the date on which effective control (power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns) is transferred to the Group and consolidation ceases from the date of disposal or the date on which control ceases. All inter company transactions, balances and unrealised surpluses and deficits on transactions between Group entities are eliminated.

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

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty

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

Key sources of estimation uncertainty

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.

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:

i. Current market prices

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

ii. 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; and
- The nominal planted area is derived from the core forestry management systems.



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

iii. Volume adjustment factor

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

iv. Rotation

The Group manages its plantation crop mainly on a 30 year rotation for saw log production.

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

vi. 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; and
- Inflation assumptions which have been adjusted to incorporate the market view at the valuation date.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in Note 22 –Provisions.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

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. 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.

All expenses incurred in maintaining and protecting the assets are recognised in the statement of profit or loss and other comprehensive income. All costs incurred in acquiring additional planted areas are capitalised.

1.5 Investment property

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

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

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

Subsequent to the initial recognition, investment properties are stated at cost less accumulated depreciation less any accumulated impairment losses.

Depreciation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each item of investment property from when it is available to operate as intended by management. Land is not depreciated.

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



Accounting Policies

1.6 Property, plant and equipment

Owned Assets

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

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

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.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

Depreciation

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

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

Item	Depreciation method	Average 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

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.7 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.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.8 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses' line item.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

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



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Other receivables constitute 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-organisation, and default, or delinquency in payments, are considered indicators that the trade receivable is impaired.

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

Trade and other payables

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

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

Cash and cash equivalents

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

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

Bank overdraft and borrowings

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

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

1.9 Tax

Current tax

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

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

Deferred tax

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



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

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.

Tax expenses

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

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

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

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

Indirect taxes

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

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

1.10 Leases

Initial Recognition

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

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

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 so as to produce a constant periodic rate on the remaining balance of the liability.



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.11 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

Cost is determined on the following bases:

- Finished goods and work-in-progress comprises raw material, direct labour, other direct costs and related production overheads incurred in bringing the inventories to their present location and condition, calculated on the weighted average basis, based on the normal capacity for the period to eliminate the effect of changes in log distribution. Included in finished goods and work-in-progress inventories are sawn timber, lumber and seedlings;
- Raw materials are valued at landed cost on the weighted average basis; and
- Consumable stores are valued at cost on the weighted average basis.

1.12 Non-current assets held for sale

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

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

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



Accounting Policies

1.13 Impairment of non-financial assets

The carrying amounts of the Group's tangible and intangible assets are assessed at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated as the higher of the fair value less costs to sell and value in use of the asset. Value in use is estimated based on the expected future cash flows, discounted to their present values using a discount rate that reflects forecast market assessments over the estimated useful life of the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is calculated. Where an asset or a cash-generating unit's recoverable amount has declined below the carrying amount, the decline is recognised as an expense.

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

1.14 Share capital and equity

Ordinary shares are classified as equity.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

Defined contribution plans

The SAFCOL Provident Fund is a defined contribution plan is a pension 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.

Defined benefit plans

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

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

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

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

Termination benefits

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

Accounting Policies

Bonus plans

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

1.16 Provisions and contingencies

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

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

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

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

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. Contingent assets and contingent liabilities are not recognised.

Contingencies are disclosed in note 35.



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.17 Revenue

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

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

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

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

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

Sales of Goods

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

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

Sales of Services

Where the company charges management services to its subsidiaries, the fees are eliminated on consolidation level. 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.

Accounting Policies

1.18 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; and
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of 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.

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.



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.19 Translation of foreign currencies

Functional and presentation currency

Items included in the consolidated Annual Financial Statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated Annual Financial Statements are presented in rand which is the Group's functional and presentation currency.

Foreign currency transactions

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

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

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

Investments in subsidiaries

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

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

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

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

1.20 Reserves

Non-distributable reserves

Foreign Currency Translation Reserve

If the functional currency of a subsidiary is different to the presentation currency of the Group, the net effect of translating to the presentation currency is allocated to the foreign currency translation reserve. Items are translated at the Group's financial year-end in accordance with section 1.19 Translation of foreign currencies.

Revaluation Reserve

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

Distributable reserves

Retirement Fund Reserve

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

Capital Profit Reserve

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

1.21 Post balance sheet events

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



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Accounting Policies

1.22 Comparative figures

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

1.23 Related Party

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

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

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

1.24 PFMA Reportable Expenditure

In terms of section 55(2)(b)(i) of the Public Finance Management Act of 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 its 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.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000
2. New Standards and Interpretations				
2.1 Standards, amendments and interpretations effective in 2017 and relevant to the Group's operations				
Standard/ Interpretation:			Effective date:	
			Years beginning on or after	
<ul style="list-style-type: none"> Amendment to IAS 27: Equity Method in Separate Financial Statements Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project Amendment to IAS 19: Employee Benefits: Annual Improvements project Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements 			01 January 2016	01 January 2016
2.2 Standards, amendments and interpretations effective in 2017, but not relevant to the Group's operations				
Standard/ Interpretation			Effective date:	
			Years beginning on or after	
<ul style="list-style-type: none"> Amendments to IFRS 11: Joint arrangements Amendments to IAS 16: Property, plant and equipment and IAS 41: Agriculture: Bearer plant Amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Associates and joint ventures Amendments to IFRS 14: Regulatory deferral accounts IFRS 7: Financial Instruments: Disclosures: Annual Improvements 2012-2014 Cycle IAS 34: Interim financial reporting: Annual Improvements 2012- 2014 Cycle Amendment to IAS 16: Property, plant and equipment and IAS 38: Intangible assets: Depreciation and amortisation Amendments to IAS 16: Property, plant and equipment and IAS 41: Agriculture: Bearer plants IFRS 12: Disclosure of Interests in Other Entities and IAS 28: Investments in associates and joint ventures 			01 January 2016	01 January 2016
2.3 Standards, amendments and interpretations applicable to the Group's operations, but not yet effective and have not been early adopted by the Group				
Standard/ Interpretation			Effective date:	
			Years beginning on or after	
<ul style="list-style-type: none"> Amendments to IFRS 9: Financial Instruments: General hedge accounting IFRIC 22: Foreign Currency Transactions and advance consideration IFRS 16 Leases IFRS 9 Financial Instruments IFRS 15 Revenue from Contracts with Customers Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers Amendments to IAS 7: Disclosure initiative Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses 			01 January 2018	01 January 2017

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000
2.4 Amendments and Interpretations issued, but not yet effective and not relevant to the Group's operations				
Standard/ Interpretation			Effective date:	Years beginning on or after
• IFRS 1: First Time Adoption of IFRS:Annual Improvements 2016 Cycle				01 January 2018
• IFRS 12: Disclosure of Interests in Other Entities: Annual Improvements 2014-2016 Cycle				01 January 2018
• Amendments to IAS 40: Investment Property: Transfer of property				01 January 2018
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture				01 January 2018
• Amendments to IFRS 2: Classification and Measurement of Share - 8 based Payment Transactions				01 January 2018
• Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts				01 January 2018

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

3. Biological assets

Group	2017			2016		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Plantations	3 836 936	-	3 836 936	3 845 060	-	3 845 060

Fair value hierarchy of biological assets

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

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

Reconciliation of biological assets measured at level 3	2017	2016
Biological assets		
Carrying value at the beginning of the period	3 845 060	3 823 329
Volumes- Growth / Mean Annual Increment (MAI)	(64 165)	64 776
Prices	1 176 364	809 201
Costs	(728 705)	(546 743)
Discount rate	(391 618)	(302 729)
Adjustment		(2 774)
	3 836 936	3 845 060

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

- The market prices per cubic metre based on market expectations per log class;
- Activity costs from the operating statements of plantations for the past period;
- Plantation areas of 137 960 ha {2016 :137,998 ha) for the Group and 0 ha (2016: 0 ha) for the Company. The plantation areas include 16.57 hectares: of Kamhlabane Timber SOC Limited;
- During the year the Group harvested approximately 1,467,569 m³ (2016:1,317,644 m³), which had a fair value less costs to sell of R 610 (2016:R 582) per cubic metre at the date of harvest;
- Physical statistics in accordance with the plantation management system. These statistics are affected by the impact of fires, enumeration updates and product optimisation;
- Discount rate determined based on a current market-based rate, which is pre-tax real discount rate. Rate used: Komatiland;
- Forests SOC Limited:12.11% (2016 :10.80%),IFLOMA:19.77% (2016:16.57%); and
- The valuations were performed by an independent external forestry economist.



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

3. Biological assets (continued)

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

Sensitivity Analysis	Valuation R '000	Effect of % change R '000
Valuation as at 31 March 2017	3 839 936	-
10% increase in log prices	2 954 954	(881 983)
10% increase in overhead costs	3 652 901	(184 036)
10% increase in the discount rate	3 553 157	(283 780)
10% increase in volumes	4 756 750	919 813
	-	-
Split between current and non current portion	2017	2016
Non-current assets	3 440 844	3 508 701
Current assets	396 092	336 359
	3 836 936	3 845 060
Reconciliation of Biological Assets	2011	2016
Opening balance	3 845 060	3 823 329
Sales / harvested at current NSV	(812 020)	(537 068)
Standing Sales / harvested at current NSV	(36)	-
Valuation adjustment	(26 348)	537 068
Growth at current NSV	830 280	21 731
	3 836 936	3 845 060
Reconciliation of Biological Assets	2017	2016
Opening balance	3 845 060	3 823 329
Fair valuation adjustment	778 406	604 094
Sales harvested	(786 530)	(582 363)
	3 836 936	3 845 060

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

4. Property, plant and equipment

Group	2017			2016		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	2 481	-	2 481	2 481	-	2 481
Buildings and utilities	33 210	(15 367)	17 843	34 327	(14 867)	19 460
Leasehold improvements: Buildings and utilities	16 867	(4 606)	12 261	16 781	(3 942)	12 839
Plant and machinery	253 668	(153 592)	100 076	250 008	(130 475)	119 533
Furniture and fixtures	725	(495)	230	669	(417)	252
Motor vehicles	147 250	(99 049)	48 201	149 577	(89 859)	59 718
Computer equipment	20 772	(12 848)	7 924	19 126	(9 890)	9 236
Leasehold improvements: Roads	20 481	(4 638)	15 843	16 737	(3 717)	13 020
Leasehold improvements:	21 893	(6 386)	15 507	21 893	(4 630)	17 263
Telephones lines and fences	-	-	-	-	-	-
Capital work in progress	1 462	-	1 462	267	-	267
Total	518 809	(296 981)	221 828	511 866	(257 797)	254 069

Company	2017			2016		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Buildings	282	(4)	278	-	-	-
Leasehold improvements: Buildings and utilites	99	(46)	53	69	(42)	27
Plant and machinery	49	(7)	42	49	(1)	48
Furniture and fixtures	150	(61)	89	140	(46)	94
Motor vehicles	2 429	(1 935)	494	2 429	(1 705)	724
Computer equipment	3 356	(2 357)	999	3 323	(2 038)	1 285
Total	6 365	(4 410)	1 955	6 010	(3 832)	2 178

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

Reconciliation of property, plant and equipment - Group - 2017

	Opening balance	Additions	Other changes, movements	Depreciation	Impairment loss	Total
Land	2 481	-	-	-	-	2 481
Buildings	19 460	282	(463)	(1 436)	-	17 843
Leasehold improvements: Buildings and utilities	12 839	87	-	(665)	-	12 261
Plant and machinery	119 533	7 670	(962)	(24 462)	(1 703)	100 076
Furniture and fixtures	252	57	-	(79)	-	230
Motor vehicles	59 718	642	-	(12 159)	-	48 201
Computer equipment	9 236	1 645	-	(2 957)	-	7 924
Leasehold improvements: Roads	13 020	3 744	-	(921)	-	15 843
Leasehold improvements: Telephone lines and fences	17 263	-	-	(1 756)	-	15 507
Capital- Work in progress	267	1 276	(81)	-	-	1 462
	254 069	15 403	(1 506)	(44 435)	(1 703)	221 828

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions	Classified as held for sale	Other changes	Depreciation	Impairment loss	Total
Land	4 030	-	(1 549)	-	-	-	2 481
Buildings	26 796	1 098	-	(6 143)	(2 291)	-	19 460
Leasehold improvements: Buildings and utilities	13 285	109	-	327	(867)	(15)	12 839
Plant and machinery	76 662	31 683	(189)	33 351	(19 349)	(2 625)	119 533
Furniture and fixtures	2 377	4 838	-	(4 789)	(2 174)	-	252
Motor vehicles	65 281	4 349	(988)	3 846	(10 144)	(2 626)	59 718
Computer equipment	9 012	4 408	-	(218)	(3 966)	-	9 236
Leasehold improvements: Roads	11 319	2 513	-	(146)	(666)	-	13 020
Leasehold improvements: Telephone lines and fences	16 753	-	-	3 979	(3 469)	-	17 263
Capital - Work in progress	192	-	-	75	-	-	267
	225 707	48 998	(2 726)	30 282	(42 926)	(5 266)	254 069



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

Reconciliation of property, plant and equipment - Company - 2017

	Opening balance	Additions	Depreciation	Total
Buildings	-	282	(4)	278
Leasehold improvements:Buildings and utilities	27	31	(5)	53
Plant and machinery	48	-	(6)	42
Furniture and fixtures	94	10	(15)	89
Motor vehicles	724	-	(230)	494
Computer equipment	1 285	33	(319)	999
	2 178	356	(579)	1 955

Reconciliation of property, plant and equipment - Company- 2016

	Opening balance	Additions	Other changes	Depreciation	Total
Leasehold improvements:Buildings and utilities	36	109	(107)	(11)	27
Plant and machinery	21	145	(95)	(23)	48
Furniture and fixtures	1 945	249	(196)	(1 904)	94
Motor vehicles	1 638	183	(553)	(544)	724
Computer Equipment	1 244	-	1 690	(1 649)	1285
Leasehold improvements:Roads	-	21	(21)	-	-
	4 884	707	718	(4 131)	2 178

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.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

5. Intangible assets

Group	2017			2016		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	66 158	(38 569)	27 589	66 158	(26 732)	39 426
Company	2017			2016		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	59 202	(31 613)	27 589	59 202	(19 776)	39 426

Reconciliation of intangible assets- Group - 2017

	Opening balance	Amortisation	Total
Computer software	39 426	(11 837)	27 589

Reconciliation of intangible assets - Group - 2016

	Opening balance	Amortisation	Total
Computer software	51 267	(11 841)	39 426

Reconciliation of intangible assets- Company - 2017

	Opening balance	Amortisation	Total
Computer software	39 426	(11 837)	27 589

Reconciliation of intangible assets - Company - 2016

	Opening balance	Amortisation	Total
Computer software	51 267	(11 841)	39 426



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
6. Other financial assets				
Available-for-sale				
Investments	2 829	2 053	2 186	1 410
Non-current assets				
Available-for-sale	2 829	2 053	2 186	1 410

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	2 184	1 408	2 184	1 408
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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	643	643		
	645	645	2	2
	2 829	2 053	2 186	1 410

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000

6. Other financial assets (continued)

Reconciliation of financial assets measured at level 3

Reconciliation of financial assets measured at level 3 - Group - 2017

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

Reconciliation of financial assets measured at level 3 - Group - 2016

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

Reconciliation of financial assets measured at level 3 - Company - 2017

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

Reconciliation of financial assets measured at level 3 - Company - 2016

	Opening balance		Total	
Transvaal Wattle Growers Co-Op Agriculture Company		1		1
KAAP Agri		1		1
Available for sale		2		2
Beginning of the year	2 053	2 138	1 408	1 787
Movement for the current year	776	(85)	778	(379)
	2 829	2 053	2 186	1 408

The directors value all unlisted investments at cost.

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

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
7. Deferred tax				
The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:				
Deferred tax liability	(1 111 036)	(1 115 998)	-	-
Deferred tax asset	108 203	95 550	65 476	69 151
Total net deferred tax asset / (liability)	(1 002 833)	(1 020 448)	65 476	69 151
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(1 020 448)	(1 024 668)	69 151	21 579
Prior year under / (over) provision	1 049	(16 120)	1 049	17 039
Charged to other comprehensive income		(1 509)		
Reversing / Originating temporary differences on property, plant and equipment	(4 676)	(3 986)	(2 337)	(1 291)
Reversing / Originating temporary differences on provisions	1 755	950	98	(232)
Reversing / Originating temporary differences on other allowances	29 689	19 063	39	(365)
Reversing / Originating temporary differences on fair value	(1 548)	(6 792)	-	-
Reversing / Originating temporary differences on retirement benefit asset	-	(5)	-	9
Reversing / Originating temporary differences on borrowings	(4 543)	(4 658)	-	-
Originating temporary difference on assessed loss	(4 111)	33 556	(2 524)	32 412
Foreign exchange on deferred tax - IFLOMA		(16 279)	-	-
	(1 002 833)	(1 020 448)	65 476	69 151

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000

8. Retirement benefits

Retirement funds

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

These plans is a defined contribution funds.

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.

Non-current statement financial position

Pension and provident fund	178	177	3	3
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Statement of profit and loss and other comprehensive income

Post retirement benefits - defined contribution	21 039	20 483	337	328
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Key assumptions used

The principal actuarial assumptions used were as follows

Discount rates used	7.9%	7.8%	7.9%	7.8%
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Plan assets are comprised as follows:(SAFCOL Provident Fund)

Cash	8.14%	17.52%	8.14%	17.52%
Equity	31.40%	29.73%	31.40%	29.73%
Bonds	33.26%	34.19%	33.26%	34.10%
International	21.33%	18.56%	21.33%	18.56%
Property	5.87%		5.87%	



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
9. Inventories				
At Cost				
Raw materials	3 490	12 998	-	-
Work in progress	7 907	14 400	-	-
Finished goods	19 259	13 574		
Consumable Stores	28 316	25 383	153	198
At net realisable value				
At fair value				
Saw logs	-	4 046	-	-
	58 972	70 401	153	198
Inventories (write-downs)	(1 349)	(2 102)	-	-
	57 623	68 299	153	198

Inventory - write downs

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

No inventories were pledged as security.

10. Loans to / (from) group companies

Subsidiaries

Komatiland Forests SOC Limited	-	-	300 165	293 857
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The loan is unsecured, bears interest at prime rate and has no fixed repayment terms.

11. Trade and other receivables

Trade receivables	236 226	117 027	-	-
Prepayments	2 186	1 419	978	799
VAT	-	1 239	-	-
Provision for impairment of trade and other receivables	(11 686)	(13 487)	(33)	-
Other receivable	12 430	15 963	1 878	4 316
	239 156	122 161	2 823	5 115

Fully performing trade and other receivables

Of the trade receivables of the Group as at 31 March 2017 R236 million (2016: R117 million), R195 million (2016: R 75 million) were fully performing. Of the R12.4 million (2016: R16 million) other receivables of the Group of R1.6 million (2016: R1.7 million) were fully performing.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
Trade receivables				
Fully performing trade receivables	195 523	75 016	-	-
Fully performing other receivables	1 695	1 758	505	770
	197 218	76 774	505	770

Trade and other receivables past due but not impaired

Included in the Group's trade and other receivables are trade and other receivables with a carrying amount of R 40 million (2016 :R 42 million) and for the Company R 1.3 million (2016:R 3.5 million) which are past due at the reporting date for which the Group has not provided as there has been a significant change in the credit quality and the amounts are still considered recoverable.

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

Total trade receivables	38 276	38 079	-	-
Total other receivables	1 880	4 498	1 339	3 546
	40 156	42 577	1 339	3 546

Trade receivables

31-60 days	33 687	23 560	-	-
60-90 days	936	2 127	-	-
90-120 days	146	2 774	-	-
120-150 days	215	2 814	-	-
150+ days	3 292	6 804	-	-
	38 276	38 079	-	-

Other receivables

31-60 days	19	49	5	11
60-90 days	1 074	(106)	4	3
90-120 days	(225)	9	1	2
120-150 days	(68}	1 307	2	1 305
150+ days	1 080	3 239	1 327	2 225
	1 880	4 498	1 339	3 546

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
Trade and other receivables impaired				
As of 31 March 2017, trade and other receivables of R 11.6 million (2016:R 13.4 million-) were impaired and provided for. The amount of the provision was R 11.6 million as of 31 March 2017 (2016: R 13.4 million-).				
The ageing of these loans is as follows:				
Total impaired trade receivables	2 432	3 076	-	-
Total impaired other receivables	9 254	10 411	33	-
	11 686	13 487	33	-
Trade receivables				
90-120 days	-	1	-	-
120>-150 days	1	2	-	-
150•+ days	2 431	3 073	-	-
	2 432	3 076	-	-
Other receivables				
31-60 days	-	126	-	-
60-90 days	-	131	-	-
90-120 days	344	62	-	-
120-150 days	701	353	-	-
150•+ days	8 209	9 739	33	-
	9 254	10 411	33	-
Reconciliation of provision for impairment of trade and other receivables				
Opening balance	(13 487)	(9 615)	-	-
Provision for impairment	1 742	(4 157)	(33)	-
Amounts written off as uncollectable	59	285	-	-
	(11 686)	(13 487)	(33)	-

The average credit period of the Group is 37 days (2016: 46) days. Interest is charged on trade receivables in default. The Group has provided for the majority of receivables over 150 days based on past experience, which indicates that the receivables which are past due beyond 150 days are generally not recoverable. Conditions of the debt are taken into account when classifying the debts older than 150 days. Trade receivables between 60 days and 150 days are provided for based on estimated irrecoverable amounts.

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

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

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	23 787	36 497	1 015	5 978
Short-term deposits	210 742	171 519	210 742	171 519
	234 529	208 016	211 757	177 497

13. Non-current assets held for sale

Assets and liabilities

Non-current assets held for sale

Property, plant and equipment	1 013	1 013	-	-
Investment property	8 095	8 095	-	-
	9 108	9 108	-	-



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

14. Financial assets by category

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

Group - 2017

	Loans and receivables	Available-for- sale	Total
Other financial assets		2 829	2 829
Trade and other receivables	239 156		239 156
Cash and cash equivalents	234 529		234 529
	473 685	2 829	476 514

Group - 2016

Other financial assets	-	2 053	2 053
Trade and other receivables	122 161	-	122 161
Cash and cash equivalents	208 016	-	208 016
	330 177	2 053	332 230

Company - 2017

Loans to group companies	30 0165	-	300 165
Other financial assets	-	2 186	2 186
Trade and other receivables	2 823	-	2 823
Cash and cash equivalents	211 757	-	211 757
	514 745	2 186	516 931

Company - 2016

Loans to group companies	293 857	-	293 857
Other financial assets	-	1 410	1 410
Trade and other receivables	5 115	-	5 115
Cash and cash equivalents	177 497	-	177 497
	476 469	1 410	477 879

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
15. Share capital				
Authorised				
1 500 000 000 Ordinary shares of R1 each	1 500 000	1 500 000	1 500 000	1 500 000
- unissued ordinary shares can only be issued by the passing of an ordinary resolution by the shareholder.				
Issued				
318 013 000 Ordinary shares of R1 each	318 013	318 013	318 013	318 013
16. Foreign currency translation reserve				
Foreign exchange- IFLOMA	(116 691)	(80 910)	-	-
17. Retirement fund reserve				
Lump-sum payment to retirement funds	20 000	20 000	20 000	20 000
Pension fund shortfall funded by Government	44 000	44 000	44 000	44 000
	64 000	64 000	64 000	64 000
18. Revaluation reserve				
Adjustment to net asset valuation upon corporatisation	948	948	-	-
Revaluation of Abacus property	6 509	6 509	-	-
	7 457	7 457	-	-
19. 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



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
20. Finance lease liabilities				
Minimum lease payments due				
-within one year	24 594	26 511	-	-
- in second to fifth year inclusive	39 125	58 069	-	-
	63 719	84 580	-	-
less: future finance charges	(8 471)	(13 108)	-	-
Present value of minimum lease payments	55 248	71 472	-	-
 Present value of minimum lease payments due				
-within one year	20 237	20 687	-	-
- in second to fifth year inclusive	35 011	50 785	-	-
	55 248	71 472	-	-
 Non-current liabilities	35 011	50 785	-	-
Current liabilities	20 237	20 687	-	-
	55 248	71 472	-	-

Finance lease obligations are capitalised between prime less 1.02% and prime less 0.81% (2016 : prime plus 0.39% and prime plus 0.19%). The effective interest rate prevailing at year end was 9.44% (2016:9.09% and 9.44%). These lease terms are 5 years with between 1 and 5 years (2016: 1 and 5 years) remaining. These liabilities are secured by installment sale agreements over assets with a carrying value of R55.2 million (2016 : R71.4 million). Monthly repayments are R 2.3 million (2016 : R2.3 million).

21. Trade and other payables

Trade payables	31 067	32 579	2 146	2 542
VAT	18 153	3 259	3 445	3 248
Other payables	24 535	27 899	9 990	504
Accrued leave pay	16 951	16 449	3 265	2 937
Accrued bonus	1 122	10 663	69	203
Accruals	46 252	73 074	6 036	6 828
Minority Shareholders	73 117	67 778	73 117	67 778
	211 197	231 701	98 068	84 040

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

22. Provisions

Reconciliation of provisions- Group- 2017

	Opening balance	Additions	Change in exchange rate	Total
Provisions- IFLOMA	7 607	-	(2 571)	5 036
Fines and penalties - ERP	-	4 000	-	4 000
Product Claims	2 545	2 581	-	5 126
	10 152	6 581	(2 571)	14 162

Reconciliation of provisions - Group - 2016

	Opening balance	Additions	Change in exchange rate	Total
Provisions- IFLOMA	19 159	-	(11 552)	7 607
Provision - Insurance	-	4 506	-	4 506
Product Claims	2 000	545	-	2 545
	21 159	5 051	(11 552)	14 658

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

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

23. Financial liabilities by category

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

Group- 2017

	Financial liabilities at amortised cost	Total
Trade and other payables	211 197	211 197
Finance lease obligation	55 248	55 248
	266 445	266 445

Group- 2016

	Financial liabilities at amortised cost	Total
Trade and other payables	231 701	231 701
Finance lease obligation	71 472	71 472
	303 173	303 173

Company - 2017

	Financial liabilities at amortised cost	Total
Trade and other payables	98 068	98 068

Company - 2016

	Financial liabilities at amortised cost	Total
Trade and other payables	84 040	84 040

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
24. Revenue				
Timber sales	786 756	582 050	-	-
Sawn timber sales	206 141	277 077	-	-
Other	20 872	32 787	-	318
	1 013 769	891 914	-	318
25. Cost of sales				
Harvested timber	786 529	582 324	-	-
Processing	145 393	174 810	-	-
Other	3 989	6 401	-	-
26. Operating profit / (loss)				
Operating profit / (loss) for the year is stated after charging (crediting) the following, amongst others:				
Auditor's remuneration - external				
Audit fees	4 391	5 105	3 474	3 214
Income from subsidiaries (other than investment income)				
Administration and management fees	-	-	139 886	74 284
Fees for services				
Administrative and legal services	4 570	11 778	3 798	10 324
Managerial services	315	529	808	11 461
Secretarial services	1	264	1	264
Technical services	27 982	53 058	7 934	26 534
	32 868	65 629	12 541	48 583
Employee costs				
Salaries, wages, bonuses and other benefits	265 647	276 231	55 658	61 837
Other short term costs	37 376	39 032	14 905	19 982
Retirement benefit plans: defined contribution expense	21 031	20 475	3 416	3 878
Total employee costs	324 054	335 738	73 979	85 697
Leases				
Operating lease charges				
Premises	61 771	52 537	5 014	4 147
Motor vehicles	66	-	66	-
Equipment	303	267	303	267
	62 140	52 804	5 383	4 414



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
26. Operating profit / (loss) (continued)				
Depreciation and amortisation				
Depreciation of property, plant and equipment	44 434	44 073	579	4 131
Amortisation of intangible assets	11 837	12 322	11 837	11 841
Total depreciation and amortisation	56 271	56 395	12 416	15 972
Impairment losses				
Property, plant and equipment	1 703	-	-	-
Expenses by nature				
The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:				
Internal charges and recoveries	267	(373)	347	1 084
Settlement discount received	1 940	(2 324)	-	-
Travel and accommodation	6 403	11 730	4 409	7 159
Material management	-	29 253	494	472
Forestry contractors	152 110	193 899	-	-
Other asset management	110 141	99 399	1 394	1 325
Risk management	15 241	29 870	8 458	17 034
Selling expenses*	6 294	4 589	-	926
Amounts written off and provided for	1 960	1 235	91	-
Other administrative costs	51 584	28 979	3 567	10 658
Socio and economic development	8 658	7 613	7 700	7 608
Other expenses	1 900	557	301	300
	356 498	404 427	26 761	46 566

*Included in the current year's selling expenses is BEE discounts.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
27. Investment income				
Dividend income				
From group entities:				
Associates - local	1	-	1	-
Interest income				
From loans to:				
Directors, managers and employees	77	62	4	3
From investments in financial assets:				
Bank and other cash	10 306	11 478	10 306	11 478
Other interest	2 375	1 092	457	408
From loans to group and other related parties:				
Subsidiaries	-	-	235	211
Total interest income	12 758	12 632	11 002	12 100
Total investment income	12 759	12 632	11 003	12 100
28. Finance costs				
Group		(1)	4 912	3 638
Finance leases	5 828	6 315		
Bank overdraft	53	36	53	36
Other interest	82	94	13	
Total finance costs	5 963	6 445	4 978	3 674
29. Other non-operating gains (losses)				
Fair value gains (losses)				
Biological assets	778 406	604 094	-	-

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000

30. Taxation

Major components of the taxation

Current

Current period	27 215	124	-	-
Prior period	3	(25 873)	-	-
	27 218	(25 749)	-	-

Deferred

Current period	(16 536)	(38 129)	4 723	(30 533)
Prior period	(1 049)	16 120	(1 049)	(17 039)
	(17 585)	(22 009)	3 674	(47 572)
	9 633	(47 758)	3 674	(47 572)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit /loss	124 070	(90 753)	12 918	(117 821)
Tax at the applicable tax rate of 28% (2016: 28%)	34 740	(25 411)	3 617	(32 990)

Tax effect of adjustments on taxable income

Net effect of (income)/expenses that are not (taxable)/deductible in determining taxable profit	427	3 307	1 106	2 150
Effect of different tax rate of subsidiaries operating in different jurisdictions	(25 633)	(15 928)		307
Adjustments recognised in the current year in relation to prior periods	(1 045)	(9 726)	(1 049)	(17 039)
Tax losses (utilised)/carried forward	1 144	-	-	-
	9 633	(47 758)	3 674	(47 572)

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
31. Cash generated (utilised) in operations				
Profit / (loss) before taxation	124 070	(90 753)	12 918	(117 821)
Adjustments for:				
Depreciation and amortisation	56 271	56 395	12 416	15 972
Dividend income	(1)	-	(1)	-
Interest income	(12 758)	(12 632)	(11 002)	(12 100)
Finance costs	5 963	6 445	4 978	3 674
Movement in Biological Assets	8 123	(21 769)	-	-
Impairment	1 703	-	-	-
Movements in retirement benefit assets	(1)	(18)	-	30
Movements in provisions	10 349	(17 346)	-	-
Reversal of duplicate foreign unrealised gains	(35 320)	(13 254)	-	-
Asset adjustment	1 505	(15 673)	-	(49)
Changes in working capital:				
Inventories	10 676	60 94	45	18
Trade and other receivables	(116 995)	74 437	2 292	2 991
Trade and other payables	(20 504)	(30 443)	14 029	11 342
	33 081	(58 517)	35 675	(95 943)
32. Tax refunded (paid)				
Balance at beginning of the year	46 485	23 181	-	-
Current tax for the year recognised in profit or loss	(27 243)	25 749	-	-
Balance at end of the year	260	(46 485)	-	-
	19 502	2 445	-	-

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000

33. Risk management

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

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going 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 (2016: R 0 million).

Risk management policies have been compiled and approved by the Board. The Group's risk management policies have been established to identify and analyse the risks, to set appropriate risk limits and controls, and to monitor the progress made in addressing those risks. The internal audit conducts ad hoc reviews to assess compliance with risk management policies.

The Finance and Investment Committee reviews the Group's capital structure on a quarterly basis. The gearing ratio at 2017 and 2016 respectively were as follows:

Total borrowings

Finance lease obligation	20	55 248	71 472	-	-
Total debt		55 248	71 472		
Total equity		3 346 076	3 267 420	514 039	504 795
Total capital		3 401 324	3 338 892	514 039	504 795
Gearing ratio		1,6%	2,1%	- %	-%

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
33. Risk management (continued)				
Significant accounting policies				
Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, 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	2 829	2 053	1 955	2 178
Loans to group companies- Non-interest bearing loans			300 165	294 042
Cash and cash equivalents	234 529	208 016	211 757	177 497
Trade receivables	239 156	122 161	2 823	5 115
	476 514	332 230	516 700	478 832
Financial liabilities				
Finance lease obligation	55 248	71 472		
Trade payables	211 197	231 701	98 068	84 040
Loans to group companies - Interest bearing loans				185
	266 445	303 173	98 068	84 225

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.



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000

33. Risk management (continued)

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 2017

	Carrying amount	Contractual amount	Less than 1year	2-5 years	Total
Finance lease obligation	55 248	55 248	20 237	35 011	55 248
Trade and other payables	211 197	211 197	211 197		211 197
	266 445	266 445	231 434	35 011	266 445

At 31 March 2016

Finance lease obligation	71 472	71 472	20 687	50 785	71 472
Trade and other payables	231 701	231 701	231 701		231 701
	303 173	303 173	252 388	50 785	303 173

Company

At 31 March 2017

	Carrying amount	Contractual amount	Less than 1year	2-5 years	Total
Trade and other payables	98 068	98 068	98 068	-	98 068

At 31 March 2016

	Carrying amount	Contractual amount	Less than 1year	2-5 years	Total
Trade and other payables	84 040	84 040	84 040	-	84 040

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.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

Group		Company	
2017	2016	2017	2016
R '000	R '000	R '000	R '000

33. Risk management (continued)

Credit risk

Credit risk is the risk of default by counterparties.

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

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

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

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

Cash flow interest rate risk

Cash flow interest rate risk is the risk of loss arising from changes in interest rates through higher interest payments or lower interest receipts.

The Group is exposed to interest rate risk as the Group funds working capital shortfalls and assets, and invests surplus funds from time to time. The Group utilises limited asset based finance leases to fund assets. These finance leases 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 inter company account.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000

33. Risk management (continued)

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

	Notes	Weighted average effective interest rate	Floating interest rate	Non-interest bearing	Total
Group					
Financial assets					
Other financial assets	6	4%	2 829	-	2 829
Trade and other receivables	11	- %	-	239 156	239 156
Cash and cash equivalents	12	5%	234 529	-	234 529
	-	-	237 358	239 156	476 514
Financial liabilities					
Trade and other payables	21	-%	-	(211 197)	(211 197)
Finance lease obligation	20	9%	(55 248)	-	(55 248)
		-%	182 110	27 959	210 069
As at 31 March 2017					
Financial assets			237 358	239 156	476 514
Financial liabilities			(55 248)	(211 197)	(266 445)
			182 110	27 959	210 069

	Notes	Weighted average effective interest rate	Floating interest rate	Non-interest bearing	Total
Company					
Financial assets					
Other financial assets	6	4%	1 952	-	1 952
Loans to group companies - Non-interest bearing loans	10	- %	-	300 165	300 165
Cash and cash equivalents	12	5%	211 757	-	211 757
Trade and other receivables	11	-%	-	2 823	2 823
			213 709	302 988	516 697
Financial liabilities					
Trade and other payables	21	- %	-	(98 068)	(98 068)
		-%	213 709	204 920	418 629
As at 31 March 2017					
Financial assets			213 709	302 988	516 697
Financial liabilities			-	(98 068)	(98 068)
			213 709	204 920	418 629

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000

33. Risk management (continued)

Sensitivity analysis for variable rate instruments

The sensitivity has been determined based on the exposure to movement of interest rates on non-derivative floating interest rate instruments at the statement of financial position date. If interest rates had been 200 basis points higher or lower, the increase / (decrease) in the Group's profit / (loss) and equity for the year ending 31 March 2017 are set out in the table below. This increase / (decrease) is attributable to variable interest rate borrowings, cash and cash equivalents, other loans and receivables and available for sale financial assets. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Variable interest rate sensitivity analysis

Sensitivity if interest rate increase by 200 basis points

Increase in profit or loss	3 642	2 772	4 274	3 574
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Sensitivity if interest rate decrease by 200 basis points

Decrease in profit or loss	(3 642)	(2 772)	(4 274)	(3 574)
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	-	-	-	-
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Market risk (Fair value estimation)

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

At 31 March 2017 and 31 March 2016 the carrying amounts of cash equivalents, trade and other receivables, trade and other payables, accrued expenses and short-term borrowings, approximated their fair values due to the short-term maturities of these assets and liabilities.

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

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

Compliance risk

Compliance risk is the risk of non-compliance with any statutory requirement of 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.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000

33. Risk management (continued)

Price risk

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

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

Fair values

Fair values versus carrying amounts

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

Group	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	234 529	234 529	208 016	208 016
Trade and other receivables	239 156	239 156	122 161	122 161
	473 685	473 685	330 177	330 177
Financial liabilities				
Finance lease obligations	55 248	55 248	71 472	71 472
Trade and other payables	211 197	211 197	231 701	231 701
	266 445	266 445	303 173	303 173
Company				
Financial assets				
Other financial assets	2 186	2 186	2 178	2 178
Cash and cash equivalents	211 757	211 757	177 497	177 497
Trade and other receivables	2 823	2 823	5 115	5 115
Loans to group companies - Non-interest bearing loans	294 042	294 042	294 042	294 042
Loans to group companies - Interest bearing loans	6 123	6 123	-	-
	516 931	516 931	478 832	478 832
Financial liabilities				
Loans to group companies - Interest bearing loans	-	-	185	185
Trade and other payables	98 068	98 068	84 040	84 040
	98 068	98 068	84 225	84 225

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000

33. Risk management (continued)

Basis for determining fair values

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

Available for sale financial assets

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

Trade and other receivables

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

Other loans and receivables

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

Cash and cash equivalents

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

Borrowings

The fair value of borrowings is based on cash flows discounted using the effective interest rate at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Other financial liabilities

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

Trade and other payables

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

Interest rates used for determining fair values

The interest rates used to discount estimated cash flows were as follows:

- 31 March 2017: 8% to 10.5%
- 31 March 2016: 8% to 10.5%

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Operational expenditure	242 390	98 529	-	-
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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.

Operating leases- as lessee (expense)

Minimum lease payments due

-within one year	5 509	7 067	2 592	4 949
- in second to fifth year inclusive	195	2 925	-	2 925
	5 704	9 992	2 592	7 874

South African Forestry Company SOC Limited - operating lease payments represent rentals payable in respect of its office property. The lease was negotiated for a 5 year term commencing 1 October 2012. The rent payment negotiated was R295,076 per month with an increase of 10% annually. The lease expires on 30 September 2017. No contingent rent is payable.

Operating lease payments represents rentals payable by the company for certain of its office properties. The lease was negotiated for a 1 year term commencing 1 January 2017. The rent negotiated was R227 098 per month. The lease expires on 31 December 2017. No contingent rent is payable.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

35. Contingencies

Land Claims

The SAFCOL board had previously approved the lease-back model, although not all stakeholders were happy with this as the only form of settlement arrangement, as it did not contribute sufficiently to the development and upliftment of the claimant communities. The current model is therefore revised with the purpose to describe the intended approach to settlements, and benefits in the interest of both SAFCOL and the claimant communities.

SAFCOL is revising the existing models (Lease back model) to be in line with the existing draft transformation strategy according to the following principles:

- Inclusion of communities and land claimants in the business operations' value chain, and
- Integration of CSI and ED initiatives for communities within the forestry value chain.

The revised model is intended to ensure that the settlement of claims on SAFCOL forestry land is sustainable and present direct, realistic, tangible and maximum economic benefits to claimant communities. This is aligned to the DRDLR'S Comprehensive Rural Development Programme (CROP) that aims to facilitate integrated development and social cohesion through participatory approaches in the partnership with all sectors of society, including land claimants.

Though there are approximately 44 registered land claims, SAFCOL will ensure partnerships and empowerment of all researched, verified and subsequently gazetted land claims. SAFCOL's Economic Transformation Strategy is developed with the prominence that Land Claimants are priority beneficiaries and as such all projects and programmes emanating from this strategy must enforce empowerment of the verified land claimants. SAFCOL will, as and when additional land claims are verified, continue to expand its transformation programmes in order to broaden the reach.

Bank Facilities

There are contingent liabilities in respect of:

- Bank guarantees in respect of Group company liabilities to the amount of R0.75 million (2016: R0,75 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 R500 000;
- An automated clearing bureau credit facility of R5 440 000;
- Fleet Card Facility of R200 000; and
- Daylight Limit of R52 000 000.

1. Enforcement investigation against KLF

1.1 Normandien t/a Tekwani vs KLF

In October 2013, KLF received an anti-competitive conduct complaint lodged by Normandien t/a Tekwani against KLF with the Competition Commission ("Commission").

As a result, in 2014 the Commission commenced with the investigation of allegations that entailed, inter alia, the abuse of dominance and price manipulation. The investigation continued for the whole of 2014 and in 2015.

Late in 2015, the Commission gave notification to KLF which extended the investigation until the end of March 2016. However, as at the end of the 2016/17 financial year, there are no further reportable developments in the matter.

1.2. Competition Commission vs KLF

This matter relates to investigation launched by the Commission against KLF in 2011. The allegations that formed the basis of the investigations were an abuse of dominance, market division etc. As at the end of 2016/17 financial year, this investigation by Commission against KLF is open and ongoing.



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

35. Contingencies (continued)

2. Litigation against SAFCOL and KLF

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

2.1 Ladz Trading CC vs SAFCOL

In March 2016, SAFCOL received summons from Ladz Trading CC alleging a breach of an 'oral agreement' and as a result, a claim for damages amounting to R498 980.28 was being made against SAFCOL. This matter is defended by SAFCOL as the alleged 'oral agreement' is not traceable within the company. In the unlikely event that the claim becomes successful for Ladz Trading CC, SAFCOL will be liable for almost R600 000.00 in both the quantum of the claim and the costs of lawsuit.

2.2 Johanna Nortjie vs KLF

In April 2016, KLF received summons wherein Johanna Nortjie claimed that her vehicle was damaged by a KLF's vehicle. As a result, an amount of R 25 056.53 was claimed. This matter is being defended through KLF's insurer as a third party claim as KLF disputes the occurrence of the alleged motor vehicle accident.

2.3 Phandahanu Forensics (Pty) Ltd vs SAFCOL

In June 2016, SAFCOL received summons from one service provider, Phandahanu Forensics (Pty) Ltd claiming payment of the amount invoiced for the services allegedly rendered to SAFCOL. The amount claimed is R189 496.50. SAFCOL has arranged for the payment of the amount claimed and still awaits the withdrawal of the legal action.

2.4 Economistscoza (Pty) Ltd vs KLF

In December 2016, KLF received summons from Economistscoza (Pty) Ltd ("Economistscoza") claiming that it is owed an amount of R399 000.00 on services rendered. KLF has defended the claim on the grounds that:

- there were no services rendered or rather received from Economistscoza's representative, Hans Ulrich Schussler; and
- there is no lawful agreement that exist between KLF and Economistscoza as alleged in the summons.

Should this claim be successful, KLF will be liable for almost R600 000.00 in both the costs of lawsuit and the claimed amount.

2.5 Nana Margaret Khoza vs KLF

In December 2016, KLF received the summons from Nana Margaret Khoza ("Khoza"). In the summons, Khoza claims that on or about 11 May 2013 a motor vehicle accident occurred wherein her vehicle was damaged by a fire truck belonging to KLF. As a result of this damage, Khoza further claims that she incurred losses amounting to R93 833.22. The claim is defended through KLF's insurer as a third party claim as KLF has no record of such an accident taking place.

2.6 Rivapro (Pty) Ltd vs KLF (case number 49594/16)

In November 2016, Rivapro issued summons against KLF claiming payment of R150 919.20 for services rendered by Roestoff & Kruse of providing a legal opinion in the conduct and result of a forensic transport audit of KLF. KLF denies it entered into an agreement requesting such services to be rendered. KLF has filed a plea in response to the summons.

2.7 Rivapro (Pty) Ltd vs KLF (case number 49581/16)

In this matter, Rivapro is claiming for payment of R111 534.75 for services rendered by Roestoff & Kruse to recover certain monies due to KLF from Greengold Timber (Pty) Ltd. KLF denies procuring such services to be rendered.

2.8 Rivapro v KLF (case number 49580/16)

In this matter, Rivapro is claiming for payment of R24 193.65 for services rendered by Roestoff & Kruse to conduct an investigation into competition law issue as well as to prepare a legal opinion on the conduct and research of a forensic audit of ERP project of KLF. KLF denies appointing Roestoff & Kruse to render those services.

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

35. Contingencies (continued)

2.9. KLF vs Eskom (Rooywal)

Damages claim resulting from a fire. All reasonable measures have been taken to attempt to reach a settlement, but to date no offer has been forthcoming.

2.10 KLF vs Eskom (Webber)

Damages claim resulting from a fire. All reasonable measures have been taken to attempt to reach a settlement, but to date no offer has been forthcoming.

2.11 KLF vs Dept of Public Works

Damages claim resulting from a fire. All reasonable measures have been taken to attempt to reach a settlement, but to date no offer has been forthcoming.

2.12 KLF vs Thaba Chweu Municipality / Prov Gov of Mpumalanga

Damages claim resulting from a fire. All reasonable measures have been taken to attempt to reach a settlement, but to date no offer has been forthcoming.

2.13 KLF vs Shaka Pallets CC & 2 Others

The summons are to be issued against the debtor for the repayment of R2 878 888.61.

2.14 KLF vs 4 J Timbers CC & 2 Others

The summons are to be issued against the debtor for the repayment of R1 035 852.51.

2.15 KLF vs Mason & Mason Trust

The summons have been issued against Mason and Mason Trust for damages resulting from the fire that occurred on 08 June 2012.

2.16 KLF vs Jossephy Lounge and Furniture CC

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

2.17 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.

2.18 KLF vs Blaze Equestrian Product CC

The summons have been issued against Blaze Equestrian and there were difficulties encountered in serving the summons upon the defendants. The defendants were eventually traced and served with summons in December 2015. The amount claimed is R384 733.22. KLF applied for a default judgment but according to the report from the correspondent attorneys, it was declined. Enquiries are being made with the Registrar of the High Court on the reasons for the decline of the judgment.

2.19 KLF vs Sandveld Saameule (Pty) Ltd

The summons was issued on 4 December 2014 and a return of service by the Sheriff of the High Court was received by KLF on 18 February 2015. The legal department was subsequently informed by the Credit Division that Sandveld had been liquidated. The default judgment has been applied for on the matter. The amount that is claimed in this recovery process is R166 613.36.



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

35. Contingencies (continued)

2.20 KLF vs Jossephy Lounge and Furniture CC

The summons was issued in March 2016 against Jossephy Lounge and Furniture cc at Kwazulu-Natal High Court in Pietermaritzburg for the recovery of R303 046.28 that is owed to KLF for lumber that was supplied. It is too early to predict the prospect of success on the matter as Jossephy Lounge and Furniture cc have entered an appearance to defend. The summary judgment that was applied for has been dismissed. Therefore, the matter is now following the normal route of court proceedings.

2.21 KLF vs GM Diadla

The collection process started to recover the amount of R18 994.00 that was paid as a bursary to the former employee (GM Diadla). The application for a default judgment has been applied for against the former employee.

2.22 KLF vs EH Wart

The judgment has been obtained against Hendrieta Ewart for the payment of goods (lumber) delivered and the payment not received. The Writ is with the Sheriff for the execution of the judgment.

2.23 KLF vs Tintsaba Forestry CC

The summons had been issued to claim payment of an amount of R66 364.32. However, part of the claim has prescribed and adjustment are being made by attorneys on the claim. KLF still awaits a report from the attorneys on the progress to date.

2.24 Rivapro (Pty) Ltd vs KLF

In October 2016, 3 summons were received from Rivapro (Pty) Ltd against KLF for payment of the sum in total of R286 647.60. The matter is defended. The plaintiff has since applied for summary judgment in court and these applications are due to be heard on 30 January 2017. The summary judgment application has been opposed too.

2.25 KLF vs Pine Merchandise CC

KLF has a claim against Pine Merchandise cc for an amount of R499 497.35 arising from the unpaid delivered timber sale orders. The summons had been issued on the matter.

2.26 KLF vs Kloofsig Sawmills and Challets CC

KLF has a claim against Kloofsig Sawmills and Challets cc for an amount of R313 049.03 arising from an unpaid delivered timber sale orders. The summons had been issued on the matter.



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
36. Related parties				
Relationships				
Ultimate shareholder			Government of the Republic of South Africa represented by the Department of Public Enterprises	
Subsidiaries			Komatiland Forests SOC Limited Abacus 3 Foreestries SOC Limited Kamhlabane Timber SOC Limited Industrias Florestias de Manica	
Members of key management			Listed in note 36	
Related party balances				
Loan accounts - Owing (to) / by related parties				
Komatiland Forests SOC Limited	-	-	300 165	293 857
Payables to related parties				
Komatiland Forests SOC Limited	-	-	(404)	(414)
Other State Owned Entities	-	(130)	-	-
Related party transactions				
Interest received				
Komatiland Forests SOC Limited	-	-	235	211
Other State Owned Entities	-	2	-	-
Interest paid				
Komatiland Forests SOC Limited	-	-	(4 912)	(3 638)
Other State Owned Entities	(13)	(124)	-	-
Sale of goods and services				
Komatiland Forests SOC Limited	-	-	139 886	74 284
Eskom	-	2 490	-	-
Other State Owned Entities	148	415	-	-
Purchase of goods and services				
Komatiland Forests SOC Limited	-	-	(493)	(10 931)
Eskom	-	(10 323)	-	-
Other State Owned Entities	(1 872)	(2 298)	-	-
Department of Agriculture, Forestry and Fisheries	(104 725)	-	-	-
Loans to related parties - Non-interest bearing subsidiaries				
Opening balance	-	-	-	294 042
Loans to / from related parties - Interest bearing subsidiaries				
Opening balance	-	-	(184)	(1 155)
Loans (advanced) / repaid during the year	-	-	6 307 971	-
	-	-	6 123	(184)



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000

37. Directors' emoluments

Executive

2017

	Emoluments	Reimbursements	Retirement Fund	Total
N Mona	998	-	-	998
J Mphafudi	427	-	23	450
DJ Mbulaheni	39	-	-	39
S Baduza	756	3	-	759
GC Theron	1 995	88	-	2 083
T Pillay	1 181	-	98	1 279
	5 396	91	121	5 608

Non-executive

2017

	Directors' fees	Reimbursements	Total
MJ Rachidi	350	7	357
PE Molokwane	319	6	325
PM Mahlangu	271	1	272
RL Mabece	795	-	795
S Baduza	162	3	165
N Carrim	92	9	101
SM Mnguni	438	-	438
CPM Ngwenya	366	-	366
	2 793	26	2 819

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
38. Irregular Expenditure				
Opening balance	44 942	-	8 100	-
Add: Irregular expenditure- current year	270 164	44 942	31 960	8 100
	315 106	44 942	40 060	8 100

The reportable expenditure primarily relates to non-compliance with the Group Supply Chain Policy.

39. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure movement

Opening balance	188	-	85	-
Incurred during the year	238	188	205	85
Closing balance	426	188	290	85



South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

	Group		Company	
	2017	2016	2017	2016
	R '000	R '000	R '000	R '000

40. Events after the reporting period

Subsequent to year end the Board condoned R175 127 958.54 of irregular expenditure.

41. Going concern

The consolidated 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.

42. Prior period adjustment

2016	As previously reported	Prior period error	Reclassification	As restated	Disclosure item
	R '000	R '000	R '000	R '000	
Statement of Financial Position					
Property, plant and equipment	216 123	37 946	-	254 069	-
Trade and other receivables	122 175	(14)	-	122 161	-
Retained Earnings	(2 862 432)	(32 857)	-	(2 895 289)	-
Reserves	(53 449)	(669)	-	(54 118)	-
Deferred tax	(1 105 253)	(10 745)	-	(1 115 998)	-
Provisions	(10 152)	6 339	-	(3 813)	-
Commitments	-	-	-	-	98 529
Statement of Profit and Loss and Other Comprehensive Income					
Revenue	'903 297	(13)	(10 086)	893 198	-
Cost of sales	(718 632)	(44 903)	-	(763 535)	-
Other income	6 533	-	10 079	16 612	-
Operating expenses	(316 650)	(530 663)	(4)	(847 309)	-
Fair value adjustments	21 769	582 325	-	604 094	-
Loss before tax	(97 497)	6 744	-	(90 753)	-
Company					
Statement of Financial Position					
Property, plant and equipment	2 607	(429)	-	2 178	-
Trade and other payables	84 041	(1)	-	84 040	-
Retained Earnings	(58 836)	1 097	-	(57 739)	-
Reserves	(128 374)	(669)	-	(129 043)	-
Statement of Profit and Loss and Other Comprehensive Income					
Operating expenses	(203 169)	(1 097)	-	(204 266)	-
Profit / (Loss) before tax	(116 724)	(1 097)	-	(117 821)	-

South African Forestry Company SOC Limited and its subsidiaries

(Registration number 1992/005427/30)

Consolidated Annual Financial Statements for the year ended 31 March 2017

Notes to the Consolidated Annual Financial Statements

42. Prior period adjustment (continued)

1. Property, plant and equipment

During the current financial year, the Group undertook an exercise to physically verify all fixed assets which resulted in adjustment to prior periods. The changes comprised of assets that had not been included on the previous register, assets that could not be found but included on the previous register, revision of useful lives and recalculation of accumulated depreciation.

2. Provisions

During the current financial year, the company identified that an error had been made in calculating provision for insurance which led to an overstatement of prior year provision.

3. Commitments

During the current financial year, the company disclosed commitments which had not been disclosed in the previous financial statements.

4. Costs of sales

During the current financial year, costs of sales value was reassessed using the fair value less costs to sale as prescribed by IAS 41.

5. Operating expenses

During the current financial year, operating expenses that had been classified as cost of sales in the prior year were reclassified to operating expenses.

6. Fair value

During the current financial year, fair value was redetermined to take into account the prescripts of IAS 41 on the value of harvested timber.



Abbreviations

Abbreviation	Description
ARC	Agricultural Research Council
ARMC	Audit Risk Management Committee
ASP	Average selling price
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLT	Cross Laminated Timber
COO	Chief Operating Officer
CP	Controlled Pollination
CSI	Corporate Social Investment
CSIR	Council for Scientific and Industrial Research
DAFF	Department of Agriculture, Forestry and Fisheries
DIFR	Disabling Injury Incident Rate
DPE	Department of Public Enterprises
DRDLR	Department of Rural Development and Land Reform
DTI	Department of Trade and Industry
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECD	Early Childhood Development
ESD	Enterprise and Supplier Development
ERM	Enterprise Risk Management
EXCO	Executive Committee
FSC®	Forest Stewardship Council®
FY	Financial year (covering 12 months from 1 April to 31 March)
FVTLP	Fair Value through Profit Loss
GIBS	Gordon Institute of Business School
HCM	Human capital management
Ha	Hectare
ICT	Information and communications technology
IFLOMA	Indústrias Florestais de Manica, SARL
IFRS	International Financial Reporting Standards
IGEPE	Mozambique Institute of Management of State Holdings
IIRC	International Integrated Reporting Council
IR	Integrated Report
JCF	Joint Community Forums
KLF	Komatiland Forests (Pty) Ltd
KPI	Key performance indicator
KZN	Kwa-Zulu Natal
MDF	Medium density fibreboard
MOU	Memorandum of Understanding

Abbreviation	Description
MTSF	Medium-term strategic framework
NDP	National Development Plan
NT	National Treasury
PEFC	Programme for the Endorsement of Forest Certificaton
PFMA	Public Finance Management Act
RFI	Request for Information
R&D	Research and Development
ROE	Return on Equity
SA	South Africa
SAFFCAWU	South African Forestry, Farming, Catering and Allied Workers Union
SAFCOL	South African Forestry Company Ltd
SIS	Strategic Intent Statement
SOC	State-Owned Company
TU	Temporary unplanted
YTD	Year to date

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