SAFCOL
OUR FORESTS. OUR FUTURE.

INTEGRATED REPORT 2024/25

Building resilience amidst volatility

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ABOUT THE 2024/25 INTEGRATED REPORT

Structure

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

The report gives an organisational overview of its current state of affairs as well as the environment in which it works and the relevant regulatory and policy landscape. The Company's strategic process looks at its business model and how it created value during the reporting period, resource allocation and measurement, how it performed against its Shareholder's Compact, and what it achieved during 2024/25 in terms of the six capitals that materially affect the ability of SAFCOL to create value over time. These capitals are:

- Financial;
- Manufactured;
- Intellectual;
- Human;
- Social and Relationship; and
- Natural.

The report concludes with a risk management overview, governance role players, responsibilities and activities as well as a report on PFMA compliance, and the consolidated annual financial statements.

Scope and boundary

The Integrated Report covers economic, social, and governance (ESG) aspects that are material to the successful achievement of SAFCOL's value proposition to stakeholders in the short, medium and long term. Material issues have been determined through a process of stakeholder consultation and by considering the Company's strategic priorities, key risks and opportunities. All material issues have been included and management is not aware of any information that was unavailable or any legal prohibitions to the publication of any information.

This report should be read in conjunction with SAFCOL's full set of annual financial statements as this offers a comprehensive overview of the Group's financial performance.

The information contained herein refers to the performance of SAFCOL, which includes the Forest Stewardship Council® (FSC®) certified Komatiland Forest SOC Limited (FSC® – C013832 – Forest Management and FSC® – C007806 – Chain of Custody) and its subsidiary operations of Indústrias Florestais de Manica SARL based in Mozambique.

SAFCOL's materiality is underpinned by the financial reporting boundary since every initiative included in its strategy to reach its organisational objectives and realise its mandate, which includes socio-economic development, relies on the Company's financial sustainability. SAFCOL provides relevant information to its external and internal stakeholders.

Assurance

According to Principle 15 of the King IV™, the governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

In the context of SAFCOL, assurance providers are represented in the following diagram:

BOARD AND AUDIT AND RISK COMMITTEE

SENIOR MANAGEMENT

1st Level	2nd Level	3rd Level
Management	RRIEC	Internal Audit
Information Security	SHEQ	Forensic Audit
Internal Controls	Legal	External Regulators
Governance	Land Risk Management	
	Security Risk Management	
	COSEC	
	Ethics Management	
	Centre of Excellence	

EXTERNAL AUDIT

Theme

The theme for the 2024/25 Integrated Report is *'Building resilience amidst volatility'*.

During the reporting year, SAFCOL and the industry at large, faced challenges of fires, high input costs, erratic electricity supply, suppressed local demand for timber, and shortage for roundwood. Disposable income remained low and trading conditions were tough. Though challenged by market volatility, economic downturns, structural limitations within the sector, and changes concerning the legislative shareholding of SAFCOL, the Company remains a going concern and continues to adapt with resilience.

In 2024/25, SAFCOL's assurance was provided to the Board of Directors by management, and internal and external assurance providers that included:

- Risk, Resilience, Insurance and Compliance Management;
- Safety, Health, Environment and Quality;
- Security and Land Risk Management;
- Ethics Management;
- Company Secretariat;
- Legal Services;
- Internal Audit;
- Forensic;
- Independent SANAS-accredited Broad-Based Black Economic Empowerment (B-BBEE) verification agencies;
- Forest Stewardship Council® (FSC®);
- Auditor-General of South Africa; and
- National Occupation Safety Association (NOSA).

Forward-looking statements

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

Board responsibility and approval

The Board is accountable for the integrity and completeness of the Integrated Report and any supplementary information, and is supported by various Board committees. A new Board was appointed after the financial year end but before the Integrated Report was finalised for approval. The new Board has reviewed the reports from the previous Board that served for the duration of the FY2024/25. The Board approved the annual financial statements and the FY2024/25 Integrated Report on 22 April 2026, after having considered the completeness of the material items dealt with, the reliability of information presented and the assurance process followed. The consolidated financial statements were prepared and audited in accordance with International Financial Reporting Standards as well as the requirements of the Public Finance Management Act, No. 1 of 1999 (PFMA) and Companies Act, No. 71 of 2008 (Companies Act).

Icons used in this report

Capitals

- Manufactured capital
- Natural capital
- Intellectual capital
- Human capital
- Social and relationship capital
- Financial capital

ESG

- Environmental
- Social
- Governance

Navigation

- Elsewhere in this report

SUSTAINABLE DEVELOPMENT GOALS

ORGANISATIONAL OVERVIEW

BOARD CHAIRPERSON'S REPORT

Prof. AE Nesamvuni
SAFCOL Board Chairperson

> Resilience is built not in the absence of challenges, but in the courage to adapt, collaborate, and grow stronger through them.

> Kumelana nekwehluleka, akwakhiwa, ngekungabi natinselela, kodvwa ngekuba nesibindzi sekwenta tingucuko, kusebentisana, nekukhula ube namandla ngenca yato.

Forging Ahead with Strategy '29: Building Resilience, Sustainability, and Shared Value

The 2024/25 financial year marked the beginning of a new strategic phase for SAFCOL with the introduction of Strategy '29. This transformative roadmap aims to ensure long-term financial sustainability, operational excellence, and inclusive growth.

In line with the theme of this Integrated Report, "Building Resilience Amidst Volatility", SAFCOL has demonstrated determination and foresight in navigating an environment characterised by economic pressures, climate challenges, and industry changes. While the year tested the organisation's agility, it also affirmed its ability to create lasting value for its stakeholders through disciplined execution and ethical leadership.

Advancing Strategy '29 with Purpose and Focus

Strategy '29 positions SAFCOL as a purpose-driven and commercially viable forestry enterprise. In response to economic challenges, the Company has prioritised cash recovery as a short-term intervention, leading to a recalibration of its strategy to focus on growth from its existing base. For the 2024/25 fiscal year, SAFCOL developed and successfully implemented a plan to build a cash buffer, resulting in positive liquidity by the end of the financial year.

This short-term intervention allowed SAFCOL to fulfil its objective of being commercially viable while also addressing its socio-economic goals. The recalibrated Strategy '29 continues to focus on diversifying SAFCOL's revenue streams.

To remain prepared for the future, SAFCOL is investing in human capital development, digital transformation, research, and innovation, ensuring that its people, systems, and operations remain adaptable to changing market dynamics and environmental realities.

Partnerships: The Foundation of Shared Prosperity

Collaboration is one of SAFCOL's strongest enablers. The Company forges strategic partnerships with government departments, public entities, research institutions, municipalities, and community organisations to contribute meaningfully to national priorities, including land reform, rural development, inclusive growth, and climate adaptation.

During the reporting year, significant progress was made through the Proactive Community Engagement Model and the Post-Settlement Model, which established formal co-management arrangements with land claimant communities. SAFCOL and the Mamahlola CPA concluded a long-term lease agreement at JDM Keet plantation, ensuring shared decision-making and revenue participation. The Esiyalwini CPA continued to benefit through the provision of silviculture services at Berlin plantation, while the Mvimbela CPA partnership advanced through entrepreneurship opportunities.

Additionally, through its supplier and enterprise development programmes, SAFCOL actively empowers local black-owned entrepreneurs, stimulates local economies, and expands opportunities across the forestry value chain. Non-financial and technical support has been extended to start-up harvesting and silviculture contractors, enabling them to meet safety and quality standards while accessing market opportunities. In addition, youth-owned furniture manufacturing enterprises have been supported in partnership with the National Youth Development Agency (NYDA) and the Small Enterprise Development Finance Agency (SEDFA). Collectively, these initiatives reinforce SAFCOL's developmental mandate and its commitment to driving inclusive growth.

Resilience in the Face of Adversity

The 2024/25 period was characterised by **severe fires, prolonged droughts, and extreme weather conditions**, posing significant operational and financial challenges. Despite these adversities, SAFCOL sustained near-target round-log revenues by strengthening its log sales.

Operational resilience was further tested by **ageing equipment** and **market constraints**, particularly at the Timbadola Sawmill. The Board commends management for the decisive measures taken, including the **installation of a new planer** to enhance product quality and the initiation of the **Combined Heat and Power (CHP) project**, which will convert biomass waste into clean energy – supporting SAFCOL's Just Energy Transition pathway.

Financially, disciplined execution of the turnaround plan delivered tangible results: **revenue of R1.29 billion**, **profit of R68 million**, and a strengthened **asset base of R6.65 billion**.

The legacy system (JDE) was outdated and no longer supported by the original developer, posing significant risks of data loss and operational disruption. The prolonged underinvestment in maintaining or upgrading the legacy system led to a 'forced' change to the new ERP system, which was made under pressure. The successful deployment of a **new Enterprise Resource Planning (ERP) system** marked a milestone in SAFCOL's digital modernisation, improving governance, data integrity, and operational transparency.

The implementation was not without challenges. The ERP project (SAGE X3) was scheduled for implementation from 5 June 2023 to 31 May 2024. However, challenges arose during the go-live period, resulting in delays in financial reporting for the last three quarters, which attributed to the delay in the preparation of the Integrated Report. The organisation has since overcome the challenges with the ERP system being fully operational, including financial reporting capabilities.

Embedding Good Governance and Ethical Leadership

This year also saw the successful transition of shareholder oversight from the **Department of Public Enterprises** to the **Department of Forestry, Fisheries and the Environment (DFFE)**. The alignment of governance frameworks under the new shareholder has reinforced accountability and strategic coherence.

In keeping with the **King IV™ Principles on Ethical and Effective Leadership**, the Board continues to provide oversight grounded in transparency, fairness, and accountability. SAFCOL's record of **six consecutive unqualified audit opinions** reflects its governance maturity and financial integrity.

Environmental, social, and governance (ESG) considerations are now fully embedded across operations – from maintaining **FSC® certification** to enforcing comprehensive **Safety, Health, Environment, and Quality (SHEQ)** standards. Sustainability is not a peripheral activity; it is a core operational imperative shaping decisions at every level.

Looking Ahead: Sustaining Momentum for Strategy '29

The Board has identified several focus areas for the next phase of Strategy '29:

- **Cost management and operational efficiency** to safeguard financial sustainability.
- **Diversification of revenue streams** to reduce reliance on traditional sawlog markets.
- **Revitalisation of state forestry assets** in alignment with national industrialisation and climate resilience goals.
- **Repositioning of IFLOMA operations** to halt financial drag and unlock new value.
- **Implementation of effective climate action and adaptation measures** to mitigate environmental risk.
- **Embedding a zero-fatality safety culture**, grounded in respect for human life and wellbeing.

These priorities reaffirm SAFCOL's resolve to be a leader in sustainable forestry, driving transformation and value creation for generations to come.

Conclusion

SAFCOL enters the next stage of its journey with renewed confidence. The organisation is stronger, more agile, and more deeply aligned with its purpose: to grow forests that sustain people, the planet, and prosperity.

Through disciplined execution of Strategy '29, adherence to sound governance, and commitment to shared value, SAFCOL continues to embody what a responsible and resilient state-owned enterprise should be: a catalyst for transformation, a steward of natural capital, and a trusted partner in South Africa's sustainable future.

Appreciation

As I commence my tenure as Chairperson, I wish to express my sincere gratitude to the **outgoing SAFCOL Board Chairperson and his Board**, whose tenure concluded at the end of the financial year for their strategic insight and commitment to sound governance. My fellow Board members and I, who were appointed on 1 April 2025, look forward to continuing to build on solid foundations. I thank our **shareholder, the DFFE**, for its continued guidance and confidence in SAFCOL's mandate.

To the **Acting Chief Executive Officer and Executive Team**, your steady leadership and transparent stewardship have been instrumental in navigating a demanding year. To every **SAFCOL employee,** your dedication, resilience, and professionalism remain the foundation of this Company's success.

Prof. AE Nesamvuni
SAFCOL Board Chairperson

ACTING CHIEF EXECUTIVE OFFICER'S OVERVIEW

Mr Sibalo Dlamini
Acting CEO

> Persistent economic headwinds, including elevated interest rates, fluctuating demand for logs and lumber, and global market uncertainty, required decisive and agile responses.

> Xiyimo xa timali xa nkalantshamiseko lexi katsaka ni ntswalo wa tona hi tlhelo ro lombisiwa, ku tshamela ku cinca ka vulaveki bya timhandzi, tingodo, timbalelo, ni ku pfumaleka ko tiva vu mundzuku bya timakete misava hinkwayo, swi koxa leswaku ku tekiwa swiboho swa risima, swa matimba hi ku hatlisa swinene.

Integrated Report 2024/25

The theme of SAFCOL's 2024/25 Integrated Report, "**Building Resilience Amidst Volatility**," reflects both the complexity of the operating environment and the Group's strengthened capability to anticipate, respond to, and rise above systemic shocks. The year under review tested our operational resilience, financial discipline, and strategic focus. Yet, it also demonstrated the depth of our organisational commitment to long-term value creation.

Persistent economic headwinds, including elevated interest rates, fluctuating demand for logs and lumber, and global market uncertainty, required decisive and agile responses. Compounding these pressures, we experienced one of the most severe fire seasons in recent history, prompting rapid, coordinated deployment of firefighting resources across affected plantations. While these interventions placed short-term pressure on liquidity, they reaffirmed SAFCOL's unwavering commitment to safeguarding its assets, people, and natural environment.

Against this backdrop, we implemented a targeted turnaround strategy that significantly strengthened our financial position. Improved cash discipline, cost containment, and prioritisation of revenue-generating activities enabled SAFCOL to close the year with a **positive financial outcome**, restoring resilience and confidence in our ability to navigate volatility. Importantly, we remained steadfast in our mission of **sustainable forestry management, socio-economic upliftment, and transparent, ethical governance** anchored by meaningful stakeholder engagement.

Our performance this year underscores the holistic and integrated manner in which SAFCOL applies its diverse capitals—financial, human, social, natural, intellectual, and manufactured—to create sustainable value for current and future generations.

Driving Financial Sustainability

The SAFCOL Group reported **revenue of R1.29 billion** and a **profit of R68 million**, supported by a strong asset base of **R6.65 billion**. **Liquidity improved** year on year, with cash and cash equivalents increasing to **R220 million**.

Our strict **cost-management** discipline kept operating expenditure growth at **5.6%**, well below inflationary expectations. No funds were rolled over, demonstrating robust financial control.

The continued focus on strengthening our cash buffer remains a priority as we advance the turnaround programme.

Digital Transformation and ERP Stabilisation

Transitioning to a modern Enterprise Resource Planning (ERP) system was a critical milestone in our modernisation journey. The migration retired an obsolete and high-risk legacy system, advanced our data integrity and financial reporting capabilities, and enhanced our cybersecurity posture.

While early implementation challenges affected reporting timelines, the system has since stabilised and is now fully operational. This digital foundation positions SAFCOL for improved operational integration, real-time analytics, and strengthened audit resilience.

Human Capital, Culture, Strategic Capability and Leadership Readiness

A resilient SAFCOL is powered by a capable, agile, and future-ready workforce. This year, we continued to strengthen our organisational culture by embedding high performance, continuous learning, and workforce agility across the Group. Our integrated Learner Management System has become a cornerstone of skills development, compliance, and succession planning, while our hybrid working model has matured into a strategic enabler of productivity, cost efficiency, and talent retention. Constructive partnerships with organised labour further supported operational stability and a shared commitment to long-term sustainability.

A key marker of SAFCOL's organisational maturity is the strength and reliability of our leadership pipeline. This year, our succession plan was tested in real time through the seamless transition into the roles of Acting Chief Executive Officer (GCEO) and Acting Chief Financial Officer (ACFO), amongst others. These appointments demonstrated not only the readiness of our internal talent but also the robustness of our succession processes, which have been systematically strengthened over recent years.

Climate Change and Environmental Stewardship

The 2024/25 fire season, driven by severe drought and delayed rainfall, impacted **7 922 hectares** of our plantations. Despite these extreme conditions, our teams demonstrated exceptional responsiveness and resilience, supported by strengthened SHEQ protocols and best-practice fire management.

We continue to maintain **FSC® certifications** and embed ESG requirements into daily operations, transforming sustainability from a compliance obligation into a strategic differentiator.

Operational Efficiency and Asset Renewal

Ageing equipment, particularly within the **Timbadola Sawmill and plantation operations**, remains a constraint on production targets. We have responded with targeted mechanisation, asset renewal, and process optimisation initiatives.

Key milestones include:

- Installation of the new planer at Timbadola, improving lumber quality.
- Progress toward the Combined Heat and Power (CHP) project, aimed at converting biomass into clean energy.
- Enhanced mechanised harvesting to improve cost efficiency, safety, and time-to-market.

Funding for the full Timbadola upgrade has been proposed and is under review.

Timber Theft and Community Partnerships

Timber theft remains a **material risk**, with losses exceeding **R120 million over eight years**, necessitating heightened investment in security, technology, and collaborative interventions.

Our community forum programme has strengthened local vigilance, while partnerships with law enforcement and industry stakeholders are enabling more coordinated responses to increasingly organised criminal syndicates.

As we advance, a dedicated human capital capability will focus on developing sustainable and technology-led solutions to combat timber theft.

Governance, Compliance and Audit Integrity

SAFCOL's continued achievement of **unqualified audit opinions for six consecutive years** reflects our disciplined governance culture. Our compliance frameworks, ethical leadership standards, and commitment to transparency continue to support stakeholder trust and organisational credibility.

Acknowledgements

I extend my sincere appreciation to the outgoing SAFCOL Board of Directors for their guidance, strategic oversight, and commitment to the organisation's long-term success. I am equally grateful to my Executive Team for their exceptional leadership during a demanding year.

To all SAFCOL employees: thank you for embodying resilience, professionalism, and a shared sense of purpose. Your dedication is the foundation on which our performance and reputation are built.

Finally, we express our appreciation to our shareholder and all stakeholders, communities, customers, partners, regulators, and industry peers for their collaboration and support. Together, we are shaping a more inclusive, sustainable, and globally competitive forestry sector.

Mr Sibalo Dlamini
Acting CEO

Vision

A leader in sustainable forests and commercial forest products.

Mission

In delivering its vision, SAFCOL's mission is to:

- Grow in the forestry value chain.
- Build commercial value through strategic partnerships.
- Facilitate sustainable and inclusive economic development.

Values

- **We are passionate about forests and our communities**
- **We strive for excellence and innovation in our business**
- **We respect and value our employees**
- **We strive for customer satisfaction**
- **We conduct ourselves with honesty and integrity**

Group structure

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

SAFCOL comprises the following entities:

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

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

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

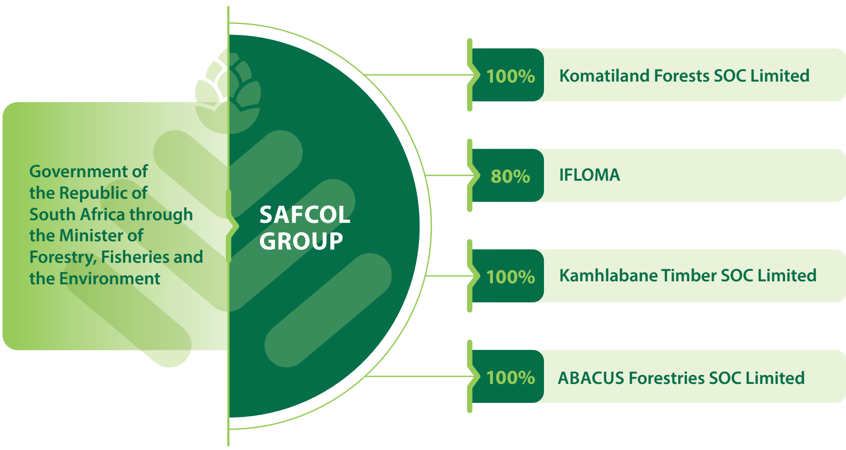

Figure 1: SAFCOL Group Structure

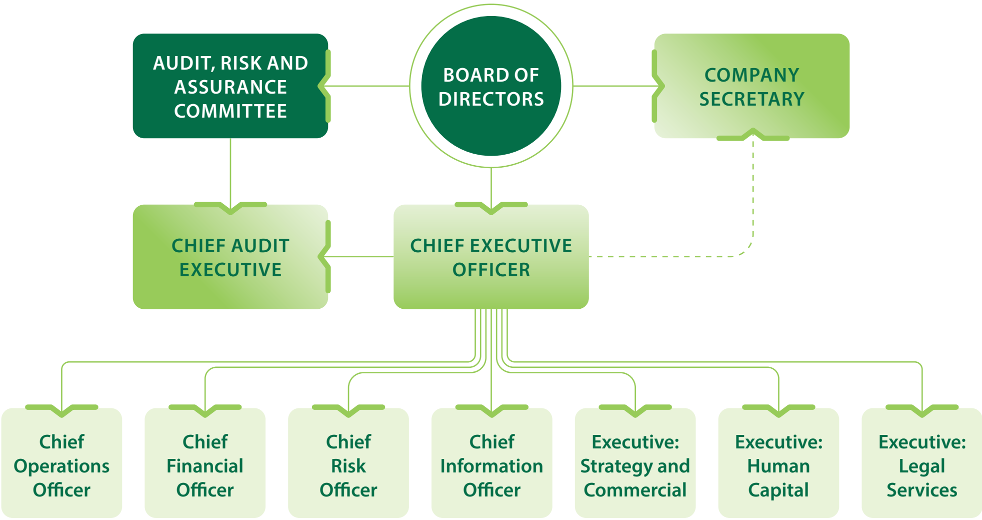

Figure 2: SAFCOL Organogram

Witklip Plantation, Sabie, Mpumalanga

EXECUTIVE TEAM

The SAFCOL Executive Team is actively involved in the day-to-day running of the Company, ensuring that undertakings in the Shareholder's Compact are honoured and instituting mitigating strategies where targets are at a risk of not being met.

Mr Sibalo Dlamini
Chief Operating Officer and Acting CEO*
(Executive Director)

Tenure: 5 October 2020

Qualifications and/or Profession:
- Master's (Engineering Management)
- BSc (Chemical Engineering)
- BSc (Chemistry and Biology)
- Leadership Development Programme
- Registered Professional Engineer (PrEng)

Mr D'Shorne Human
Chief Financial Officer#
(Executive Director)

Tenure: 1 April 2021 to 30 June 2025

Qualifications and/or Profession:
- MSc (Strategic Business Management)
- Chartered Accountant (SA)
- Fellow Chartered Management Accountant (UK)
- Chartered Global Management Accountant (USA)
- BCom Hons (Accounting Science)
- BCom (Accounting Science)

Mr Klaas Mokobane
GM: Forest Operations and
Acting Chief Operating Officer*

Tenure: 1 June 2003

Qualifications and/or Profession:
- MSc (Forestry)
- Management Development Programme
- BSc (Forest Science)

Ms Masebolelo Gaeganelwe
Chief Information Officer and
Acting Chief Risk Officer*

Tenure: 1 June 2021

Qualifications and/or Profession:
- Certified Director (IoDSA Cert. Dir.)
- Master's (Informatics)
- BSc Hons (Information Systems)
- BSc (Mathematics and Computer Science)

Mr Ntsatsi Rapoo
Chief Audit Executive

Tenure: 1 June 2020

Qualifications and/or Profession:
- Certified Internal Auditor (CIA)
- BCom (Accounting Sciences)

Ms Dimakatso Motseko
Executive: Human Capital

Tenure: 2 January 2018

Qualifications and/or Profession:
- Registered Psychometrist
- Master of Business Leadership
- B Social Science Hons (Industrial Psychology)
- B Social Science (Industrial Psychology)
- Advanced Programme in Organisational Development

* Effective 15 February 2024

\# The Chief Financial Officer (CFO) who served during the financial year under review resigned from the organisation subsequent to the reporting period. Accordingly, the financial information contained in this Integrated Report has been reviewed and approved, and the financial statements have been signed, by the Acting Chief Financial Officer, who was appointed following the CFO's departure.

Mr Vishal Harichund
Executive: Strategy and Commercial

Tenure: 1 July 2020

Qualifications and/or Profession:
- Chemical Engineer
- Master of Business Leadership
- BSc (Chemical Engineering)
- Executive Development Programme (EDP)
- Master in Strategy Execution – Balanced Scorecard (Certified Training)
- Advanced Programme Customer Centricity
- Advanced Programme Digital Transformation

Mr Siyabonga Mpontshana
Executive: Legal Services

Tenure: 1 June 2018

Qualifications and/or Profession:
- Admitted Attorney
- LLM (Commercial Law)
- LLB

Ms Lerato Letsoalo
Company Secretary

Tenure: 1 February 2025

Qualifications and/or Profession:
- LLB
- Advanced Certificate in Banking Services
- BCom Law

Mr Paul Wainwright
GM: SHEQ, Acting Chief Risk Officer

Tenure: 1 October 2024 to 4 March 2025

Qualifications and/or Profession:
- Advanced Programme – Risk Management
- SAMTRAC

Forest Falls, Graskop, Mpumalanga

Principal activities and markets

SAFCOL conducts its business through the sustainable management of plantation forests and other assets. Revenue is generated from the sale of logs and lumber, along with other non-timber-related products and services, such as ecotourism and property leasing. Looking ahead, the strategic intent is to expand the biological asset base and the Company's revenue streams through product and market development, diversification, and the activation of the Kamhlabane SOC and ABACUS SOC subsidiaries.

Area of operation	Total area	Plantable area	Planted area	Temp unplanted	Still plantable	Conservation
South Africa	189 541	119 885	116 244	3 642	-	69 656
Mozambique	101 114	18 274	16 813	1 461	27 816	55 023
Total SAFCOL	**290 655**	**138 159**	**133 057**	**5 103**	**27 816**	**124 679**

Competitive landscape and market positioning

Through SAFCOL's wholly owned subsidiary KLF, it manages 15 prime softwood sawlog plantation assets in Mpumalanga, Limpopo and KwaZulu-Natal. KLF's commercial and non-commercial operations cover a land area of 189 541 hectares.

In the face of dynamic market trends and competitive pressures, SAFCOL remains vigilant of industry advancements and competitor activities. While the Company positions itself to seize emerging opportunities and sustain its competitive edge, a SWOT analysis revealed that the introduction of substitute products can erode market share. Additionally, a competitive landscape can lead to price wars and margin erosion, which could negatively impact the Company's profitability.

EXTERNAL ENVIRONMENT

Global context

The global economy is expected to rebound in 2025, with Gross Domestic Product (GDP) growth projected at 3.0% to 4.0%, up from 5.2% in 2024. Inflation is expected to decline steadily, reaching 4.5% in 2025, easing pressures on markets and reducing uncertainty. Despite tight monetary policies, economies like the United States of America are showing resilience, while growth in regions like the European Union remains constrained by high inflation and interest rates.

The forestry sector, which has seen its GDP contribution decline to less than 1.0%, is poised for growth, with timber demand projected to quadruple by 2050 due to urbanisation and the shift to sustainable materials.

The global macroeconomic landscape presents challenges, such as inflation, geopolitical risks, and climate change but also opportunities in the green economy, AI, and rising demand for sustainable products. By embracing innovation, climate resilience, and certified sustainability, while managing costs and supply chains effectively, SAFCOL can thrive in a shifting global market.

Africa

Africa's economic recovery is gaining momentum, with a projected GDP growth of 4.0% to 5.0% in the medium term. Growth is supported by higher commodity prices, global trade recovery, and stronger domestic consumption. Regional initiatives, such as the African Continental Free Trade Area (AfCFTA) and the South African Development Community Industrialisation Strategy, are driving intra-Africa trade, job creation, and economic diversification.

Persistent challenges include political instability, climate change impacts, rising debt, and inflation driven by food prices and currency depreciation.

The continent is positioned to lead in green growth with abundant renewable resources, but extreme weather and governance challenges underline the need for balanced, climate-resilient development.

Africa's economic growth, regional opportunities, and the evolving green economy offer good prospects for SAFCOL. There is a growing demand for sustainable forestry products, green energy investments, and urban infrastructure projects. However, challenges like political instability, climate change, and rising debt levels exist. Sustainable practices, green job creation, and Africa's youthful demographics – a vital driver for productivity and consumption despite current high unemployment levels – are enabling factors for economic and environmental sustainability.

South Africa

South Africa faces a slow recovery amid high unemployment (33.5% in quarter two of 2024), fiscal challenges, and structural issues, including energy crises and sluggish manufacturing. GDP growth is forecast at 1.6% to 2.5% between 2025 and 2027, with private investment in renewable energy and infrastructure reforms expected to alleviate constraints and boost sentiment.

South Africa's economic challenges, including the energy crisis, inflation (high but stabilising around 4.5%), and unemployment, pose risks but also offer growth opportunities. Embracing green economy initiatives, renewable energy, and inclusive development enables businesses to address environmental and socio-economic issues. Strategic investments in energy resilience, skills development, and public-private partnerships can unlock opportunities in infrastructure, sustainable forestry, and renewable energy, contributing to South Africa's long-term economic and social goals.

Crime remains a concern in South Africa. The World Bank estimates that crime costs the South African economy around R700 billion a year or at least 10.0% of GDP. For businesses and state-owned enterprises, the key areas impacted are losses of merchandise and services, extortion, and infrastructure theft. Therefore, it requires increased spending on security, which means less capital available for investing in core business infrastructure and capabilities.

Effects of economic challenges on SAFCOL

SAFCOL is a key role-player in the forestry sector, commanding approximately 11.0% of the upstream market share, and a direct contributor to the output of the sawmilling industry through its Timbadola Sawmill. In the upstream segment, SAFCOL's timber sales are influenced by various economic challenges, including rising input costs, fluctuating exchange rates, high interest rates, and shrinking domestic markets. These factors have significantly pressured South Africa's sawmilling industry.

Many sawmilling businesses are operating at breakeven or worse, leading to business closures and escalating job losses. To remain viable, sawmills have prioritised cost-management strategies and alternative energy solutions, often at the expense of investing in new or upgraded production technologies.

SAFCOL has felt the downstream impact of these challenges, particularly in reduced demand for its timber. There is also a perception within the sawmilling industry that government lacks urgency and interest in addressing the sector's difficulties, prompting industry players to take independent initiatives to safeguard their interests.

To meet sales targets, SAFCOL has had to lower its timber prices, adversely affecting profitability and highlighting the critical need for reducing fixed costs. The Timbadola Sawmill, like its private sector counterparts, has faced similar challenges and responded by investing in alternative energy solutions. The Combined Heat Power (CHP) Project represents a strategic step towards mitigating these challenges and aligns with SAFCOL's vertical integration strategy, which is essential for driving growth and sustainability over the next five years.

Effect of crime and timber theft on SAFCOL

In general, elevated levels of crime and corruption persistently undermine development, jeopardise safety and stability, and hinder the delivery of essential infrastructure and services.

Existing infrastructure grapples with high levels of vandalism and theft, while new projects face threats from organised criminal extortion networks posing as legitimate representatives of community interests, a phenomenon experienced by SAFCOL. Illegal mining in forestry areas has become an additional problem.

Criminal activities at SAFCOL sites include illegal timber harvesting, killing of animals, illegal occupation of land, stealing of equipment, hijacking, and unauthorised grazing, among others.

Illegal mining is a major concern, with detection, monitoring, and interventions implemented in collaboration with the South African Police Service, the Department of Mineral and Petroleum Resources, the Department of Forestry, Fisheries and the Environment (DFFE), Department of Water and Sanitation, security providers, and industry players at more than 10 SAFCOL sites.

The top three cost drivers were providing security to protect assets from illegal mining, providing physical security and technology, and litigations.

R15 million–R20 million
Revenue is lost annually due to illegal harvesting

> R220 000
Business cost of crime at SAFCOL between 2021/22 and 2023/24

These are costs that could be better spent on investing in infrastructure upgrades and improving the productivity of forestry assets. There is a significant but necessary opportunity cost associated with protecting employees, biological assets, plant and equipment, products, and customers against the prevalence of criminal activities.

Indlulamithi South Africa Scenarios

The 2024 Indlulamithi South Africa Scenarios explore different potential futures for South Africa, helping guide decision-making around key national challenges, such as governance, economic growth, social cohesion, and global engagement.

The President of South Africa, in his Opening of Parliament Address in July 2024, quoted from the Indlulamithi report and emphasised the importance of unity and collective action to prevent the 'Recrimination Scenario where the state and society are in slow decline without decisive action being taken and blaming others has become the norm. He said the nation should work towards the 'Cooperation Nation Scenario', which sees a coming together of the state, private sector and civil society to jointly identify priorities, leverage strengths and effect governance and economic reforms that attract investment and help to reduce the triple challenge of unemployment, inequality, and poverty.

The baseline of the Indlulamithi South Africa 2035 Scenarios illustrate a country in flux, where economic stagnation, political instability, and social unrest threaten to undermine growth and stability. However, opportunities remain in sectors that embrace sustainability, social cohesion, and effective governance. Businesses, government leaders, and communities must be proactive in addressing these trends to navigate the uncertainties ahead and work towards a more inclusive and resilient future for South Africa.

For SAFCOL, the key to navigating these uncertainties lies in aligning with the country's sustainability goals, investing in energy resilience, and contributing to inclusive growth, especially in the rural communities surrounding SAFCOL's plantations.

While the risks are many, there are opportunities for SAFCOL to lead the green economy, promoting stability and creating long-term value.

Mozambique

Mozambique and South Africa have strong economic and trade ties, offering several strategic opportunities.

The Maputo Corridor enhances trade and transport efficiency, and Mozambique's growing investments in energy and infrastructure create opportunities in renewable energy and sustainable forestry projects.

Synergies with Mozambique's priorities in energy, infrastructure, and green growth enhance operations and unlock new opportunities in the region. Focusing on green growth and regional collaboration strengthens market positions and contributes to Southern Africa's development and sustainability goals.

Challenges posed by political instability in northern Mozambique as well as sporadic but lengthy and often violent demonstrations such as those experienced after the nation's elections in October 2024, may risk operational security and continuity.

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Table 1: Summary of SAFCOL legislation and policy mandates

Statutory mandates	Governance frameworks	Global and national policy frameworks and guidelines
• Constitution of the Republic of South Africa (1996) • Management of State Forests Act (No. 128 of 1992) • National Forests Act (No. 84 of 1998)	• Public Finance Management Act (No.1 of 1999) (PFMA) • Companies Act (No. 71 of 2008) • Public Procurement Act (No. 28 of 2024) • Intergovernmental Relations Framework Act (No. 13 of 2005) • Protected Disclosures Amendment Act (No. 5 of 2017) • Prevention and Combating of Corrupt Activities Act (No. 12 of 2004) • Protection of Personal Information Act (No. 4 of 2013) • Promotion of Access to Information Act (No. 2 of 2000) • Memorandum of Incorporation • Shareholder's Strategic Intent Statement • Significance and Materiality Framework • Shareholder's Compact • King IV™ Code of Corporate Governance for South Africa, 2016 • Protocol on Corporate Governance for the Public Sector, 2002 • SOC Remuneration Guidelines • Delegation of Authority Framework	• United Nations Sustainable Development Goals 2015 • United Nations Strategic Plan for Forests 2017–2030 • National Development Plan Vision 2030 • Medium-Term Strategic Framework 2014–2019 • Masterplan for the Commercial Forestry Sector in South Africa, 2020–2025 • FSC® Principles and Standards • Economic Reconstruction and Recovery Plan 2020 • Forestry Sector Code and Scorecard 2018 • Africa Continental Free Trade Agreement • Paris Agreement 2015 and subsequent 26th, 27th, and 28th United Nations Climate Change Conferences of the Parties • Just Transition Framework July 2022

SAFCOL's contribution to national and global policy frameworks

SAFCOL is wholly owned by the Government of South Africa. Following the restructuring of government departments after the May 2024 elections, the Department of Public Enterprises was disbanded and its oversight responsibilities were reassigned to relevant ministries. As a result, SAFCOL's shareholder and Executive Authority is now the DFFE, aligning its operations more closely with sector-specific governance.

Additionally, the National State Enterprises Bill, currently under parliamentary review, seeks to establish the State Asset Management SOC Limited, consolidate the state's shareholdings in state enterprises, and define the powers of the state as shareholder. SAFCOL recognises the possibility of being transferred to the holding company once the bill is enacted.

As a Schedule 2 Major Public Entity, SAFCOL's overall governance is broadly determined by government policies, strategies, and plans that are relevant to its mandate.

SAFCOL contributes to national and global policy frameworks, broadly within the scope of environment, sustainability, and governance (ESG) frameworks.

Sustainable Development Goals, 2030

The United Nations' 2030 Agenda for Sustainable Development, with its core element, the 17 Sustainable Development Goals (SDGs), were created in response to the development challenges facing the global community. As a global corporate citizen with a mandate of socio-economic development, SAFCOL has a role to play in the achievement of the SDGs.

Specifically, SDG 15, which aims to "protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss".

National Development Plan, Vision 2030

SAFCOL contributes to several NDP chapters, including:

- An economy that will create more jobs – Chapters 3, 4, 5 and 6;
- Infrastructure improvement – Chapters 4 and 8;
- Transition to a low carbon economy – Chapter 5; and
- An inclusive and integrated rural economy – Chapter 6.

Medium-Term Development Plan, 2024–2029

SAFCOL contributes to all three Medium-Term Development Plan strategic priorities:

- Strategic Priority 1: Drive inclusive growth and job creation, with a specific focus on industrialisation, localisation, opportunities for regional integration, leveraging the AfCFTA for expansion through exports, and a robust export strategy, as well as rural development, environmental management, and climate change mitigation programmes.
- Strategic Priority 2: Reduce poverty and tackle the high cost of living, with a specific focus on job creation, supporting local economies, and adopting sustainable practices.
- Strategic Priority 3: A capable, ethical and developmental state, prioritising the attainment of an unqualified audit outcome with no material findings, and ensuring a professional, meritocratic public entity.

SAFCOL also contributes to the cross-cutting issues related to women, youth, and persons with disabilities through, for example, targeted enterprise and supplier development programmes, inclusive employment equity initiatives, bursary and internship opportunities, and tailored skills development interventions. Specific support includes assistance to small-scale women farmers through agroforestry initiatives, as well as the establishment and mentoring of youth-led furniture manufacturing cooperatives. SAFCOL further promotes representation of these groups in community engagement structures and ensures accessibility and inclusion within its Participatory Forest Management projects.

United Nations Strategic Plan for Forests, 2017–2030

The UNSPF provides a global framework for action at all levels to sustainably manage all types of forests and trees outside of forests, and to halt deforestation and forest degradation.

The UNSPF vision, principles, and commitments align with the SDGs. There are 26 targets associated with the SDG goals to which SAFCOL contributes through its operations.

Forestry Stewardship Council

The FSC® is a global, not-for-profit organisation dedicated to the promotion of responsible forest management worldwide. FSC® defines standards based on agreed principles for responsible forest stewardship that are supported by environmental, social, and economic stakeholders. To learn more, visit www.fsc.org

SAFCOL has maintained its FSC® certification for the past consecutive 27 years and will continue to maintain the certification.

Masterplan for the Commercial Forestry Sector in South Africa, 2020–2025

The goal of the Forestry Sector Masterplan is to increase investment and competitiveness in the forestry sector, underpinned by inclusivity. SAFCOL's initiatives contribute to the masterplan's objectives in several ways, as highlighted in Figure 3.

Afforestation

- Expanding forestry resources and maintaining (protect against pests, diseases, fires)
- Supporting agroforestry (increase social employment and improve food security)
- Exploring the Category B&C plantations with the Department of Forestry, Fisheries and the Environment (DFFE)
- Partnering with municipalities and communities
- Engaging in multiple agroforestry projects through SAFCOL's transformation programmes
- Investing in research on pesticides and collaborating with the Forestry and Agricultural Biotechnology Institute.

Transformation

- Supporting community ownership and plantation activity-related economic benefits
- Promoting community and black business opportunities with improved commercial viability
- Developing and implementing corporate social investment and enterprise and supplier development programmes
- Engaging in a proactive Community Engagement Model
- Supporting transformed customers in multi-year contracts
- Negotiating land lease agreements.

Processing

- Improving use of timber in the built environment
- Seeking industrial funding to drive competitiveness through processing modernisation
- Facilitating export market access for utility poles
- Promoting sawmilling modernisation
- 50/50 Strategy – expanding processing activities:
  - Timbadola reinvestment and upgrade
  - Mobile sawmills
  - Pole treatment
  - Cross-laminated timber
  - Purchasing/ leasing of sawmills.

Addressing illegal activity

- Reducing timber losses from illegal harvesting and timber theft-related activities
- Implementing a technology-enabled security strategy
- Rolling out an Ethics Programme
- Continuing implementation of the Fraud Prevention Plan
- Collaborating with law enforcement agencies and communities.

Research, development, innovation and skills

- Strengthening and expanding RDI in the forestry sector
- Developing, retaining, and expanding skills
- Contributing 1.4% of revenue to R&D spend
- Contributing 3% of revenue to skills development
- Launching of the Innovation Programme.

Addressing key inhibitors

- Creating an enabling environment for the forestry sector by addressing critical inhibitors related to water, transport and land
- Complying with the related legislation through wetland delineation, alien and invasive species control especially around wetland areas, and monitoring of SAFCOL's water systems
- (Note: The slow land reform process creates an uncertain environment.)

Figure 3: SAFCOL support for the Forestry Sector Masterplan

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Economic Reconstruction and Recovery Plan, 2020

South Africa has developed an ERRP as a response to the economic challenges brought on by the COVID-19 pandemic. SAFCOL contributes to the plan's job creation and inclusive growth aspirations by securing strategic partnerships and adopting suitable funding models for the development and implementation of key strategic initiatives and projects. Figure 4 outlines some of SAFCOL's activities in support of the ERRP.

Growing the productive economy

- Expand forestry land, aligned with the strategic outcomes of SAFCOL
- Improve the viability of IFLOMA and repayment of debt to Komatiland Forests
- Implement the cross-laminated timber manufacturing project
- Implement the cellulose nanocrystals manufacturing project
- Expand into furniture manufacturing.

Mass public employment interventions

- Implementation of the YES Programme, Expanded Public Works Programme and SAFCOL's Internship Programme.

Infrastructure investment

- Timbadola Sawmill reinvestment and upgrade
- Installation of the CHP plant.

Green economy interventions

- Bioenergy and biomass developments, e.g. establishing a CHP plant at the Timbadola Sawmill, through a strategic partnership
- Establish a pellet plant.

Strengthening food security

- Facilitating agroforestry opportunities for the benefit of communities.

Support for tourism recovery and growth

- Optimisation of the ecotourism asset.

Gender equality and inclusion of women and youth

- Implementation of the Transformation and Employment Equity Plan.

Figure 4: SAFCOL's contribution to the ERRP

Just Transition Framework

The Presidential Climate Commission published a Just Transition Framework for South Africa in July 2022. The framework aims to bring coordination and coherence to just energy transition (JET) planning in the country and sets out a shared vision, principles to guide the transition, and policies and governance arrangements to give effect to the transition. It is applicable to all social partners in South Africa, across all sectors.

SAFCOL's Just Transition Plan contributes to the framework by promoting climate change adaptation and mitigation, supporting the establishment of an ethical society, and contributing to inclusive economic growth and transformation.

More details about SAFCOL's Just Transition Plan are featured in the Natural Capital, pages 55 to 58.

2

STRATEGIC PROCESS

OVERVIEW

SAFCOL operates through the sustainable management of plantation forests and related assets, generating revenue primarily from the sale of logs, lumber, and an expanding portfolio of non-timber products and services. The 2024/25 financial year marked the launch of Strategy '29 — a new strategic direction that builds upon the insights and foundations laid by the 50:50 Strategic Plan (2019–2024).

Strategy '29 reflects a comprehensive review of the challenges and opportunities ahead, developed in collaboration with the Board, Executive Committee, and broader organisation. It sets the course to 2028/29, aligned with SAFCOL's dual mandate and the Shareholder's expectations as outlined in the Strategic Intent Statement (SIS).

The strategy emphasises resilience, agility, and long-term sustainability. It moves beyond the internal processing and diversification focus of the previous plan by targeting higher-value, high-profitability products. This evolution reflects an expanded ambition – not only to enhance revenue and profitability but also to ensure long-term institutional, development impact, and capital/funding sustainability. These pillars align with best practices in public sector value creation and anchor SAFCOL's five-year strategic planning horizon.

Despite progress, the 2024/25 year presented operational challenges. SAFCOL continues to contend with a cost structure heavily influenced by reliance on upstream log sales and inefficiencies in forestry harvesting and midstream processing. Contributing factors include ageing infrastructure and equipment, high fixed employment and overhead costs, and historically low – though improving – levels of mechanisation in forestry operations. Delays in implementing diversification and processing projects have also constrained progress.

To address these challenges, SAFCOL is reinforcing governance structures, strengthening human capital, and embedding enterprise development and risk management into its strategic execution.

The shift from a narrow revenue diversification focus to one centred on high-value, sustainable products marks a critical transformation. By targeting growth sectors such as renewable energy and biochemicals, SAFCOL is positioning itself at the forefront of future-focused industries. This direction is not only commercially sound but also aligned with global efforts to combat climate change and promote inclusive, long-term sustainability.

VALUE CREATION/BUSINESS MODEL

Inputs

Financial capital (FC)
- R3bn debt
- R3.6bn equity
- R1.29bn revenue

Manufactured capital (MC)
- R9.5m spent on buildings owned/leased
- R161m spent on specialised machinery for operations

Intellectual capital (IC)
- Patents
- Copyright
- Institutional knowledge i.e. 20 years in operation

Human capital (HC)
- 1 207 employees
- Industry specific capabilities

Social and relationship capital (SRC)
- Key relationships i.e. MOUs, SLAs
- Brand reputation
- Community empowerment
- Proactive community engagement
- Land Claims Settlement model

Natural capital (NC)
- 189 541 ha of land
- 119 885 ha of forests
- 6 694 693 kWh of electricity used
- 3 090 411 litres of diesel for machinery and generators

Business model

Phase 1 Stabilise the Business → **Phase 2** Growth of Existing Base → **Phase 3** Growth through Product Diversification → **Sustainable Value Add to All Stakeholders**

Continuously striving for good governance and to create shared value for shareholder and other stakeholders

Excellence focused **LEADERSHIP** driving values-based culture and development of talent. All employees shall be customer-centric.	Sustainable value-generating **OPERATIONS** based on FSC® certified plantations of researched species and improved efficiency in processing.	Implement **TECHNOLOGIES** to strengthen controls and mechanise harvesting to eliminate safety incidents and improve productivity in plantations and sawmill.	Update relevant guiding **POLICIES** and optimise processes.

Market, Customer, Environment and Community Orientation

PEOPLE	PRODUCTS	EQUIPMENT	PROCESSES

Pine | Eucalyptus | Wattle

Figure 5: The value creation process

Outputs (can be measured)

• 1 207 jobs • 105 learnership opportunities	• R36.6m capital expenditure	• 189 541 ha of land
• R68m profit	• 35 170 m³ of lumber produced and sold	
• Mechanisation project	• Expanded mechanisation of harvesting systems • Employees underwent training and through a selection process and were upskilled to take up the operators positions within the new teams	
• 1.4% total expenditure of prior year revenue on R&D outputs	• Zero fatalities • DIFR-1.54	
• R197m ESD (enterprise and supplier development) • R3.8m CSI (corporate social investment)		
• Agro forestry • Arbor week initiatives	• 27 consecutive years of FSC® Forest Management certification	

Outcomes

% contribution to GDP
Poverty alleviation
Employment creation for vulnerable groups
Sustainable management of natural resources (forests and land)
Expansion of the research knowledge base

Links to ESG indicated by: Environmental Social Governance

STRATEGY AND RESOURCE ALLOCATION

Strategies in place to achieve objectives

SAFCOL Strategic Plan

In the first year of implementing the 2025–2029 Strategic Plan, the first focus area was ensuring that SAFCOL diversifies its product range to cater to existing and new markets, thereby creating value for shareholders and significantly contributing to community development, inclusive economic growth, and environmental sustainability. This transformation is underpinned by evolving SAFCOL into a future-fit organisation, supported by a sustainable funding structure to ensure institutional sustainability and enhanced stakeholder value. The key objectives of the 2024/25 Strategic Plan were to:

- Outline SAFCOL's response to the policy environment, particularly, the ERRP, the Forestry Masterplan, and the Just Transition Framework.
- Define the strategic horizon of Strategy '29, its strategic priorities, the strategic initiatives and projects, and setting targets for the conclusion of the Strategy in 2028/29.
- Conduct a situational analysis in relation to the SAFCOL strategy.
- Highlight the strategic outcomes and final year targets of the Strategic Plan considering the findings of the situational analysis.
- Align the strategic objectives and outputs of the Corporate Plan to the Strategic Plan outcomes.
- Ensure the priorities and initiatives of the Corporate Plan support the outcomes of the strategy and achievement of the Shareholder's Compact.

Information and communications technology

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

ICT is mandated to integrate new and useful technologies into SAFCOL operations, powering innovation, efficiency, and creating value through digital means. The ICT strategic plan is, therefore, being realigned to support the 2024–2029 strategic intent of building a future-fit SAFCOL. This realignment includes:

- Aligning with the Company's digital direction and innovation ambitions to enable Strategy '29 and enhance customer experience.
- Defining a roadmap that focuses on a strategic portfolio of impactful innovations to help shape the Company's future.
- Investing in integrated communication networks, cloud infrastructure, devices, platforms, and process automation technologies.
- Driving the Forestry 4.0 vision to connect systems, employees, suppliers, customers, smart devices, and machines into a digital ecosystem.

Knowledge management

Strategy '29 was officially launched to employees at Pretoria head office with a dedicated information campaign to communicate the new strategy and ensure understanding of the strategy and its objectives. A competition with prizes formed part of the launch to promote inclusivity. In addition, the CEO presented the strategy to the entire organisation to ensure everyone understands the new direction and their roles in achieving the objectives. Leadership again refreshed employees' understanding of Strategy '29 in follow-up communications mid-2024/25.

Succession planning

Succession planning to ensure business continuity and a stable employee base is an important strategic enabler. During the reporting period, the SAFCOL Board approved a review of the Succession Planning Policy and Plan.

The implementation of developmental interventions for identified leadership successors is underway, building on the talent management process that was undertaken to address the scarce and critical skill requirements. The intention is to develop a strong pool of home-grown talent that may feed into these roles, as the need arises. The focus is on the implementation of talent development interventions to support SAFCOL's adopted 'buy, build, borrow, and bind' talent management approach.

Demonstrable progress

In our previous Integrated Report, we emphasised the strategic importance of succession planning in ensuring business continuity and organisational stability. We are pleased to report that this commitment has been successfully demonstrated in practice following the departure of the Group CEO. The seamless transition and appointment of a successor from within the organisation to fill the critical gap at the C-Suite level is a testament to SAFCOL's strong leadership bench and the effectiveness of our succession planning strategy.

This implementation not only ensured uninterrupted operations and sustained executive leadership, but also strengthened stakeholder confidence in SAFCOL's governance and talent development capability.

Through ongoing developmental interventions for identified successors, we continue to build a strong internal pipeline of agile, capable leaders – prepared to step confidently into key roles when needed.

Occupational health and safety

SAFCOL has a legal and a moral responsibility to provide a working environment that is as safe as reasonably practicable and to protect its people from injuries and diseases arising from the performance of their work-related activities. Additionally, SAFCOL recognises that failure to ensure a safe environment and prevent injuries has a negative impact on the Company's financial performance since the costs of accidents and injuries constitute a direct loss which cannot be recovered.

Through continued and vigorous promotion and coordination by the SHEQ Team of the "*I Choose Safety*" campaign, strongly supported by the "*SEE something, SAY something, DO something*" and "*Safe by CHOICE not by CHANCE*" initiatives, SAFCOL and its contractors achieved a fifth consecutive fatality-free financial year.

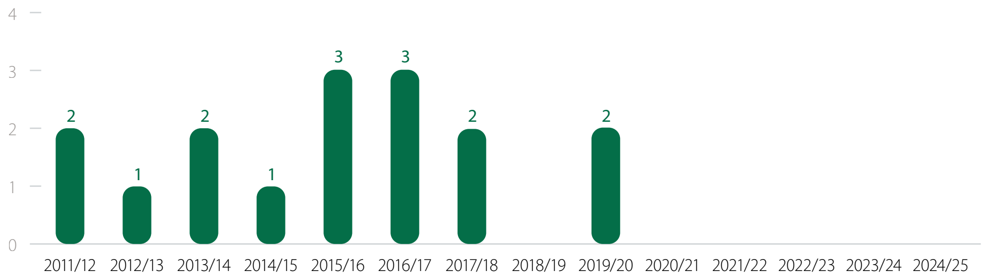


Figure 6: Fatalities: SAFCOL employees by financial year

At the same time, the Disabling Injury Frequency Rate (DIFR), which had begun to trend upward mid-year, was stabilised and brought back within the Shareholder's Compact target requirement. The DIFR at the end of the FY2024/25 year was 1.54, resulting from a total of 25 disabling injuries, the third-lowest number recorded in the past 9 years.

Key challenges to ongoing health and safety management included unfilled vacancies and reduced capacity for travel to operating sites, reducing the infield availability and visibility of the SHEQ team which resulted in occasional spikes in injury rates. These were countered by innovative communication and work planning, supported by direct management interventions which ensured that the Shareholders Compact target was met.

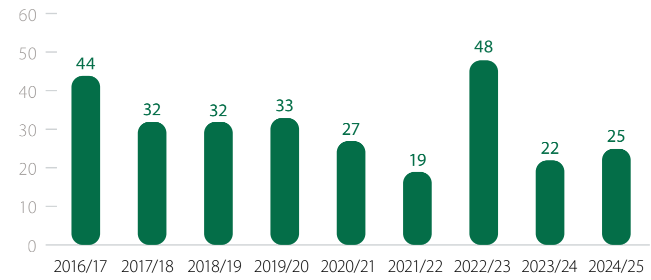


Figure 7: Disabling Injuries: SAFCOL employees by financial year

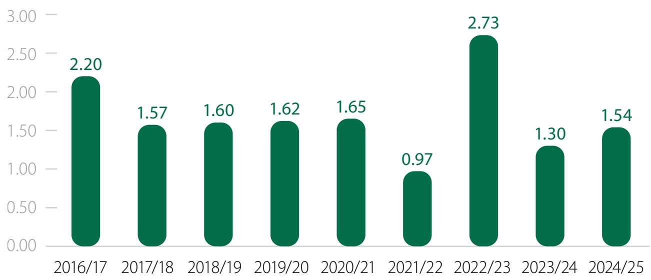


Figure 8: Disabling Injury Frequency Rate (DIFR): SAFCOL employees by financial year

The annual external health and safety compliance audit conducted by NOSA, yielded an overall compliance score of 89.06%, which is the highest on record and confirmed SAFCOL's maintenance of a NOSA 4-Star Grading (note that no audits were conducted in 2016 owing to a system review or in 2020 due to COVID-19). The auditor commended the Company for ongoing improvement and described SAFCOL's Health and Safety Management Systems as effective and well established.

In addition, SAFCOL received an Excellence Award in June 2024 recognising the Company's status as the Best 4-Star Company in the NOSA Mpumalanga Region for the 2023/24 financial year.

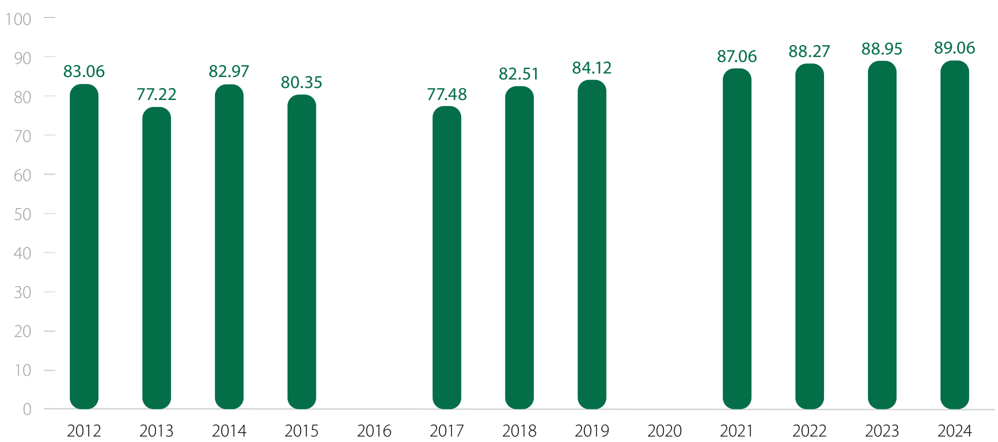


Figure 9: Annual NOSA Audit Compliance Score

Simulator training machine at Platorand Training Centre

Resource allocation

KLF Forests

The actual planting was 749 ha behind the planned programme for the year due to the cost curtailment applied in the Company. The pruning programme was 99.9% completed with only 148 ha not done due to trees that were not ready for the pruning lift. Thinning operations were 43% behind due to some thinning teams being moved to clearfelling operations to assist with the salvaging of burnt trees before the quality of the timber deteriorates.

More clearfelling (31%) was conducted due to a few large fires during the winter months. Severely burnt compartments were clearfelled to salvage as much as possible of the trees before the timber quality was not suitable for the market. The planned temporarily unplanted percentage (TUP) Shareholder target of 3% was achieved.

189 414 ha
Land area covered by KLF's commercial and non-commercial operations

15
Prime softwood sawlog plantation assets in Mpumalanga, Limpopo and KwaZulu-Natal

3 967 ha
Planted during reporting year – 16% less than budgeted

5 358 ha
Clear-felled – 31% more than budgeted

SAFCOL and KLF workforce

1 365	1 207	158
Employees	Permanent	Fixed term

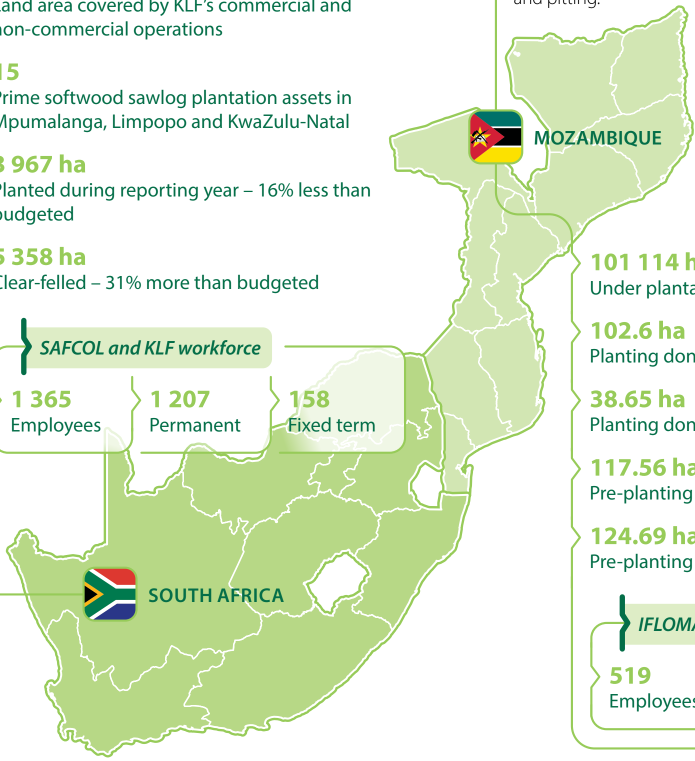
IFLOMA Forestry Operations

IFLOMA achieved notable growth and maintained its plantable area target in Manica while missing the TUP and Sofala establishment targets due to drought and funding constraints. The target of 3.5% for the TUP for the Manica operations was not achieved, and there is a negative variance of 3.5% compared to an actual of 7%. This is mostly due to continued harvesting and no replanting of the harvested compartments at Penhalonga, Bandula, and Rotanda.

The financial performance saw revenue of R83.1 million, just below budget, with operating costs well-managed and a marginal profit achieved.

Operational highlights include nursery recovery with 69 000 seedlings produced, improved lumber sales through targeted deployment, and infrastructure upgrades like restoring sawmills.

Pre-planting activities comprised slashing, land clearing, marking, and pitting.



101 114 ha
Under plantation management

102.6 ha
Planting done at Manica

38.65 ha
Planting done at Galinha

117.56 ha
Pre-planting activities at Manica

124.69 ha
Pre-planting activities at Sofala

IFLOMA workforce

519	321	198
Employees	Permanent	Fixed term

Mechanisation Expansion Project

As reported last year, Phases 1 and 2 of this project have been concluded with the procurement and implementation of two cut-to-length (CTL) mechanised clearfell systems and replacement of a harvester. A steep-area CTL mechanised thinning system remains outstanding (Phase 2).

While some phases remain pending due to financial constraints, significant benefits have been realised, including increased production volume, enhanced safety by reducing chainsaw operators, and the upskilling of personnel through structured training and assessments. The project has also improved operational speed and reduced downtime.

Going forward, the mechanisation project will be reassessed to align with changing needs, and its scope will expand to cover silviculture operations, marking a significant step in transforming the forestry value chain.

PERFORMANCE AGAINST SHAREHOLDER'S COMPACT

Overall performance against the Shareholder's Compact

SAFCOL concluded the Shareholder's Compact (SHC) for the 2024/25 financial year with the Minister of Public Enterprises (the former Shareholder Representative), which sets out the agreed performance objectives, measures and indicators in line with the National Treasury Regulations issued under the Public Finance Management Act (PFMA). SAFCOL now submits progress reports to the DFFE on all key performance indicators (KPIs).

The SAFCOL Group performance was measured by 28 KPIs for the 2024/25 financial year. Twenty-two targets are reported quarterly. The six targets not measured quarterly but annually are:

- Total expenditure on research and development (R&D) as a percentage of the previous year (2023/24) unaudited SAFCOL revenue;
- Agro/social forestry research: Bioeconomy;
- Training spend;
- Apprenticeship trainees;
- Sector-specific learnerships; and
- Auditor-General (AG) audit outcome.

Against 28 measurable KPIs, 21 KPIs were achieved and seven were not achieved. This represents a 75% achievement of the Shareholder's Compact as at the end of the financial year, which is slightly lower than the 76% achieved in 2023/24 (overall achievement).

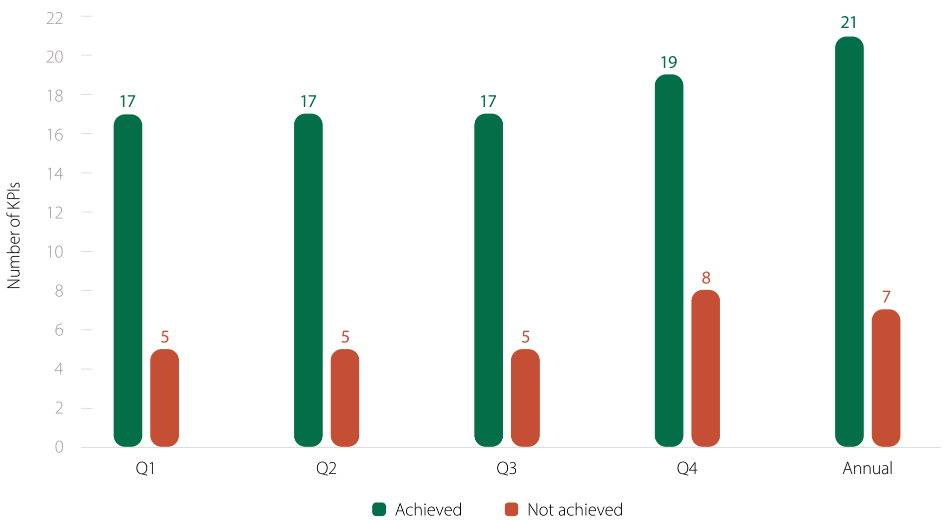


Figure 10: Comparison of quarterly and annual performance information

Financial Sustainability

Key: ✓ Achieved ✗ Not achieved

Key Performance Indicators, planned targets and actual achievements

Element of strategic intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Unit of measure	Planned target 2024/25FY	Actual achievement 2024/25FY	Status	Deviation from planned target to actual achievement for 2024/25FY	Comments on performance
Financial sustainability	**Liquidity**	1) Current ratio	Ratio	1.5:1	1.3	✗	0.2	• Lower cash reserves as a result of the lower profit achieved (64% below budget) because of missed lumber sales targets and increased spending on contractors due to fires. • Continue cost curtailment measures to strengthen cash management and accelerate the clearance of backlog sales. • Strengthen oversight of contractor expenses.
		2) Trade receivable days	Days	≤60	59	✓	1	• Target has been achieved.
	Revenue generation	3) EBITDA margin	%	≥5%	6.3%	✓	(1.3%)	• Target has been achieved.
	Efficiency	4) Revenue/employee	Rands	≥R0.6m	R746 151	✓	R146 151	• Target has been achieved.
	Solvency	5) Debt ratio	%	≤30%	30%	✓	0%	• Target has been achieved.

SAFCOL Nursery Centre, Sabie, Mpumalanga

Operational Excellence

Key Performance Indicators, planned targets and actual achievements

Element of strategic intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Unit of measure	Planned target 2024/25FY	Actual achievement 2024/25FY	Status	Deviation from planned target to actual achievement for 2024/25FY	Comments on performance
Operational excellence	**Innovation and research**	6) Total expenditure on R&D as a percentage of the previous year (2023/24) unaudited SAFCOL revenue	%	≥1.5%	1.4%	✗	(0.1%)	• The underspend was mainly due to the organisational cost-containment initiatives that led to the reprioritisation of some R&D projects. • Continue with plans when cost curtailment is lifted.
		7) Agro/social forestry research: Bioeconomy	Annual target	EXCO approved proposal for bioeconomy development	EXCO approved proposal for bioeconomy development	✓	N/A	• Target has been achieved.
	Safety	8) Fatalities Index	Number	0	0	✓	0	• Target has been achieved. • 5 consecutive fatality free financial years.
		9) Disabling Injury Frequency Rate (DIFR)	Ratio	≤1.55	≤1.54	✓	0.01	• Target has been achieved. • Continued focus will be required to retain/ reduce this rate further.
	Productivity and efficiency	10) TUP South Africa	%	3%	3%	✓	0%	• Target has been achieved. • Planting activities were prioritised to take advantage of the planting window after delayed rains.
		11) TUP Mozambique – Manica operations	%	3.5%	7%	✗	(3.5%)	• Efforts were made to replant the harvested compartments but there was insufficient rainfall due to drought.
	Timber Processing	12) Timbadola intake volume	m^3	100 000m^3	83 762m^3	✗	(16 238m^3)	• KPI delivery during the year was impacted by capacity constraints, infrastructure breakdowns, and rainfall impacting supply. While performance stabilised in Q3, it was not sufficient to catch-up.
		13) Timbadola lumber sales volume	m^3	45 500m^3	35 170m^3	✗	(9 830m^3)	• Full year throughput at mill was inadequate to achieve sales target. A mill upgrade is required to improve production.

Socio-economic Impact

Key Performance Indicators, planned targets and actual achievements

Element of strategic intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Unit of measure	Planned target 2024/25FY	Actual achievement 2024/25FY	Status	Deviation from planned target to actual achievement for 2024/25FY	Comments on performance
Socio Economic Impact	**Environmental compliance**	14) KLF South African operations fully certified to FSC® standard	%	100%	100%	✔	N/A	• Target has been achieved. • Ongoing compliance required. Next audit June 2026.
	Skills development	15) Training spend	%	3%	3.74%	✔	0.74%	• Target has been achieved.
		16) Apprenticeship trainees	Number	≥10	0	✘	(10)	• Due to financial constraints, the Company reduced its training budget, pausing new apprentice intake for FY24/25 and FY25/26. • A pipeline of 25 apprentices was sustained, aligning with the Company's capacity to provide practical training within its sawmill processing operation.
		17) Sector specific learnerships (e.g. wood technologist, processors, foresters)	Number	≥100	105	✔	5	• Target has been achieved.
	Corporate social investment (CSI)	18) Total spend CSI initiatives	Rand	R5.5m	R3 845 578	✘	(R1 654 422)	• Due to cash preservation initiatives, CSI projects were suspended.
	B-BBEE/ Preferential Procurement	19) Spend on BEE-compliant companies as a % of Total Measurable Procurement Spend (TMPS)	%	80%	91%	✔	11%	• Target has been achieved.
		20) B-BBEE status level	Certification level	3	2	✔	N/A	• Target has been achieved.
		21) Procurement spend on 51% Black-owned entities as a % of TMPS	%	60%	76%	✔	16%	• Target has been achieved.
		22) Procurement spend on 30% Black women-owned entities as a % of TMPS	%	21%	43%	✔	22%	• Target has been achieved.
		23) Procurement spend on Black youth-owned entities as a % of TMPS	%	10%	29%	✔	19%	• Target has been achieved.
		24) Procurement spend on people with disabilities owned entities as a % of TMPS	%	1%	1%	✔	0%	• Target has been achieved.
	Industrialisation and localisation	25) Total local content (%)	%	75%	100%	✔	25%	• Target has been achieved.
	Enterprise and supplier development (ESD)	26) Annual value of all ESD contributions made by SAFCOL	Rand	R80m	R197 519 889	✔	R117 519 889	• Target has been achieved.

Governance Excellence

Key Performance Indicators, planned targets and actual achievements

Element of strategic intent	Key Performance Area (KPA)	Key Performance Indicator (KPI)	Unit of measure	Planned target 2024/25FY	Actual achievement 2024/25FY	Status	Deviation from planned target to actual achievement for 2024/25FY	Comments on performance
Governance excellence	**Anti-corruption**	27) Percentage forensic report recommendations implemented within 3 months of being issued	%	80%	88%	✓	8%	• Target has been achieved. • Follow-up on outstanding recommendations will be done in Q1 of FY26.
	Governance assurance	28) AG Audit outcome	Annual milestone	Unqualified audit opinion	Unqualified audit opinion	✓	Unqualified audit opinion	• Target has been achieved.

Mechanised harvesting operation at Witklip Plantation in Mpumalanga

CONTEXT TO THE SIX CAPITALS

Forest operations

Most of the plantations received late rain in April and May 2024 that resulted in more area being planted than planned at the beginning of the financial year. In SAFCOL's sphere of operations, the plantations experienced a very long and dry fire season that lasted till the end of November 2024. The exceptionally hot winter months with low-humidity days resulted in more than 6 000 ha of commercial trees being burnt by various forest fires. Most of the fires occurred in the Highveld of Mpumalanga and the Berlin plantation located southwest of Nelspruit. Approximately 60% of the burnt trees will recover, while most of the severely burnt trees were clearfelled before the timber deteriorated. The first summer rains started in the last week of November 2024. Our last fire occurred in December 2024 which is very unusual for that time of the year.

By the end of the financial year, an additional 1 269 ha were clearfelled due to the salvage of burnt compartments which increased the area to be replanted to achieve the shareholder's target of a temporarily unplanted percentage (TUP). The TUP target of 3.0% was achieved at the end of Quarter 4. The annual pruning programme was 99.6% completed, while the thinning programme was far behind at 43% due to the fire recovery operations where some thinning teams were allocated to clearfelling operations. The planting programme is also behind with 16% due to the cost savings in the Company.

Logs sales started the financial year with higher sales compared with previous years. Normally, there is a slow start-up at the beginning of the financial year resulting in less volume being sold than budgeted. Only 85% or 1.263 million m^3 of round logs were sold compared to the full year's budgeted volumes due to depressed markets. The total revenue from log sales was R1.1 billion and 7% below the budgeted target of R1.178 billion.

Processing

SAFCOL owns and operates the Timbadola Sawmill, a softwood processing sawmill located in the Limpopo province. The mill processes around 100 000m^3 of its own 100% FSC®-certified sawlogs per annum, mainly into SABS-graded and certified lumber products for use as building and construction material.

Highlights for the year include the acquisition and commissioning of a finger-joint line during the beginning of the year and the completion of a dust-extraction system project in early 2025. Both these upgrade projects have contributed to increased output of high-value lumber product, as well as reducing production costs in the drymill. The sawmill's average selling price has increased by more than 10% in 12 months.

The sawmill, however, is consistently challenged with mechanical breakdowns due to the mill's age as most of the production equipment is outdated, inefficient and expensive to repair. A process is in place to perform a major mill upgrade that will improve profitability, recovery and result in a much safer working environment for employees.

Lumber sales' performance has matched the production output. The year-end lumber stock level at mill was 40% below industry standard.

Forward-looking: all aspects of operations

SAFCOL plans to advance the process for appointing implementation contractors to drive the mill's upgrade. Additionally, the anticipated implementation of the externally funded CHP Plant project remains a key focus, and it is in advanced stage. These initiatives are set to enhance the mill's operational efficiency and financial sustainability.

Expanding the biological asset base and the Company's revenue streams through product and market development also remain high on SAFCOL's priority list.

Seedlings at SAFCOL Nursery Centre in Sabie, Mpumalanga

FINANCIAL CAPITAL

Associated capitals

SAFCOL estimates that to improve and expand its operations both domestically and internationally, it will require additional funding of R155 million for the 2025/26 financial year, R148 million in 2027, and R138 million in 2028.

Although the Company has an existing asset-backed financing facility of R160 million with a financial institution for the acquisition of movable assets, the available balance is R50 million. Additional funding will be sourced from financial institutions.

The Company is in the process of finalising the funding for the Reinvestment Project of the Timbadola Sawmill. This will be sourced from financial institutions or development finance institutions.

All other capital expenditure will be funded directly by SAFCOL from its available cash reserves. Additional cash generated from operations will also be utilised to fund monthly repayments of loans that are to be secured.

SAFCOL prefers to raise funds in the domestic market through banks and development finance institutions; however, various other funding options (funding deals offered by suppliers of the equipment) will be explored to determine the best outcome for SAFCOL. Table 2 outlines the three-year Borrowing Plan.

Table 2: Three-year Borrowing Plan

Total borrowings: 2026–2028 (Rand million)	2026	2027	2028
Existing borrowings	108	232	325
New borrowings	155	148	138
Finance costs	13	13	14
Repayments	45	67	89
Total borrowings	**232**	**325**	**389**
Long-term portion	187	258	300
Current-portion	45	67	89

The borrowing plan is based on the funding requirement for the capex items listed in Table 3:

Table 3: Funding requirements for capex items

Capex: 2026–2028 (Rand million)	2026	2027	2028
Forestry operations	87	86	86
Timbadola upgrade	78	70.0	60.0
ICT	25	15	15
Other	3	2	2
Total	**193**	**173**	**163**

Round logs stacked at Witklip Plantation in Sabie, Mpumalanga

CHIEF FINANCIAL OFFICER'S REPORT

Mr John Maruma
Acting Chief Financial Officer

"By strengthening its asset base, improving operational efficiency, and diversifying its business model, the Group is positioning itself to deliver sustainable, long-term value creation in an evolving economic landscape."

Strategic Financial Review

The Group's performance for the year ended 31 March 2025 reflects a **resilient but transitional phase**, where the focus is shifting from stability to **strategic repositioning for long-term value creation**.

Revenue increased by **8.6% to R1.29 billion**, demonstrating continued demand for the Group's products and the strength of its market position. However, profitability declined, with operating profit and net earnings impacted by **rising cost pressures, inefficiencies in parts of the asset base, and increased financing costs**.

This performance underscores a critical strategic reality: **Sustainable value will not be driven by volume growth alone but by improving the quality of the asset base, enhancing operational efficiency, and diversifying revenue streams.**

Repositioning the Asset Base

The Group remains strongly asset-backed, with total assets of **R6.65 billion**, primarily driven by biological assets. While this provides long-term value, the current performance highlights the need to **improve the quality, productivity and reliability of these assets**.

Strategically, the Group is prioritising:

- **Targeted asset renewal and replacement**, particularly where ageing infrastructure is impacting productivity;
- **Optimisation of biological asset yield and rotation strategies** to improve returns; and
- **Enhancement of asset utilisation across operations**.

Improving asset quality is central to **unlocking higher margins and reducing operational disruptions**, particularly those linked to breakdowns and maintenance costs.

Driving Operational Efficiency

The decline in operating margins reflects structural inefficiencies and cost escalation across the value chain. In response, management is implementing a focused programme to **drive operational efficiency and cost discipline**.

Key Focus Areas

- **Streamlining production processes** to improve throughput and reduce waste;
- **Optimising logistics and transport models** to manage rising distribution costs;
- **Strengthening maintenance strategies** to improve asset reliability and reduce unplanned downtime; and
- **Embedding cost management culture across all operations**.

The objective is to **restore margin performance and improve the conversion of revenue into sustainable earnings and cash flows**.

Diversification for Sustainable Growth

The Group recognises that long-term resilience requires **diversification beyond traditional forestry operations**.

Strategically, the Group is exploring and positioning for:

- **Expansion into higher-value timber products and downstream processing**;
- **Opportunities within adjacent sectors in the forestry value chain**; and
- **Alternative revenue streams linked to land utilisation and asset optimisation**.

Diversification will enable the Group to:

- Reduce reliance on a single revenue stream;
- Improve margin profiles; and
- Enhance resilience against market and pricing volatility.

Liquidity and Financial Discipline

The Group achieved a key milestone during the year by returning to **positive operating cash flow, generating R18.1 million** from operations. Cash balances increased to **R220.1 million**, strengthening liquidity.

This reflects a deliberate focus on:

- **Cash flow optimisation**;
- **Working capital discipline**; and
- **Prudent financial management**.

Maintaining liquidity remains a strategic priority as the Group executes its transformation initiatives.

Strategic Outlook

The operating environment remains challenging; however, the Group is actively repositioning itself to deliver improved performance.

The strategic focus over the medium term is clear:

- **Improve the quality and performance of the asset base;**
- **Drive operational efficiency and cost competitiveness**;
- **Diversify revenue streams to unlock new growth opportunities**; and
- **Strengthen cash generation and financial resilience**.

Conclusion

The 2025 financial year marks a **pivot from resilience to transformation**. While current profitability reflects external pressures and internal inefficiencies, the Group has a clear and deliberate strategy to enhance performance.

By s**trengthening its asset base, improving operational efficiency, and diversifying its business model**, the Group is positioning itself to deliver **sustainable, long-term value creation** in an evolving economic landscape.

Mr John Maruma
Acting Chief Financial Officer

MANUFACTURED CAPITAL

Associated capitals

Timbadola Complex

A R14.5 million Project Preparation Facility was approved by the Development Bank of Southern Africa for the project development of the CHP project. This funding will be directed towards outstanding activities required to conclude financial close. In addition, the developer has secured a reimbursable grant of up to USD 1 million from the African Development Bank. Funds are to be utilised for design and engineering work. Lastly, a non-repayable grant of up to R16 million was secured from the Norwegian Agency for Development Cooperation for supporting the implementation of a training programme for technical staff for building, operating and maintaining the CHP plant.

A Biomass Supply Agreement (BSA), critical for ensuring fuel security, cost stability, electricity off-take and project bankability, was finalised after extensive engagement with the CHP developer. Final internal approval of the BSA remains contingent on securing a funding solution for the Timbadola Sawmill upgrade and completing a risk assessment related to supply security.

Various services and goods that will directly contribute to an integrated upgrade solution for the sawmill were advertised. Bids were issued for the procurement of an optimising board-edger, three kilns and sawmill advisory services for the Timbadola Sawmill.

A loan funding term sheet to the value of R370 million was received from the Industrial Development Corporation (IDC) for the upgrade of the sawmill. The IDC loan facility allows for contingencies added by the IDC technical team to increase their level of confidence that the project will have sufficient funds until full commissioning. The increased IDC loan facility enhances the project's financial stability and reduces the risk of cost overruns or funding shortfalls, improving the likelihood of successful and timely completion of the sawmill upgrade. Another loan term sheet was received from Standard Bank, although it fell short of the minimum amount required and requires an equity contribution from SAFCOL. A submission with the recommended finance option will be presented to the newly appointed Board early in the 2025/26 financial year.

Mechanised harvesting operation at Witklip Plantation in Mpumalanga

INTELLECTUAL CAPITAL

Associated capitals

Information and communications technology

Enterprise Resource Planning Project

The most significant development during the period was the go-live of SAFCOL's new Enterprise Resource Planning (ERP) system on 1 June 2024. Delivered on time and within budget, this milestone marked a major step forward in our digital transformation journey, replacing a decade-old system with a modern, integrated solution designed to improve operational efficiency, enhance data integrity, and support strategic decision-making.

As with any significant change, the post-implementation period presented some challenges, particularly around financial reconciliations and user adaptation. Despite these early hurdles, the organisation is already realising benefits in areas that previously lacked automation – such as manufacturing – where we now have improved visibility into stock movements and operational activities. Looking ahead, the focus will be on strengthening system adoption across business units and building on the current foundation to unlock further value. This includes enhancing existing capabilities, implementing additional modules, and harnessing the integrated data now available to drive more informed decision-making and improve operational insights.

Cybersecurity awareness programme

Our security culture continues to mature through a comprehensive cybersecurity awareness programme, which has become increasingly critical amid the rising number of cyberattacks targeting public sector organisations across South Africa. Originally launched in 2022, the initiative remained active throughout the reporting period, delivering regular training, phishing simulations, and refreshed content tailored to evolving threats. In response to the growing prevalence of cybersecurity incidents nationally, the programme expanded its scope during the year to include a focused cyber hygiene campaign. This addressed emerging risks such as artificial intelligence-driven phishing, cloud security, ransomware preparedness, and the safe handling of sensitive data.

SAFCOL continues to prioritise compliance with the POPI Act. Quarterly reviews were conducted to ensure all policies and practices remain aligned with evolving regulatory requirements, and our training modules were updated to reflect changes in local and global data privacy trends.

Server and application optimisation

Building on the previous year's server consolidation, the Company undertook a review of legacy systems and redundant applications. Several (25%) underutilised systems were decommissioned, reducing complexity and improving efficiency.

Migrating our ERP environments to the cloud marked a strategic shift toward adopting cloud solutions where they offer the greatest benefit. This transition has improved system availability, enhanced disaster recovery capabilities, and alleviated pressure on internal infrastructure.

Network connectivity and remote access

Connectivity at remote sites remains a strategic priority for SAFCOL, as it forms the foundation for integrating emerging technologies into our operations. In 2024/25, several business units saw network enhancements – including the installation of radios, surveillance cameras, and network video recording devices – which have significantly improved operational efficiency and safety. These upgrades allow local management to monitor real-time footage of critical areas such as chainsaw stores and fuel stations, strengthening our overall security infrastructure and supporting efforts to deter illegal activities.

In parallel, the installation of network equipment on additional high-site towers began during the year and is currently in progress. This initiative aims to enhance communication via digital radios, improving SAFCOL's ability to coordinate with neighbouring communities – particularly during fire season, when reliable communication is vital to protecting the state's bio-assets.

Connecting our operations is also a critical step toward realising our broader vision of a connected forest – where machines, people, applications, suppliers, and customers form a seamlessly integrated digital ecosystem. To support this vision, SAFCOL rolled out secure mobile access to core business applications, enabling staff to work effectively from any location. This improved mobility has enhanced support to regional offices and boosted overall productivity.

ICT looking ahead

As SAFCOL continues to build a digitally resilient organisation, the ICT roadmap for 2025/26 includes greater automation in financial management processes, and improved analytics and dashboard reporting capabilities. Further investment will also go into strengthening cybersecurity, refining governance processes, and ensuring business continuity through a smarter, cloud-based infrastructure.

In alignment with SAFCOL's Forestry 4.0 vision, 2025/26 will serve as an exploratory phase for assessing emerging technologies such as low-cost sensors and remote data collection tools for plantation monitoring. These early investigations aim to evaluate the potential of such technologies to enhance visibility across the value chain, support environmental sustainability, and contribute to long-term efforts to reduce timber theft.

Safety check before harvesting operation

Research and development

R&D have met its objectives for the financial year, except for the expenditure on research spent as a percentage of SAFCOL's 2023/24 unaudited turnover. An additional focus was given to operational research, expansion of genetics programme, agroforestry bioeconomy studies and research on finding alternative products to assist in achieving the strategic objective of Strategy 29. The research on P.pat x tec hybrid expansion from the use of hybrid seed was expanded with a new look at a hybrid combination within families. This will enable even better improved site species matching and better landrace development of the P.pat x tec HE and LE hybrid species.

Activities included the following:

- Tree breeding: Various inhouse and CAMCORE trials were planted, measured and internal reports written as well as the extended use of the F2 P.pat x tec hybrid seed for commercial plantings. The successful breeding and cryostorage of P.maxinimoi through embryogenic tissue maturation took place and new trials were planted at JDM Keet.
- Agro/social forestry: Groundnut planting into the community at Tzaneen occurred and with the help of the Agricultural Research Council (ARC), the new information gathered showed excellent results and good production yields. The Shareholder's Compact key performance indicator regarding developing a bioeconomy proposal for SAFCOL was met and the proposal accepted by the Executive Committee (EXCO).
- Development of new downstream products in SAFCOL: The SAFCOL/CSIR exploratory research project on producing cellulose nanocrystals from sawdust waste continued with a focus into the financial and marketing sides of the project.

Highlights for the year include progress made on the capturing of old and new research trial data on the new TREEPLASM cloud storage facility (Creation Breeding). To date, about 50% of all old file data have been stored safely. In addition, several training events took place.

Challenges faced include cost-containment measures that had a negative effect on engaging the correct partners (local and overseas) and ensuring that appropriate research (inhouse and external) are done to make a meaningful contribution to SAFCOL and the forestry industry.

R&D has done well in leveraging existing stakeholder relationships such as the Tree Protection Co-operative Programme; the Forestry and Agricultural Biotechnology Institute; Forestry in South Africa; and CAMCORE, a non-profit, international tree breeding organisation. We have also expanded our relationships with the ARC, FMG, the CSIR and the Universities of Pretoria and Stellenbosch.

SAFCOL Research Centre, Sabie, Mpumalanga

Legal services

Business assurance services from Legal Services

The Legal Services department provides legal support and assurance services to SAFCOL, such as commercial legal analysis, assessment of the business initiatives undertaken in terms of competition law implications and the mitigation of potential legal risks of contraventions of any applicable laws on any business plan by the SAFCOL Group.

As an assurance provider, Legal Services undertook the following critical activities:

- Conducted merit assessment of litigious matters to prevent and, where possible, to reduce financial and legal risks to SAFCOL and its subsidiaries.
- Provided guidance on the remedial steps to be taken to mitigate financial and legal risk to SAFCOL, including proving guidance on possible settlement of legal disputes.
- Vetted commercial and procurement contracts to ensure compliance with the applicable legislative and regulatory regime applicable to SAFCOL and its subsidiaries to ensure value for money in business operations.
- Provided assurance and guidance on employee-related disputes and grievances.

Highlights during the reporting period include the annual review of the log sales contract; launching of civil recoveries; and launching of civil recovery proceedings against defaulting customers to ensure the financial health of SAFCOL.

Additional highlights include providing guidance to the procurement committees of SAFCOL when procuring goods and services to ensure compliance with the law, relevant supply chain management policy, and Delegation of Authority Framework; and supporting the SAFCOL Safety and Health Committee in its efforts to ensure compliance with the Occupational Health and Safety Act of 1993, enabling SAFCOL to maintain as much as is reasonably possible, a safe and healthy work environment for its employees.

HUMAN CAPITAL

Associated capitals

At SAFCOL, our people are at the heart of our success. Their unique blend of competencies, capabilities, experience, and ambition drives innovation and underpins the execution of our strategy. We recognise that when employees are aligned with our strategic objectives, governance framework, ethical values, and risk management philosophy, they become powerful enablers of sustainable growth and long-term value creation.

Our workforce's ability to translate strategy into action – through continuous learning, process enhancement, and service excellence – ensures we remain agile and competitive. Their commitment, leadership, and collaborative spirit cultivate a high-performance culture, which is essential for navigating challenges and capitalising on opportunities in an evolving business landscape.

Learning and development achievement

SAFCOL continues to prioritise talent development across the organisation, with a strong focus on its core divisions: Forestry, Centre of Excellence, and Processing. Our Learning and Development Strategy is designed to deliver technology-driven programmes that align with the strategic intent of building a future-fit organisation, one that priorities productivity and performance. Additionally, SAFCOL's learning and development initiatives are structured not only to meet internal workforce needs but also to support industry requirements as well as the adjacent communities within the sector where the Group operates.

SAFCOL has made continuous investments in its talent development and in the communities surrounding its operations, aligning with the Company's objective of contributing to SDGs 4 (Quality education) and 8 (Decent work and economic growth). These efforts emphasise education, skills development, and employment, fostering economic inclusion and growth. The following figure outlines SAFCOL's strategic focus areas in learning and development for the 2024/25 financial year.

2022/23

- Implementation of skills audit results and recommendations
- Enhance partnerships with tertiary institutions, TVET colleges, other forestry training providers, providers of funding for training and development, industry stakeholders, etc.
- Management of 2022/23 workplace integrated learning learners
- Deployment of talent management and succession planning training interventions
- Continuous training and development of instructors

2023/24 – Short term

- Develop a skills base or talent pool in the SAFCOL value chain and forest industrialisation
- Develop Platorand into the SAFCOL Forestry Academy of Excellence
- Expanding the training services (volume, geographical spread and fields of study)
- Conduct training centre expansion benchmark study
- Professional development of employees at the SAFCOL Academy of Excellence

2024/25 – Medium to long term

- Aggressive implementation of Leadership Development initiatives in line with the SP
- Source and secure alternative funding (e.g. NSF, SETA, etc.)
- Implement E-learning programmes

Figure 11: Learning and development strategic initiatives

SAFCOL Research Centre, Sabie, Mpumalanga

Empowering young people

SAFCOL has made significant strides in talent development and industry support during the year under review, achieving the following milestones:

105
Forestry sector-specific learnerships, contributing to skills development successfully placed in the industry

17
Bursars who were previously granted bursaries completed their qualifications, with six of them successfully placed in the Youth Employment Service (YES) programme, which aims to combat youth unemployment and create job opportunities

2
Bursars who completed their qualifications are now pursuing postgraduate studies at their respective universities

R1.9 million
Discretionary Grant from the Fibre Processing and Manufacturing Sector Education and Training Authority successfully secured by SAFCOL

R16 million
Invested by SAFCOL in talent development, allocating R2.8 million for bursaries and R13.2 million for learning and development programmes

Employee base and diversity

Over the past three financial years, SAFCOL has successfully reduced its headcount by 8.7%, demonstrating strong fiscal discipline in managing overall headcount costs and budget. As part of its strategy to maintain lean, fit-for-purpose structures, Management has implemented a moratorium on all vacancies, ensuring that only mission-critical and revenue-generating positions are considered for operational needs. This approach helps streamline efficiency while optimising resource allocation.

In its employment configuration, SAFCOL is maintaining a rate of 2.2% for people living with disabilities in line with compliance level, employment equity and B-BBEE targets.

The organisation has also successfully maintained gender representation, which has remained relatively constant over the last three financial years. Human Capital continues to monitor and endeavour to fill its positions with female appointees. The following data provides a graphic representation of the key statistics related to SAFCOL's employee base:

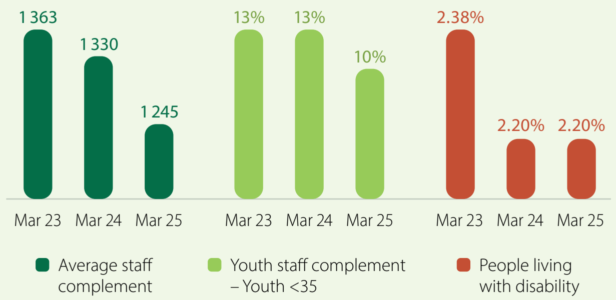


Figure 12: SAFCOL staff breakdown

Understanding the age distribution of our staff helps us plan for the future and ensure we have a balanced workforce. The following graph illustrates the age distribution of SAFCOL staff for the year under review:

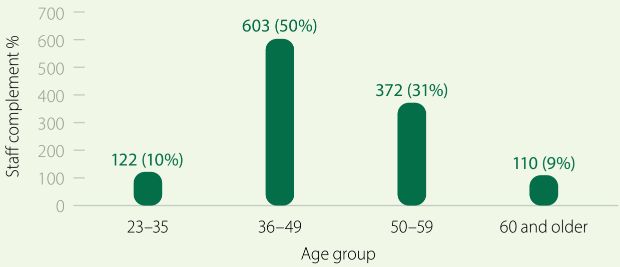


Figure 13: SAFCOL staff age distribution

The 23–35-year group brings fresh perspectives and innovative ideas. The 36–49-year group represents a strong presence of experienced professionals. The 50–59-year group brings a wealth of knowledge and stability, and the 60-and-older group offers invaluable experience and mentorship.

By maintaining a diverse age range, we ensure a dynamic and resilient team. Our commitment to nurturing youth talent while valuing the expertise of our seasoned employees is key to our ongoing success.

In the year under review, the resignation turnover rate has improved compared to the previous financial years (2022–2024). Employees have cited better opportunities as the reasons for resignation.

The data, as reflected in the following graph, reflect a decrease of 35% in resignations when compared with the same period in the previous year. While the current resignation turnover rate remains lower than the average 17.7% (Remchannel's 2022 Salary and Wage Survey). This seems to be a healthy turnover rate in relation to Remchannel's survey.

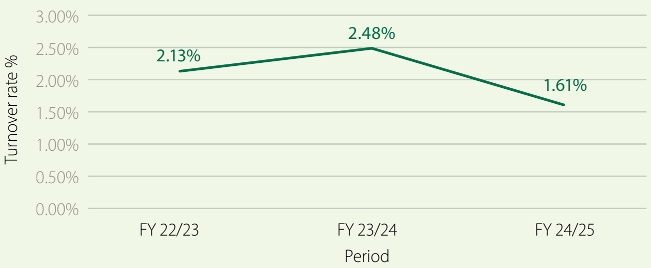


Figure 14: Resignation turnover rate

During 2024/25, SAFCOL had a high number of terminations due to retirements (35.6%) of which most are a result of early retirement.

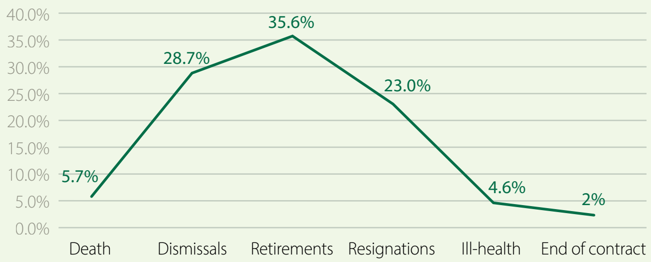
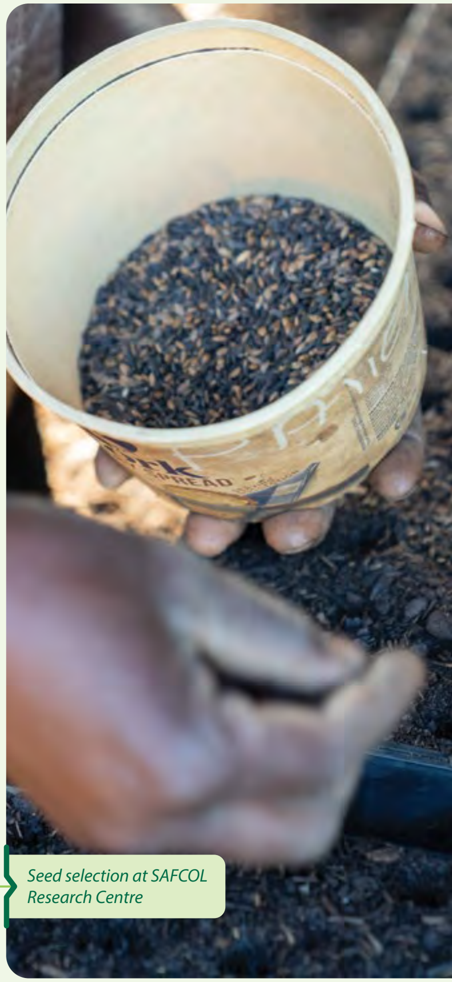


Figure 15: Reasons for termination



Seed selection at SAFCOL Research Centre

Success on employment equity targets

SAFCOL's occupational levels distribution during the reporting period was as follows:

7
Employees in top management which is equivalent to 0.6% of the total staff complement

13
Employees in senior management (1.1%)

67
Employees in middle management (5.6%)

143
Technical skilled employees (11.8%)

663
Semi-skilled employees (54.9%)

314
Unskilled employees (26%)

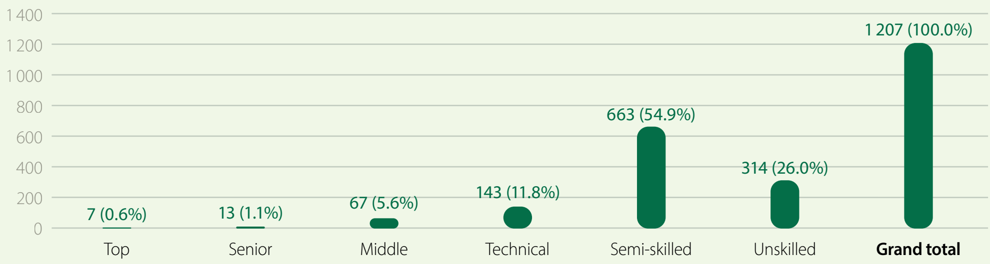


Figure 16: SAFCOL occupational levels

Employment Equity (EE) activities

- Quarterly EE forums have been maintained;
- The EE Committee has successfully submitted the SAFCOL EE report in December 2024;
- Current employment policies, practices and procedures have been successfully analysed; and
- The SAFCOL Recruitment Policy and procedure are well articulated and effectively support the implementation of the EE Plan.

Quantitative analysis

Top Management Level

- African males: two employees (target: three)
- Overall, there is fair diversity within this level.

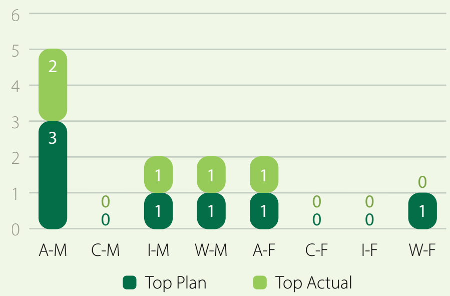


Figure 17: Top management EE status

Senior Management Level

- African males: six employees (target: six)
- African females: two employees (target: three)
- Coloured males and white females are under-represented.

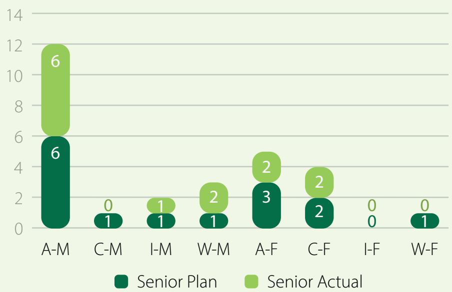


Figure 18: Senior management EE status

Middle Management Level

- African males: 28 employees (target: 30)
- African females: 21 employees (target: 23)
- Coloured females: one employee (target: two)
- White males is under-represented with one employee.

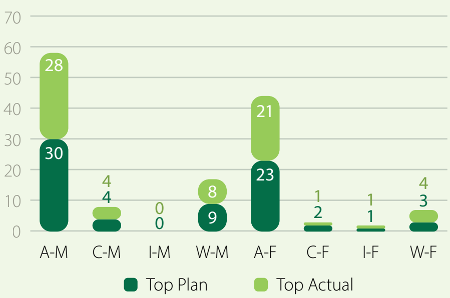


Figure 19: Middle management EE status

Employee relations

SAFCOL continues to strategically strengthen labour relations through a structured and collaborative approach with the recognised unions – SAFFCAWU and FAWU – representing 90% of the unionised workforce. In pursuit of transparent and inclusive engagement, multiple communication platforms have been institutionalised, including monthly business unit meetings, high-level operational forums with general managers and union leadership, quarterly companywide engagements, and strategic Lekgotla sessions with executive management. These structures have fostered mutual respect, operational transparency, and accountability.

A major milestone during the reporting period was the successful conclusion of wage negotiations within the budgeted parameters, avoiding industrial action and reflecting maturing industrial relations. Furthermore, investments in managerial training have yielded measurable improvements in disciplinary processes, with enhanced quality of reporting and evidence analysis.

SAFCOL also demonstrated strong legal compliance and procedural rigour, prevailing in all 15 unfair dismissal cases referred to the CCMA and resolving the only Labour Court matter, stemming from an unprotected strike, without adverse findings. Collectively, these developments highlight SAFCOL's commitment to fostering stable, respectful, and strategically aligned labour relations.

Employee wellness

SAFCOL employees continued to enjoy integrated health services, including occupational health, primary healthcare, health education as well as the Employee Assistance Programme. Furthermore, SAFCOL continues to promote a culture that values work-life balance. Consequently, employees are encouraged to take regular breaks, and flexible working arrangements have been implemented through the adoption of a hybrid work policy and a flex hours policy. This balanced work-life dynamic has been pivotal in maintaining employee wellness, higher levels of employee engagement, and reduced absenteeism.

Building a SAFCOL future-fit workforce

SAFCOL remains committed to fostering a strong organisational culture that is closely aligned with its transformation journey. This commitment is central to enhancing the work environment, strengthening employee engagement, and reinforcing effective leadership behaviours. Our culture is underpinned by shared values and beliefs that guide employee conduct and support the cultivation of a high-performance environment. This, in turn, drives innovation, promotes sustainability, and underlies our pursuit of long-term business success.

Continuous employee engagement remains a strategic priority, ensuring alignment with ongoing change initiatives and the achievement of clearly defined strategic goals and objectives. The following figure outlines the top five drivers and key focus areas that shape SAFCOL's workplace culture and support the delivery of our organisational strategy.

Key Focus Areas

- Frequent feedback and recognition
- Compensation and salary benchmarking
- Meaningful development conversations
- Empowering decision-making
- Inclusive employee experience and participation
- Talent and succession management

Top Five Drivers

- Accountability
- Organisational values
- Customer centricity
- Ethics
- Strategy clarity

Figure 20: Top five drivers and key focus areas shaping SAFCOL's workplace culture

SAFCOL Timbadola Sawmill, Livubu, Limpopo

Two-pot retirement system

Following amendments to the Pension Funds Act, 2024, all organisations, including SAFCOL, were required to update the Rules of the Provident Fund to implement the Two-Pot Retirement System. As part of this mandatory reform, SAFCOL amended its Fund Rules, making the changes effective from 1 September 2024. To ensure employees were well-informed, SAFCOL conducted employee empowerment workshops in August 2024, educating staff on the Two-Pot Retirement System, applicable changes, claims processes, and amendments to the Pension Funds Act. A key feature of these changes enables Provident Fund members to make partial withdrawals once a year from their retirement fund savings pot for emergency purposes. This adjustment was also designed to deter resignations driven by the need to access retirement benefits. The following figure provides a summary of the Two-Pot Retirement System.

- Accumulated until 31 August 2024
- No further contributions
- Remains invested by retirement fund
- Vested right maintained for future resignation or transfer to preservation fund
- Accessible anytime
- Minimum withdrawal of R2 000

- One withdrawal per tax year
- Taxed at individual's marginal tax rate
- No maximum withdrawal limit
- Accessible only at retirement
- Preserved until retirement
- Cannot be accessed upon resignation

Figure 21: Two-Pot Retirement System

Performance management

SAFCOL reaffirmed its commitment to performance management as a key enabler of organisational excellence. In the year under review, this focus has evolved to reflect our Human Capital strategic value related to performance and enabling a fit-for-purpose organisation, ensuring that our workforce is not only capable but optimally aligned to deliver value in a dynamic operating environment.

SAFCOL continues to embed performance management as a strategic business tool to drive operational efficiency, maintain alignment with enterprise-wide goals, and support the achievement of ambitious targets. Our integrated approach to performance management delivers the following strategic benefits:

- Improved strategic alignment: Ensures all business functions are directly contributing to SAFCOL's overarching objectives.
- Enhanced productivity: Fosters individual accountability and elevates overall operational performance.
- Proactive decision-making: Enables data-driven insights to inform agile and effective business strategies.
- Employee development and engagement: Reinforces a culture of high performance while supporting career growth and talent retention.

This fit-for-purpose approach positions SAFCOL to remain adaptive, competitive, and well-prepared for sustainable value creation in the years ahead.

Research Centre, Sabie, Mpumalanga

SOCIAL AND RELATIONSHIP CAPITAL

Associated capitals

Strategic relationships remain central to SAFCOL's ability to deliver on its mandate as a state-owned forestry company committed to sustainable forest management, transformation, and socio-economic development. These partnerships enable the organisation to leverage collective expertise, resources, and innovation to enhance operational impact and deliver on its strategic objectives.

By collaborating with government departments, state entities, research institutions, industry bodies, municipalities, and community partners, SAFCOL strengthens its contribution to national priorities such as inclusive economic growth, rural development, land reform, job creation, and climate resilience. These collaborations further align SAFCOL's work with the National Development Plan (NDP) 2030 and the United Nations Sustainable Development Goals (SDGs), particularly:

Through these partnerships, SAFCOL continues to advance transformation, sustainability, and shared prosperity, ensuring that its operations not only sustain forests but also contribute meaningfully to the upliftment of communities and the achievement of South Africa's long-term developmental and environmental goals.

SAFCOL builds and maintains strong, trust-based relationships with its stakeholders – particularly rural communities, traditional leaders, government, and local enterprises – through structured, inclusive engagement.

It engages regularly via Joint Community Forums (JCFs), consultative meetings, and participatory processes to ensure that community voices shape decisions on local development, skills programmes, and enterprise opportunities.

Its approach promotes shared values, transparency, and accountability, contributing to our social licence to operate and long-term value creation. By co-creating solutions such as community-owned forestry businesses and agroforestry initiatives, we drive inclusive economic growth and support the Just Transition in forestry communities.

These relationships, grounded in trust, mutual respect, and co-ownership, are central to SAFCOL's ability to deliver sustainable impact and uphold its developmental mandate.

SAFCOL Nursery, Sabie, Mpumalaga

Land claims

Land managed by SAFCOL in three provinces, namely Limpopo, Mpumalanga, and KwaZulu-Natal, is affected by land claims in different stages of the restitution process as summarised in Table 4:

Table 4: Land claims status

Land claim status	Number of claimants	Sum of affected area (ha)
Mpumalanga	**20**	**67 507**
1. Investigation	16	50 112
2. Settlement	4*	17 395
Limpopo	**23**	**32 458**
1. Investigation	2	823
2. Negotiation	16	24 237
3. Settlement	5**	7 398
KwaZulu-Natal	**1**	**6 013**
1. Negotiation	1	6 013
Grand total	**44**	**105 978**

* 3 approved claims, 2 transferred to communities

** 5 approved claims, 1 transferred to communities

In anticipation of the imminent finalisation of forestry land claims, and the subsequent transfer to land beneficiaries, SAFCOL and the relevant beneficiaries consider the following proposals:

1. SAFCOL to enter into a formal engagement with the land claimants to negotiate and agree on medium- to long-term working relationships. SAFCOL will, as a business objective, pursue business undertakings with the land claimants in the implementation of projects of mutual benefit.
2. Registration of a formal programme and appointment of a Programme Work Group with representatives from SAFCOL and the community. The programme's mandate is to collaborate on projects that will enable the community to derive value from the land owned by the community and leased by SAFCOL.
3. Establishment of JCFs through which SAFCOL can provide socio-economic benefits to the community. Benefits include investment in societal infrastructure, skills development, and enterprise development programmes aimed at reducing poverty and creating jobs that will enable the community to participate in the forestry value chain in future. Examples of such investments include the provision of clinics as well as classrooms and establishing income-generating projects such as bee keeping, furniture manufacturing, etc. The proposed JCFs are established with robust governance processes in place.
4. Negotiation and finalisation of a land lease agreement between SAFCOL and the Community Property Association (CPA). It is SAFCOL's position not to pay land-lease rentals to DFFE after the transfer, but to pay such rentals directly to the CPA. The finalisation of the land-lease agreement will enable the CPA to immediately benefit from SAFCOL's lease of the land with effect from the date of transfer. Two such agreements were finalised in the 2024/25 financial year.

Tweefontein Plantation, Sabie, Mpumalanga

Community and Land Claimant Partnerships

SAFCOL is implementing the Proactive Community Engagement Model and Land Claim Settlement Model to strengthen partnerships with land claimants and adjacent communities through land lease agreements, participatory forest management initiatives, and the development of non-timber forest product value chains. Partnerships with the Mamahlola CPA at JDM Keet Plantation, Esiyalwini CPA at Berlin Plantation, Mvimbela CPA at Roburnia Plantation, and two established community-owned entities (Lethokuhle Forestry Services Pty Ltd and Sinempumelelo Forestry Services Pty Ltd at Ngome Plantation) serve as a model of co-management that creates shared value by supporting community livelihoods while maintaining forestry productivity and sustainability.

Seeds of Change: Empowering Land Beneficiaries

The Kaapschehoop community lodged a restitution claim against the state through the Mpumalanga Land Claims Commission (LCC), an agent of the DALRRD. The land claim pertains to the farm Kaapsehoop 483 JT, measuring 1199.41 hectares, situated at Berlin Plantation in the District of Ehlanzeni, Mbombela Local Municipality. The land claim was successful and subsequently transferred to the community or Esiyalwini CPA. The land beneficiaries have established a business entity named Simunye Sibambisene (Pty) Ltd, with eight directors representing the community. The entity was awarded a 24-month contract to provide silviculture services to SAFCOL as part of the supplier development incubation programme.

During the incubation period, the contractor acquired all mandatory legal documentation to qualify as a competent silviculture contractor. Through Enterprise and Supplier Development (ESD) interventions, Simunye Sibambisene (Pty) Ltd received the following business development support: forestry induction courses, business skills training, first aid levels 1 and 2, safety health and environment, supervisor training, Pest Control Operator certification, forestry tools, and protective clothing.

25
Jobs created for local community members

Tweefontein Plantation, Sabie, Mpumalanga

Pest control tools handover to ESD beneficiary Simunye Sibambisene (Pty) Ltd

Security management

SAFCOL's plantations and other operating sites are vulnerable to criminal activities such as timber theft, malicious damage to property, illegal mining, arson, and other threats to employees and assets.

A security task team has been established which coordinates crime mitigation measures across the Group. Increased security spending on both physical and technological solutions, building robust relationships with law enforcement agencies, customers, service providers and other forestry sector stakeholders are among SAFCOL's efforts to combat criminal activities.

Regular security risk assessments are an integral component of SAFCOL's security strategy, to inform decision-making in best practice integrated crime and security management strategies.

Key stakeholder engagements

SAFCOL's commitment to sustainable development, cultural preservation and mutual economic growth was again demonstrated when SAFCOL signed a long-term land-lease agreement with the Makhubu land beneficiaries following the successful settlement of their restitution claim for farm Syde 258 IT, which measures 256.9596 hectares.

An overview of key stakeholder engagements during the reporting year follows in Table 5.

Table 5: Key stakeholder engagements during 2024/25

Stakeholder Group	Strategic intent/ objective	Name of stakeholder	Communication message or area of interest	Key engagement issue	Outcome
National Government Departments	Governance excellence	DALRRD	Finalisation of land claims	Settlement process of land claims	Alignment on the finalisation of land claims
	Governance excellence	DFFE	Valuation of the DFFE-leased land	Collaboration on land valuation	Alignment on the management of lease agreement
	Socio-economic impact	Office of the Valuer-General	Socio-economic development	Land valuation of ABACUS Forestry land	Work together on the valuation of forestry claimed land
	Governance excellence	DFFE	Forest nature reserves at Tweefontein, Blyde, Uitsoek, Berlin and Nelshoogte	LEFPA fire camera coverage	Verification of coverage
Communities	Socio-economic impact	Entabeni land claimants	Socio-economic development	Implementation of the 30% logistics contract	Agreed on integration of land claimant on the value chain
Land Claimants	Socio-economic impact	Makhubu family	Signing of land lease for land transferred to this community	Land-lease agreement signing	Agreement on collaborative working relationship
Joint Community Forum	Stakeholder engagement and management, Socio-economic development	• Blairmore Cluster • Redhill Cluster • Roburnia Cluster • Berlin Cluster • Ngome Cluster • Palm Ridge Cluster • Mantjolo Cluster • Tshivhase Cluster • Lutanandwa Cluster • Greater Tzaneen • Umjiidini Cluster • Mamahlola Cluster • Mapulana Cluster • Hebron Cluster	Stakeholder management and community development initiatives	Progress on projects; matters affecting operations; communities and procurement opportunities	• Good relations with communities • Sharing and discussing innovative ideas on how to curb timber theft
Public Entities	Stakeholder and economic transformation	National Youth Development Agency (NYDA)	Business development support	Formalisation of collaboration	NYDA and SAFCOL formally signed a Memorandum of Understanding (MOU)
	Stakeholder engagement	Thaba Chweu Local Municipality	Illegal dumping	Compliance and waste management	Thaba Chweu Local Municipality removed waste dumped by local communities and placed skip bins in the targeted areas to reduce illegal dumping
B-BBEE Verification Agency	B-BBEE Compliance	• mPowerRatings • B-BBEE Verification Agency	Assess and verify the Company's compliance with B-BBEE legislation	The submitted Portfolio of Evidence was verified for the accuracy. The final report and the B-BBEE certificate were issued	mPowerRatings conducted an assessment to verify SAFCOL's compliance with B-BBEE legislation. SAFCOL successfully attained a B-BBEE Level 2 status, demonstrating commitment to its transformation agenda and the B-BBEE Act

Stakeholder Group	Strategic intent/ objective	Name of stakeholder	Communication message or area of interest	Key engagement issue	Outcome
Industry	Financial sustainability	WoodEx for Africa	SAFCOL is a supplier of good quality logs and lumber products	Increase in sales	Sales and marketing initiative which resulted in sales lead
Public Entities	Stakeholder and economic transformation	Small Enterprise Development Finance Agency (SEDFA)	Business development support and funding opportunities to sawmillers	Product packages/ incentives and funding opportunities for the revitalisation of the sawmilling industry	Two furniture manufacturing cooperatives received promotional materials from SEDFA as part of their business development support
	Governance excellence	Inkomati Usuthu Catchment Management Agency	Water use	Follow-up visit. Water use Licence compliance inspection – Nelshoogte	Compliance verification
Industry bodies	Socio-economic impact	Forestry South Africa (FSA) (Land Committee)	Socio-economic development	Land claim settlement models	Engagements with LCC to discuss settlement models for forestry claims
	Governance excellence	FSC® International	Remedy framework	Systems development	Information acquisition
		FSC® International	Principles & criteria and international generic indicators	Official launch of review process	Information acquisition
		NOSA	Annual compliance audits	Audit completed according to SLA Schedule	4 Star Rating retained, and received a compliance score of 89.06%.
		FSA	Environmental Management Committee	Discussion of industry environmental matters	Information exchange and updates. Representation of SAFCOL interests
	Socio-economic impact	FP&M SETA	Alignment of qualifications	Scoping and profiling	Realignment of National Certificate in Forestry
Partner	Socio-economic impact	MTO	Socio-economic development	Transfer of minority shares	Model to transfer minority shares to legitimate beneficiaries
Customers and suppliers	Stakeholder engagement	Logs and lumber customers	Engaging customers with an objective to improve customer satisfaction	Customer service and satisfaction	Improved engagement with customers
		Customers, stakeholders and suppliers	Networking and reinforcing relationships with customers, stakeholders and suppliers	Hosted SAFCOL Golf Day to build and maintain strategic partnerships, while positioning the SAFCOL brand	Improved relationships with customers, stakeholders and suppliers
Public	Stakeholder engagement	Eco-tourism visitors	Eco-tourism customers engaged at the Mpumalanga show	Encouraging visitors to explore SAFCOL eco-sites	Sales leads generated for eco-tourism
Regulators/ industry bodies	Operational excellence	SGS	FSC® COC certification audit	Annual surveillance audit	Certification retained. One minor corrective action request (CAR) raised

Corporate social investment (CSI)

SAFCOL's CSI programme focuses on uplifting forestry-adjacent communities through sustainable, high-impact projects that address education, health, food security, skills development, and infrastructure. These initiatives are aligned with SAFCOL's commitment to inclusive socio-economic development, the Just Transition, and the SDGs.

Key initiatives implemented include:

Beketelani Primary School Renovations
Renovated classrooms and improved infrastructure to provide learners with a safe and conducive learning environment.
(SDG 4: Quality Education)

Mamahlola Early Childhood Development Centre
Provision of chalkboards to support early learning and cognitive development of children in the Mamahlola community.
(SDG 4: Quality education)

Makhambane Multipurpose Centre Renovations
Refurbished the centre to serve as a hub for community development, events, and youth programmes.
(SDG 9: Industry, innovation and infrastructure)

Bushbuckridge Multipurpose Centre
Supported construction and improvement of this centre to enhance access to services, training, and meeting spaces for the local community.
(SDG 9: Industry, innovation and infrastructure)

Fire Awareness Campaigns
Conducted in high-risk areas to educate communities about fire prevention, environmental protection, and safety – especially during fire season.
(SDG 13: Climate action)

SAFCOL's CSI initiatives are implemented in consultation with community stakeholders, traditional leaders, and local government, and are in support of the District Development Model to ensure relevance, sustainability, and alignment with community needs.

Agroforestry initiatives

SAFCOL continues to promote agroforestry as a vehicle for inclusive rural development, supporting communities adjacent to its plantations to benefit from alternative land use practices that enhance livelihoods, food security, and local enterprise.

Key initiatives include:

Mushroom Collection
Local communities are granted access to forests to harvest indigenous mushrooms, which are sold to processing companies – generating seasonal income while promoting sustainable use of natural resources. (More about this project under the Just Transition Plan section.)

JDM Keet Agroforestry
SAFCOL allocated temporary unplanted land at the JDM Keet plantation to local communities to grow jugo beans and groundnuts, supporting food production and small-scale commercial farming within the forestry landscape.

Vegetable Gardens and School Nutrition
SAFCOL supports backyard and school-based vegetable gardens, particularly in rural communities, to enhance school nutrition programmes and encourage food security.

Beekeeping in Plantations
Small-scale beekeepers are permitted to place beehives within SAFCOL plantations, enabling honey harvesting enterprises that promote biodiversity and support local economic activity.

These initiatives reflect SAFCOL's commitment to sustainable land stewardship, community upliftment, and the Just Transition by diversifying income streams, enhancing local food systems, and strengthening resilience in forestry-dependent communities.

Enterprise and Supplier Development (ESD)

SAFCOL's ESD programme is a strategic intervention to promote inclusive economic participation, particularly in rural communities. The programme supports the growth, sustainability, and integration of black-owned small, medium and micro enterprises (SMMEs) into the forestry value chain, while contributing directly to several SDGs and the NDP.

Key areas of focus include:

Skills and Enterprise Development
Through initiatives like youth-owned furniture manufacturing enterprises, SAFCOL provides technical skills training and incubation support, enabling young entrepreneurs in rural areas to establish and manage sustainable businesses.

Supplier Development Support
SAFCOL assists emerging and existing suppliers through technical mentorship, training programmes, and the provision of essential forestry tools and equipment, ensuring readiness and competitiveness within SAFCOL's procurement ecosystem.

Capacity Building and Incubation
The ESD programme offers non-financial support such as compliance training, business mentorship, and structured incubation. These interventions aim to improve SMME survival rates, enhancing their capacity to grow and integrating them into broader market opportunities.

Market Access and Job Creation
By facilitating access to SAFCOL's supply chain and promoting long-term supplier relationships, the programme supports market linkages and contributes to job creation in forestry-dependent communities.

SAFCOL's ESD programme is aligned with its transformation objectives and contributes directly to the growth, sustainability, and resilience of small and medium enterprises – ensuring a lasting economic impact that uplifts communities and supports a just and inclusive economy.

Empowering youth through skills and enterprise development in rural communities

In alignment with the King IV™ principles of ethical and effective leadership, sustainable development, stakeholder inclusivity, and responsiveness, SAFCOL continues to implement impactful programmes that contribute meaningfully to youth empowerment, poverty alleviation, and rural economic growth. The Skills Development Exit Programme, launched in 2023, exemplifies this commitment by transforming beneficiaries of SAFCOL's learnerships into business owners and change-makers within their communities.

Amsterdam Furniture Making and Repair (AFMAR)

In partnership with Mkhondo Local Municipality and the JCF, SAFCOL identified a critical need to address unemployment and lack of economic activity in Amsterdam, Mpumalanga. This led to the birth of AFMAR, a youth-led furniture manufacturing business that now employs seven skilled artisans and produces a diverse range of handcrafted furniture such as chopping boards, cupboards, trays, and coffee tables.

AFMAR's targeted support includes training in furniture making, business mentorship, and the provision of tools. The business not only showcases the creativity and resilience of young people but also the creation of long-term value through social and economic empowerment. With a vision to grow its market share and train more local artisans, AFMAR contributes to SDG 8: Decent Work and Economic Growth and promotes local content and value addition.

SAFCOL ESD beneficiary, Amsterdam Furniture Making and Repair (AFMAR)

Sinikiwe Ithuba and Lifalethu NT Primary Cooperatives

Further expanding its impact in the area, SAFCOL supported the establishment of two youth-owned cooperatives: Sinikiwe Ithuba (We have been given an opportunity) and Lifalethu NT (Our inheritance), both based in Umjindini, Barberton. These cooperatives were formed by young people who completed SAFCOL's furniture manufacturing learnership.

Members of these cooperatives hold diverse qualifications and have received extensive entrepreneurship training through SAFCOL's partnership with NYDA and support from the SEDFA. As part of this multi-stakeholder collaboration, the cooperatives received essential startup tools, equipment, and marketing materials—demonstrating SAFCOL's alignment with SDG 17: Partnerships for the Goals and ESG social impact principles.

Their product offering includes modern kitchen units, drawers, wooden décor, and popular handcrafted trays, with growing interest from local businesses and restaurants.

13
Employed members

70%
Black women, actively addressing SDG 5: Gender Equality

Witklip Plantation, Sabie, Mpumalanga

Strategic Partnerships with Government and State-Owned Entities

SAFCOL continues to collaborate with key public-sector partners, including NYDA, SEDFA, and the DFFE. These partnerships are instrumental in advancing national priorities related to forestry development, youth empowerment, transformation, and climate resilience, while promoting sustainable beneficiation within the forestry value chain.

NATURAL CAPITAL

Associated capitals

FSC® Forest Management certification

SAFCOL routinely maintains engagement with identified stakeholders to ensure responsible and acceptable management of its environmental impacts. Stakeholders include regulators, certification bodies, neighbours, communities, and industry forums. SAFCOL retains permanent representation through its SHEQ Department on the Environmental Management Committee and the Timber Industries Pesticide Working Group constituted under the umbrella of the FSA.

No significant environmental incidents were reported in the 2024/25 financial year, and all environmental objectives were achieved. SAFCOL continues to manage and monitor the impacts of its operations and activities on the environment through a defined schedule of assessment activities at prescribed intervals, utilising internal resources where available or specialised external expertise where required. Findings in the form of management interventions or recommendations are actioned through the CAR Register at each individual business unit.

Approximately one-third of the land managed by SAFCOL is designated as conservation areas, requiring ongoing activities to prevent soil erosion, reduce the presence of alien and invasive species, minimise the use of chemical pesticides, protect wetlands and watercourses, protect rare, threatened or endangered species (flora and fauna), assess and maintain the integrity of grasslands, and preservation of indigenous forests. Where undesirable impacts are identified, measures are taken to prevent further degradation and where appropriate, rehabilitate and restore degraded areas.

A combination of events and developments both local and international outside of the Company's control have resulted in a significant increase in the cost of compliance monitoring over the past few years, which places additional pressure on the Company's financial resources. Environmental impact monitoring assessments often require specific and specialised expertise, much of which is scarce in South Africa, and which cannot be readily added to the Company's internal competencies.

Komatiland Forests SOC Limited retained FSC® Forest Management certification for the 27th consecutive year. The two major CARs raised at the June 2024 audit have been addressed and formally closed in accordance with FSC® certification rules and remain closed subject to ongoing compliance and progress against approved action plans. Although no measurable financial advantage accrues from FSC® certification, SAFCOL does compete directly for a share in FSC®-certified markets for sales of both logs and lumber. Ongoing FSC® certification is a strategic imperative to ensure continued market access and competitiveness. In addition, FSC® certification demonstrates independently that SAFCOL, through its operating company KLF, manages the state's forestry assets in a responsible and sustainable manner in accordance with the principles of environmentally acceptable, socially beneficial, and economical viable.

Air Emissions Licence

Despite the absence of capacity and resources, specifically specialist personnel and funding, to address responses and issues associated with climate change, SAFCOL was able to achieve the renewal of its Air Emissions Licence at Timbadola through ongoing compliance to the prescribed requirements.

A small year-on-year increase of 0.7% in electricity consumption was recorded for 2024; however, this increase must be seen in the context of data completeness and reliability, and a year of minimal loadshedding (83 days) after two exceptionally bad years in 2022 (205 days) and 2023 (332 days), respectively. Limiting the increase to such a small percentage in this context is a remarkable achievement.

Weather and ICT systems

During 2024/25, loadshedding did not have a huge impact on network availability. Power outages that had a severe impact on network availability were mainly caused by severe weather conditions such as thunderstorms where lightning caused significant damage to equipment that had to be replaced. Theft also played a role in equipment that were stolen at one SAFCOL-owned tower, resulting in network unavailability.

Lone Creek Falls, Sabie, Mpumalanga

Just Transition Plan (JTP)

Although SAFCOL has no dedicated resources to address climate change response and associated activities, the actions associated with the Just Transition Plan are being addressed and implemented where resources and competencies permit, while others are in the exploratory/investigative stages.

Effective implementation of the three-year Climate Change Response Plan requirements and revision and updating of the strategy and action plan has been formally placed on hold until the sustainability scope of work is finalised and specialised resources can be made available. Climate change initiatives have been planned but implementation will be subject to the availability of human, equipment, and financial resources. The future strategy for the integration of climate change, just economic transition (JET), and ESG is under review. This has been significantly impacted by the current financial constraints of the Company.

Table 6: SAFCOL's role in South Africa's just energy transition

SAFCOL's role	Commercial opportunities	National goals supported		SAFCOL's contribution (JTP targets for 2024/25)
Align SAFCOL JTP to Presidential Climate Commission's (PCC) Just Transition Framework (JTF)	**Include SAFCOL JTP in projects**	**Align projects with country goals**	**Become a leader in sustainable forests and commercial forest products**	**Continuously review and align SAFCOL's policies, processes, and practices to SAFCOL JTP**
Promote climate change adaptation and mitigation	Timbadola reinvestment and upgrade	• NDP 2030 • ERRP 2020 • FSC®	• Infrastructure improvement • Infrastructure investment • Green economy interventions (reduced emissions) • Be environmentally acceptable	• Formally assess all strategic projects for JTP alignment before each stage-gate progression to inform project execution • Measure, monitor, and reduce Timbadola emissions • 100% FSC® certification for KLF
	Increased access to commercially viable forestry land	• PCC JTF • FSC® • Forestry Masterplan • SDGs • PCC JTF • UN Strategic Plan for Forests (2017–2030)	• Substitute non-renewable materials • Maintain economically viable forestry practices • Emphasise role of forests in sequestering carbon • Sustainably manage forests • Support citizens' rights to a healthy environment • Reverse loss of forest cover through sustainable forest management	• Reduce usage of electricity in operations • Promote displacement of carbon-heavy building materials • Manage FSC® implications of pursuing Category B and C plantations • 100% FSC® certification for KLF • Establish carbon base line (2022/23); calculate sequestration capacity (2023/24); develop sequestration opportunities (2024/25) • Strengthen climate smart forestry practices
	CHP plant	• NDP 2030 • ERRP 2020 • PCC JTF	• Transition to low-carbon economy • Green economy interventions • Ensure energy security • Shift away from resource-intensive sectors and fossil fuels	• Use less coal-fired electricity (upon activation of CHP) • Explore partnerships for bioenergy in communities
Support the establishment of an ethical society	Improve corporate governance	• MTSF 2019–2024 • PCC JTF • SIS • King IV™ (2016)	• Create an ethical, capable, and developmental state • Ensure corporate responsibility to support green, inclusive economy and citizens' right to a healthy environment • Strengthen governance and internal controls • Ensure zero fatalities • Lead ethically and effectively; establish ethical culture	• Manage climate change / JET projects ethics implications • Manage climate change / JET risks within risk appetite • Conduct JET assessment for all support functions to align with JTP objectives • Implement robust technology-enabled physical security strategy • Zero fatalities and DIFR ≤1.55 • Improve ethical culture; manage conflict of interest

SAFCOL's role	Commercial opportunities	National goals supported		SAFCOL's contribution (JTP targets for 2024/25)
Contribute to economic growth and transformation	Pole treatment plant	• NDP 2030 • MTSF 2019–2024 • ERRP 2020 • PCC JTF • SIS • FSC®	• An inclusive and integrated rural economy • Economic transformation and job creation • Grow productive economy • Support citizens' right to healthy environment • Leverage state capabilities to improve sustainability and economic viability • Chromated copper arsenate and creosote is prohibited by FSC® on certified forest management units	• Reduce timber theft through technology-enabled security strategy (protect eucalyptus to feed Pole Treatment Plant, reduce TUP, and reduce illegal activities) • Change thinning regimes (23% more trees per hectare) • Manage ethical implications and comply to FSC® standards
	IFLOMA viability and repayment of debt	• SIS	• Review and advise on IFLOMA business, assets, and future	• Manage IFLOMA in terms of agreed FSC® partial certification rules
	Ecotourism	• ERRP 2020 • PCC JTF	• Support tourism recovery and growth • Gender equality and inclusion of women and youth • Improve ecosystems with community ownership/ stewardship • Greater economic inclusion, ownership, and participation for women and the youth	• Explore ecotourism partnerships with communities • Enable land claimants as service providers (in terms of Pro-active Community Engagement Model) • Apply ESD and SCM processes to ring-fence opportunities
	Contribute to development of green skills	• NDP 2030 • PCC JTF • SIS	• An economy that will create more jobs • Equip people with skills, assets, and opportunities to participate in industries of the future • Explore resources and capabilities promoting inclusive growth and job creation	• Achieve enterprise and supplier development targets • Achieve skills development targets (Learning and Development) • Train communities on climate-change-friendly initiatives • Support absorption of interns • Pilot land claimants SCM opportunities to mentor and build skills
	Agroforestry	• UN SDGs 2015 • ERRP 2020 • MTSF 2019–2024 • PCC JTF • FSC® • SIS	• Food security • Strengthen food security • Improve ecosystems with community ownership/ stewardship • Spatial integration and human settlements (rural development) • Catalyst for socially beneficial upliftment and transformation • Secure economic future of communities and stakeholders	• Implement and maintain agroforestry projects (ground nuts, beekeeping, mushroom farming, vegetable gardens), and grazing • Promote and enable climate-smart villages and community projects • 100% FSC® certification for KLF • Achieve Shareholder's Compact targets on CSI projects

Advancing ESG and a Just Transition through agroforestry

2 ZERO HUNGER

SAFCOL plays a vital role in uplifting the rural communities in which it operates by aligning its work with the United Nations' SDGs, ESG principles, and its mission to drive sustainable economic transformation within the forestry sector.

Central to this commitment is SAFCOL's focus on a Just Transition – ensuring that the shift towards a low-carbon, sustainable economy is inclusive and fair, particularly for vulnerable rural communities that have historically been excluded from mainstream economic participation.

SAFCOL's agroforestry initiatives across **Mpumalanga, KwaZulu-Natal, and Limpopo** are tangible examples of this approach. These projects support Sustainable Development Goal 2, which aims to end hunger, ensure food security, improve nutrition, and promote sustainable agriculture. They also address broader ESG priorities:

- **Environmental:** By integrating agriculture with forestry, SAFCOL promotes sustainable land use practices that enhance biodiversity, restore degraded land, and reduce carbon emissions.
- **Social:** SAFCOL's initiatives directly empower rural communities through skills development, job creation, and improved access to nutritious food – thereby enhancing quality of life and reducing poverty.
- **Governance:** SAFCOL ensures transparency, inclusivity, and accountability in how these projects are implemented, often working closely with local cooperatives and community leaders.

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In Limpopo, SAFCOL's agroforestry project focuses on the **cultivation of groundnuts and jugo beans** – nutrient-rich, culturally relevant crops that offer strong income-generating potential. This aligns with Just Transition objectives by building climate-resilient local economies that preserve indigenous knowledge systems and promote sustainable agriculture.

In Mpumalanga, the formation of the **Dudulani Agricultural Cooperative** in Ngodini village (Mayflower) exemplifies inclusive economic growth. The cooperative supplies vegetables to local supermarkets and households, increasing access to healthy food while stimulating local economic activity.

Similarly, in KwaZulu-Natal, SAFCOL supported the launch of the **Sidlasonke Agricultural Cooperative** in Mtubatuba. This initiative boosts food security and self-sufficiency by enabling communities to produce and distribute a wide range of vegetables locally.

A recent milestone in Mpumalanga is SAFCOL's introduction of a **mushroom collection initiative**. For the first time, SAFCOL has issued permits to local communities, granting them legal access to collect indigenous mushrooms within the plantations. These mushrooms are then sold to companies that process them for commercial use. This initiative allows unemployed rural community members to generate an income, supporting their daily needs while also encouraging sustainable harvesting practices.

These agroforestry projects go beyond traditional farming – through these efforts, SAFCOL is not only greening the landscape, but also unlocking economic opportunities from forest resources that were previously untapped, in a way that is both environmentally responsible and socially empowering.

Advancing a Just Transition through Participatory Forest Management

Faced with increasing incidents of timber theft and the need to contain operational costs, the Wilgeboom Plantation (Hazyview/Graskop) Manager sought innovative, community-driven solutions to protect the plantation's biological asset and improve growing stock quality. In March 2024, with the support of the JCF, a new collaborative initiative started with the involvement of three local, community-owned enterprises: Humene Trading & Projects (Pty) Ltd, LHM Forestry & Projects (Pty) Ltd, and Ohlagile Mogau Letago Holdings (Pty) Ltd.

The participating entities, in partnership with Wilgeboom plantation management, undertook essential silvicultural activities such as weeding and clearing invasive species (coppice) across designated plantation areas. These cleared materials were then sold in the informal market as banana poles and firewood, allowing the enterprises to recover operational costs and generate income, despite the work not being paid for directly by SAFCOL. This circular approach enhanced economic resilience while avoiding waste.

To date, these businesses have cleared and brought the weed maintenance status to approximately 10.5% of the total plantation area, this is now left for SAFCOL to maintain at a lower cost.

The enterprises received Forestry Induction training through SAFCOL's ESD support. Additionally, capacity-building interventions are underway to strengthen their competitiveness, with the goal of enabling access to future silvicultural opportunities in the broader forestry industry – ensuring that these businesses are not left behind as the sector evolves.

42
Jobs created for local community members

40 to <4
Hectares per year timber theft reduction, attributed to increased visibility on the ground and strengthened community relations

Because of the economic benefit derived these individuals feel empowered to report suspicious activity, fostering a culture of shared responsibility and trust.

Before the project started

After the start of the project

Inclusive Forestry Enterprise Development in Support of a Just Transition

SAFCOL has forged an MOU with the Ngome Community Cluster, comprising ten villages adjacent to the Ngome Plantation in KwaZulu-Natal. This partnership seeks to co-create a socially and economically active Ngome Cluster, reflecting SAFCOL's broader commitment to inclusive economic transformation, local empowerment, and the principles of a Just Transition.

As a result of this shared vision, two 100% black-owned entities – Lethokuhle Forestry Services (Pty) Ltd and Sinempumelelo Forestry Services (Pty) Ltd – were established in 2024. These enterprises were formed by young and middle-aged community members from Nongoma Village, who were selected through a JCF. The candidates underwent targeted chainsaw and thinning training facilitated by SAFCOL's Learning and Development Unit.

Upon successful completion of their training, and with support from SAFCOL's ESD Unit, a business opportunity was identified in manual thinning operations within the Ngome Plantation. The two businesses were formally registered as private companies and contracted to render services for a period of 9 months.

To ensure long-term viability and impact, both entities are currently part of SAFCOL's Business Incubation Programme, which provides critical support through:

- Compliance and operational training (including first aid levels 1 and 2, safety, health and environment, and supervisory skills);
- Provision of essential tools and materials such as chainsaws, protective clothing, and consumables; and
- Ongoing technical mentorship and coaching.

These initiatives have already created 20 part-time job opportunities for local residents, directly contributing to SDG 8: Decent Work and Economic Growth and SDG 1: No Poverty, while strengthening community ownership in the forestry value chain.

This model of cooperative, inclusive development embodies the essence of shared value creation – delivering measurable social impact, operational sustainability, and long-term transformation aligned to both national development goals and global sustainability frameworks.

3

RISK MANAGEMENT

SAFCOL's Risk Register includes a heatmap demonstrating the likelihood of occurrence, probable outcomes and mitigations.

SAFCOL RISK HEATMAP FOR APPLICATION IN THE 2024/25 FINANCIAL YEAR

Likelihood description		Likelihood historical and future risk	Likelihood % total instances	Within risk appetite: Minor 1	Within risk appetite: Moderate 2	Within risk appetite: Material 3	Risk appetite breached within risk tolerance: Severe 4	Risk appetite breached within risk bearing capacity: Catastrophic 5	Risk bearing capacity breached
Confidently expected	5	• Occurred in last 3 months • May occur in next 3–6 months	>75%			2, 3			Breach of risk bearing capacity
Probable	4	• Occurred in last 6 months • May occur in next 6–12 months	50%–75%			5	1		
Possible	3	• Occurred in last 12 months • May occur in next 12–24 months	25%–50%		9, 10	8, 6, 7	4		
Unlikely	2	• Occurred in last 2 years • May occur in next 2–3 years	10%–25%						
Remote	1	• Occurred in last 3 years • May occur in more than 3 years from now	<10%						
			Decision maker	Supervisors	Operational management	Executive	Executive and Board	Board and Shareholders	Shareholders
			Decision Framework	Delegation of Authority Performance Contract	Delegation of Authority Performance Contract	Delegation of Authority Performance Contract	Board Charter/ Committee ToR Performance Contract	Memorandum of Incorporation Board Charter	Memorandum of Incorporation

Likelihood

Figure 22: SAFCOL Risk Heatmap

Table 7: Top five risks

No.	Risk	Description	Mitigation Strategy
1	**Fire**	Human activities and unfavourable weather patterns may render plantations susceptible to fires	Ongoing cooperation with fire protection associations and continued implementation of our fire prevention and protection strategies.
2	**Illegal activities (e.g. timber theft, illegal mining, land invasion)**	SAFCOL's plantations are vulnerable to criminal activities	Onsite security contractors, ongoing liaison with law enforcement agencies, communities, and other stakeholders.
3	**Climate change**	Adverse impacts of extreme weather events	Targeted reduction of class II emissions (reduced electricity usage), development of hybrid trees resistant to identified impacts.
4	**Loss of access to forestable land**	57% of SAFCOL's land is subject to land claims	Building mutually beneficial partnerships and relationships with land claimant communities to empower and integrate community participation in the forestry value chain for economic sustainability.
5	**Occupational diseases, injuries, and fatalities**	SAFCOL has a legal and moral obligation to provide a safe workplace	Robust and comprehensive health and safety management systems are in place. Ongoing monitoring and enforcement of compliance.

FIRE RISK MANAGEMENT

SAFCOL continues to identify potential fire hazards, evaluating the likelihood of occurrence, and assessing the potential impact of fires to protect its people, biological assets, property, and the environment through annual fire readiness audits and mitigations. This enables the prioritisation and allocation of resources.

Fire risk management practices and strategies are regularly reviewed to incorporate developments in regulatory, technological, and historical management of these risks. A comprehensive and coordinated approach is achieved through active participation in fire prevention associations and partnerships with government, private sector, and community organisations in the forestry industry.

Witklip Plantation, Mpumalanga

4

GOVERNANCE

INTRODUCTION

Corporate governance includes the processes and systems that guide, manage, and hold accountable public entities. Along with legislative requirements based on a public entity's enabling legislation and the Companies Act, corporate governance is applied through the precepts of the Public Finance Management Act (PFMA) in tandem with the principles contained in the King IV™ Report on Corporate Governance.

Parliament, the Executive Authority and the Accounting Authority of the public entity are responsible for corporate governance.

Witklip Plantation, Mpumalanga

ACCOUNTING AUTHORITY (THE BOARD)

The SAFCOL Board, appointed by the Executive Authority, is the Accounting Authority as established in terms of the Memorandum of Incorporation, and it fulfils its duties and responsibilities as provided for in the PFMA and Companies Act.

The Board may, in writing, delegate any of the powers entrusted or delegated to it in terms of the PFMA, to its officials or instruct the same to perform any of the duties assigned to it subject to any limitations and conditions it may impose. However, the delegation does not divest the Board of responsibility concerning the delegated power or performance of the assigned duty.

The Board's strategic objectives aligned to the shareholder's expectations include the following:

- **Cost management:** Ensure operating costs are curbed and investigate alternative financial reporting of forestry management costs not directly linked to the current year's revenue.
- **Reduce operational costs in processing and ecotourism:** Ensure that the positive operational performance is maintained with more focus on reducing operational costs in the processing and the ecotourism business units.
- **Diversification:** Relook the Company's dependency on sawlog products to external clients.
- **Revitalisation of state forest assets:** Utilise plantation management expertise to assist other organs of state to increase forestry plantation investment, and ensure alignment between the Company's repositioning strategy and government policy.
- **IFLOMA Fibre Project:** Re-evaluate and manage this project decisively to halt the negative financial impact on the IFLOMA business.
- **Climate change:** Develop and implement effective climate actions to mitigate the causes of climate change and to build resilience against the inevitable adverse impacts thereof, and explore opportunities for reforestation and greening of South Africa under the policy guidance of the DFFE.
- **Safety:** Implement global best practices with respect to safety where there is a fundamental respect for the value of human life and resources, guided by the attainment of zero fatalities as a principle.

GOVERNANCE STRUCTURE

Board composition and meeting attendance

The majority of Board directors are non-executive directors. Executive directors include the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

The Board meets seven times per year and in the year under review three special meetings were held.

- Audit and Risk Committee
- Finance, Investment and Transactions Committee
- Safety, Health, Environment and Quality Committee
- Social and Ethics Committee
- Human Resources and Remuneration Committee
- C Chairperson of the committee

Mr Msokoli Frans Baleni
Interim Chairperson*
(Non-Executive Director)

Term: 1 October 2018 to 31 March 2025

Qualifications: BA (Social Development Studies); Diploma: Political Science and Trade Unionism; Certificate in BOT from IMD, Lausanne Switzerland; Certificate in Project and Infrastructure Finance, London Business School, London UK

Area of expertise: Commercial, risk, governance and compliance, health and safety, government relations, education and training, collective bargaining processes, stakeholder management

Board directorships and entities: F11 Management Consulting; Mining Indaba Advisory Board (Chairperson); Kalagadi Manganese (Non-Executive Director); Novo Energy (Non-Executive Director); University of Johannesburg (Council Member); TFS Africa (Non-Executive Director); Powerspnp Projects (Chairperson); Akhona Mining Services (Non-Executive Director); Public Investment Corporation (Non-Executive Director)

No. of meetings attended: 10/10

* Interim Chair effective 1 October 2023

C

Mr Neeshan Ishwarlal Balton
Chairperson of the Finance, Investments and Transactions Committee
(Non-Executive Director)

Term: 1 October 2018 to March 2025

Qualifications: MSc (Public Policy and Management); Bachelor of Education (BEd); Bachelor of Arts (Education)

Area of expertise: Public policy, financial management, research, training and development, community organising

Board directorships and entities: Nishtara Lodge (Board member)

No. of meetings attended: 9/10

C

Ms Nonhlanhla Mabusela-Aikhuere
Chairperson of the Audit and Risk Committee
(Non-Executive Director)

Term: 22 May 2023 to 31 March 2025

Qualifications: BCompt (Unisa); CTA (Certificate in the Theory of Accountancy); Honours Degree (Unisa); CA(SA); Diploma in Credit and Political Risk Insurance (UEL-United Kingdom)

Area of expertise: Investment banking, corporate finance, development finance, private equity, accounting, auditing, mining and forestry experience, commercial

Board directorships and entities: Powermatla Zuko Investments; Growthpoint Student Accommodation Holdings (rf); Glamglory; Lungino Capital; Moore Solar Energy Project; Merafe Ferrochrome and Mining; Merafe Resources; Empower a Thousand Holdings; Barberry Management services

No. of meetings attended: 10/10

Ms Lahlane Hellen Malema
(Non-Executive Director)

Term: 1 October 2018 to March 2025

Qualifications: Admitted Attorney of the High Court of South Africa; B.Proc; LLB

Area of expertise: Corporate governance, legal, compliance, stakeholder management, education and training and leadership

Board directorships and entities: Social Housing Regulatory Authority (Non-Executive Director); Ekurhuleni Municipality (Non-Executive Presiding Officer); Weskoppies (Non-Executive Director); National Research Foundation (Non-Executive Director); Legal Practice Council (Non-Executive Committee Member)

No. of meetings attended: **8/10**

C

Mr Yershen Pillay
Chairperson of the Human Resources and Remuneration Committee
(Non-Executive Director)

Term: 1 October 2018 to 31 March 2025

Qualifications: MBA (Master of Business School); B. Soc. Science (Politics and Economics); Postgraduate Diploma in General Management; Certificate in Cybersecurity

Area of expertise: Strategy, communications, change management, research, and governance, transport and logistics management, development finance

Board directorships and entities: Airports Company South Africa (Non-Executive Director); K3 Logistics (Non-Executive Director); PM Moring (Director)

No. of meetings attended: **6/10**

C

Adv. Lentswe Gabriel Mokgatle
Chairperson of the Safety, Health, Environment and Quality Committee
(Non-Executive Director)

Term: 1 October 2018 to 31 March 2025

Qualifications: Admitted Advocate; LLB

Area of expertise: Legal, strategy, project planning and management, negotiation, community development, arts, culture, networking, environment and sustainable development, research, economics, change management, policy analysis, risk management, organisational development, stakeholder management

Board directorships and entities: GGDA (Director); SCI-BONO (Director); Chancellor House (Director); 70s Group (Director)

No. of meetings attended: **10/10**

C

Ms Joanne Yawitch
Chairperson of the Social and Ethics Committee
(Non-Executive Director)

Term: 1 October 2018 to 31 March 2025

Qualifications: MSc (Agricultural Development); MA (Development Studies); BA honours; BA

Area of expertise: Agriculture, development studies, leadership, public policy, climate change/ environment sustainability, land tenure and reform, climate finance

Board directorships and entities: Boris Yawitch Trust (Trustee); Upbeat Props (Director)

No. of meetings attended: **7/10**

Note: *Mr Sibalo Dlamini, Acting CEO, and Mr D'Shorne Human, CFO, attended all 10 Board meetings.*

BOARD CHARTER

The Board Charter provides the parameters within which the Accounting Authority operates and ensures the application of the principles of good governance in all dealings. It offers an overview of the roles, responsibilities, functions and powers of the Board, individual directors and the executives, relevant principles and matters reserved for final approval of the Board. It also provides Board policies and practices regarding matters such as corporate governance, declarations of interests, meeting documentations and procedures, the Board composition, induction, training, the evaluation of directors and members of Board committees.

BOARD RESPONSIBILITIES

The Board is the custodian and focal point for corporate governance. It manages its relationship with Management, the Shareholder and other stakeholders along sound corporate governance principles while retaining full and effective control over the Company that is based on integrity, transparency, accountability and responsibility.

The Board is tasked with approving strategies and strategic objectives of the Company; setting Company values including principles of ethical business practice; and giving independent, informed and effective judgment on material decisions including policies.

The Board is responsible for satisfy itself that the Company is governed effectively and in line with corporate governance best practice, including risk management, internal control and information technology systems. It monitors the implementation of strategies, decisions, values and policies through a structured approach to integrated reporting, risk management and internal controls.

In all decisions, the Board considers sustainability as a business opportunity that guides strategy formulation, and ensures the integrity of the Company's Integrated Report.

Giving strategic direction and in the process considering the present and future strengths, weaknesses, opportunities and risks, the Board sets the risk tolerance level in line with the strategy and oversees the process of identifying and evaluating key risks. Through its sub-committees it oversees the risk management process.

The Board is responsible for oversight of ICT governance and ensures that adequate information is provided by Management to facilitate effective decision-making. It takes the necessary steps to ensure that there is a robust system of internal controls of which regular assurance is received through risk centric internal audits.

In addition, the Board is responsible for instituting a robust policy and procedure for the management of conflicts of interests; defining levels of materiality, reserving specific powers to itself and delegating other matters, with the necessary written authority, to Management.

Finally, the Board promotes a culture that supports entrepreneurship and innovation by enabling and rewarding such behaviour. It also responsible for instituting a system of executive remuneration that is equitable, responsible and motivating.

COMPANY SECRETARY

The Company Secretary is of critical importance to the proper governance of the Company and the Board is responsible for ensuring that he or she remains capable of fulfilling the function for which they were appointed.

The Company Secretary is also responsible for assisting with the proper induction, orientation, and development of members, as well as assessing specific training needs in their fiduciary duties and other responsibilities.

The Company Secretary is responsible for, as per the Board Charter, among others:

- Ensuring that the Board procedures prescribed in the Board Charter are followed.
- Providing a central source of guidance and advice to the Board primarily in respect of procedural and compliance issues, including compliance with statutory regulations and governance standards.
- Ensuring that each member is made aware of and is provided with guidance as to their duties and powers as the members of the Board.
- Keeping abreast of and informing the Board of current governance thinking and best governance practices, both locally and internationally.

The Company Secretary provides secretariat support to the Board and all Board members have unlimited access to the Company Secretary.

Board meetings and dates are determined in advance through an annual schedule of meetings or at the end of every meeting. The Company Secretary circulates the notice confirming the venue, time and date together with agenda items to be discussed to each member of the Board and any other person required to attend at least 15 working days before the date of the meeting, followed by information packs, as relevant to the agenda, delivered to members seven days before the date of the meeting.

The Certificate by the Company Secretary is found in the consolidated annual financial statement section on page 98.

BOARD SUB-COMMITTEES

The Board may form committees as may be necessary to facilitate efficient decision-making and to assist it in the execution of its duties, power and authorities. To this end, the following Board committees exist:

- Audit and Risk Committee;
- Finance, Investments and Transactions Committee;
- Safety, Health, Environment and Quality Committee;
- Social and Ethics Committee; and
- Human Resources and Remuneration Committee.

Each committee has a formal Terms of Reference which determines, among others, the membership, purpose, powers and authority, the scope of its mandate and its relationship to the Board which will be reviewed and approved annually.

All committees have a majority of non-executive directors and are presided by a non-executive director who shall not necessarily be the Chairperson of the Board.

The committees observe the same rules of conduct and procedures as the Board, unless the Board specifically determines otherwise in their Terms of Reference. They may only act on behalf of the Board when specifically so authorised, and each committee is fully transparent, exercising full disclosure to the Board, except where the committee has been otherwise mandated by the Board. The delegation of the Board's authority in certain defined areas to committees constituted in terms of this clause will absolve neither the Board, nor its members, from their respective accountability.

Maria Shines Falls, Graskop, Mpumalanga

BOARD COMMITTEE REPORTS

REPORT OF THE AUDIT AND RISK COMMITTEE

Associated capitals

> The committee provided oversight on key operational and strategic matters, including the Timbadola sawmill upgrade and operational continuation, and the financial performance turnaround interventions implemented by management.

Composition

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non-executive directors including the Chairperson

Members in FY 2024/25*

Ms N Mabusela-Aikhuere
Ms L Malema
Ms J Yawitch
Mr Y Pillay

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

No. of meetings in FY 2024/25

Scheduled meetings
Special committee meetings
Joint meetings

Responsibilities

- Ensure that the appointment of an independent auditor complies with applicable laws and determine the fees to be paid and the terms of engagement for the independent auditor.
- Determine the nature and extent of any non-audit services which the auditor may provide to the Company and pre-approve all contracts with external auditors for the provision of non-audit services.
- Review a formal policy regarding the nature and extent of any non-audit services that may be provided by the external auditors.
- Maintain oversight of the Internal Audit function.
- Review and monitor the integrity, accuracy, and reliability of the financial statements.
- Review the adequacy and effectiveness of the control framework and governance structures implemented within the ICT environment and ensure that management develops an ICT governance strategic plan.
- Monitor, assess, and oversee the management of financial and other risks.
- Oversee the development of a risk management strategy and monitor its implementation, and the development and implementation of an enterprise-wide risk management policy and strategy, and conduct an assessment of the alignment to the corporate strategy for attainment of set business imperatives.
- Ensure that management performs fraud risk assessments and submits periodic reports with findings to the committee.
- Monitor the application of the combined assurance model.
- Monitor the effectiveness of the system for monitoring compliance with applicable laws and regulations.

Key challenges, focus areas, and achievements

Audit and Risk Committee Chairperson's Overview Statement

During the year under review, the Audit and Risk Committee continued to execute its statutory and delegated responsibilities with diligence and professionalism. The committee maintained rigorous oversight of the Group's financial reporting processes, internal control environment, risk management systems, external and internal assurance activities, and governance practices. In doing so, the committee remained focused on strengthening organisational resilience, enhancing governance maturity, and supporting the execution of the Group's strategic priorities.

The committee reviewed and recommended the **Strategic and Corporate Plan** to the Board, ensuring its alignment with the organisation's long-term objectives, risk exposure, and resource allocation. The committee approved the **2024/25 Annual Risk Management Plan**, the **Strategic Risk Register**, and the **Risk Appetite Framework**, reinforcing the Group's commitment to structured, proactive, and integrated risk management.

The committee exercised comprehensive oversight over assurance activities through the approval of the **External Audit Strategy and Engagement Letter**, the **Internal Audit Plan**, **Internal Audit Charter**, **Fraud Prevention Plan Workplan**, and the internal audit progress reports. The committee noted the outcome of the **External Quality Assurance Review** of the Internal Audit activity, which reaffirmed compliance with international professional standards.

The committee further noted the audit outcomes of the Group and its subsidiaries, including the **unqualified audit opinions without findings (clean audits)** for ABACUS, KLF, and Kamhlabane, consistent with the prior year's results. These outcomes reflect the Group's continued improvement in financial governance and internal controls.

A suite of governance policies was reviewed and recommended for Board approval, including the Risk Management, Whistle Blowing, Lifestyle Audit, Anti-Fraud and Corruption, and Forensic Investigation policies. In addition, the committee approved updates to the Information Security and Privacy Policies and reviewed the amendment to the **Delegation of Authority Framework**.

The committee also provided oversight on key operational and strategic matters, including the **Timbadola sawmill upgrade and operational continuation**, and the financial performance turnaround interventions implemented by management.

Through these activities, the committee remains committed to upholding the highest standards of governance, transparency, accountability, and risk oversight as the Group continues to navigate a complex operating environment.

Audit and Risk Committee Report

The Audit and Risk Committee is pleased to present its report for the financial year, outlining its oversight of financial governance, risk management, internal control effectiveness, audit processes, and ethical conduct across the Group.

Achievements

Financial performance and cost control

- The Group achieved **R1.3 billion** in revenue, consistent with the prior year.
- **Irregular expenditure decreased significantly to R0.2 million**, reflecting strengthened internal controls.
- Material **cost reductions** were achieved, particularly in professional fees and non-core expenditure categories.
- Despite the difficult economic conditions, **60% of the financial targets were met**.

ICT governance

- The successful deployment of a new ERP system marked a milestone in SAFCOL's digital modernisation, improving governance, data integrity, and operational transparency.

Strengthening governance and strategic alignment

- Reviewed and recommended the **Strategic and Corporate Plan** to the Board for approval.
- Considered and recommended the **2024/25 SAFCOL Shareholder's Compact Revision of Targets** and provided inputs to the **2025/26 Draft Shareholder's Compact.**

External and Internal Audit oversight

- Approved the **external audit strategy and engagement letter**, ensuring a clear audit scope and aligned expectations.
- Approved the **Internal Audit Plan, Internal Audit Charter, Fraud Prevention Plan Workplan**, and noted all Internal Audit progress reports.
- Noted the **External Quality Assurance Review** of the Internal Audit function, confirming continued adherence to IIA Standards.
- Eighty per cent of planned preventative activities were implemented, and at least **67%** of all the reported cases over the last two financial years have been investigated and finalised. Eighty per cent of forensic investigation recommendations have been implemented in line with the Shareholder Compact target.

- A 100% coverage of the Internal Audit Plan was achieved. Based on the reviews undertaken, the internal controls were found to be partially adequate and effective in providing reasonable assurance that the inherent risks were appropriately managed and that the business objectives will be attained.
- Internal Audit findings have been tracked to ensure that management implements the recommendations within a specified time frame. As of March 2025, 92% of previous findings were resolved.
- An unqualified audit opinion was obtained for the 6th successive year, with a significant reduction in audit findings.

Risk management advancements

- Approved the **Annual Risk Management Plan (2024/25), Strategic Risk Register** and the **Risk Appetite Framework**, strengthening risk governance and reporting discipline.

Audit outcomes

- Noted the **clean audit outcomes (unqualified without findings)** for Abacus, KLF, and Kamhlabane – representing sustained excellence in financial governance.
- Reviewed the **2023/24 SAFCOL Group Management and Audit Report** and the **Draft KLF Management Report**.

Policy and governance enhancements

Recommended for Board approval:

- **Risk Management Policy**
- **Forensic Policies (Whistle Blowing Policy, Lifestyle Audit Policy, Anti-Fraud and Corruption Policy, and Forensic Investigation Charter)**
- **Delegation of Authority Framework.**

Approved:

- **Information Security Policy**
- **Privacy Policy.**

Operational oversight

- Noted progress on the **Timbadola Sawmill Upgrade and Operational Continuation**.
- Monitored the interventions and progress associated with the **financial performance turnaround plan**.

Challenges

Despite the committee's progress, several key challenges remain:

Financial and operational pressures

- The current ratio target was not achieved driven by lower cash reserves that had declined in the previous year. A catch up plan to rebuild cash reserves to buffer levels is in place.
- Missed lumber sales targets and increased contractor expenditure due to fires negatively affected financial performance.

Timber theft

- Timber theft remains a material challenge, with **over R90 million** in losses recorded over seven years.
- Security interventions remain costly, averaging **R20 million annually**.

Operational complexity and constraints

- The ERP implementation (SAGE X3) experienced unforeseen complications during the go-live phase. These challenges resulted in delays in financial reporting for the last three quarters of the financial year, which, in turn, contributed to the delay in preparing the Integrated Report.
- Persistent issues at **Timbadola Sawmill**, requiring continued operational stabilisation.
- Continued monitoring of financial performance risks that necessitated the implementation of a turnaround plan.
- **IFLOMA's inability to repay its loan to KLF**, necessitating further management interventions.
- Operational disruptions caused by **loadshedding and power outages**, prompting a review of alternative power generation.

Risk environment

- Ensuring consistent risk management maturity across all business units and subsidiaries.
- Strengthening the integration of risk insights into strategic and operational decision-making.

Internal control and assurance

- Enhancing the pace at which Internal Audit recommendations are implemented across the Group.
- Addressing control weaknesses identified in select operational areas, particularly where project and operational risks intersect.

Governance compliance

- Ensuring continued alignment with PFMA, Treasury Regulations, King IV™ principles, and emerging compliance requirements.

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Focus for the next year

Strengthening risk governance and culture

- Enhance enterprise-wide risk reporting and embed the recently approved Risk Appetite Framework.
- Strengthen scenario planning and risk-based decision-making processes.

Assurance and internal control improvements

- Drive improved implementation of Internal Audit recommendations and enhance monitoring mechanisms.
- Reinforce internal controls in project management, procurement, IT governance, and cybersecurity.

Financial governance and performance

- Monitor the execution and impact of financial turnaround interventions.
- Strengthen financial control disciplines and reporting accuracy across the Group.

Governance and policy implementation

- Oversee the rollout and institutionalisation of the Whistle Blowing, Lifestyle Audit, Anti-Fraud and Corruption, and Forensic Investigation policies.
- Oversee implementation of the Information Security and Privacy policies to mitigate cybersecurity and data-protection risks.

Strategic assurance support

- Continue oversight of major programmes, including the Timbadola Sawmill upgrade, ensuring alignment with strategic objectives and risk thresholds.
- Ensure ongoing alignment between the Strategic Plan, Shareholder Compact, and enterprise-wide risk exposure.

Conclusion

This report was prepared based on information available at the time of reporting and reflects the activities and matters considered during the financial year under review in line with the committee's Terms of Reference.

Following the conclusion of the reporting period and changes in Board and committee composition, the Chairperson of the Audit and Risk Committee in office at the time of finalisation of the Integrated Report provided final oversight of the report based on available information, established processes, and assurances obtained. Accordingly, this report is signed by the current Chairperson in office.

Mr Norman Baloyi
Chairperson of the Audit and Risk Committee

REPORT OF THE FINANCE, INVESTMENTS AND TRANSACTIONS COMMITTEE

Associated capitals

> The committee continued to assess major operational and risk-related matters, including persistent timber theft, load shedding and power interruptions, challenges at key operations, and the impact of fires.

Composition

4

non-executive directors including the Chairperson

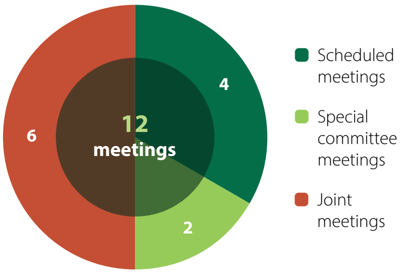
Members in FY 2024/25*

Mr N Balton (Chairperson)
Ms L Malema
Mr Y Pillay
Ms N Mabusela-Aikhuere

The were no changes to the committee composition during the year.

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

No. of meetings in FY 2024/25



Responsibilities

- Consider progress in respect of the reporting process and disclosure controls applicable to sustainability matters.
- Assist the Board of Directors in providing oversight of investment and financial planning, funding models, implementation of major projects and investments, proposed partnerships, and expenditure.
- To be able to fulfil the abovementioned responsibilities, the committee reviews the following:
  - The Company's financial performance, bringing any area of concern to the Board's attention;
  - All procurement contracts in line with the approved delegation of authority (DOA);
  - The investment strategy and policy, maintaining oversight of the Company's investments;
  - The long-term and short-term funding plan and treasury mandate; and
  - Any capital project or procurement of any capital item, or the commencement of any capital project, and any sale or disposal of assets in line with the approved DOA.
- Consider the write-off of bad debt(s) or settlement or abandonment of legal actions, as well as the write-off resulting from the impairment of assets and the disposal or closure of any business in line with the approved DOA.
- Investigate any matter that could have a financial impact on the Company.

Key challenges, focus areas, and achievements

The committee continued to provide strong governance oversight during the year under review, ensuring alignment between strategic initiatives, operational performance, and long-term value creation. Oversight activities focused on monitoring strategic project execution, strengthening financial sustainability, addressing operational challenges, and supporting the Company's turnaround and transformation agenda.

Strategic performance oversight

The committee monitored the progress of the Company's strategic projects, which are at various stages of implementation, in line with the project management methodology. During the year, notable strides were made in advancing critical initiatives that underpin the Group's growth and sustainability ambitions.

Key progress included:

- The initiation of the ERP implementation process, laying a foundation for improved business integration and digital capability.
- The successful negotiation and finalisation of the Project Development Agreement for the Combined Heat and Power (CHP) plant.
- Advancements in the Timbadola Reinvestment Project, including the appointment of a sawmill advisor and the achievement of major milestones despite certain setbacks.

Operational and risk oversight

The committee continued to assess major operational and risk-related matters, including:

- Persistent timber theft, which has cost the Company over R90 million in the past seven years, with annual security costs averaging R20 million.
- Load shedding and power interruptions, prompting consideration of alternative energy solutions for operational continuity.
- Challenges at key operations such as Timbadola Sawmill and IFLOMA, with interventions tracked throughout the year.
- Assessment of the impact of fires, contractor spending, and market performance on financial and operational outcomes.

The committee also monitored the execution of the Corporate Turnaround Plan, noting progress driven by the commissioning of new equipment (finger-joint and planer) to improve product quality and operational efficiency at Timbadola.

Governance and compliance oversight

The committee strengthened governance processes by reviewing and recommending key policies for Board approval, including:

- Management of Growth Business Initiatives Policy
- Management of Unsolicited Proposals Policy
- Treasury Policy
- Fruitless, Wasteful and Irregular Expenditure Policy
- Supply Chain Management Policy.

Major transactions and shareholding matters reviewed included:

- Recommendation for the disposal of SAFCOL's 9% shareholding in SiyaQubeka Forests (SQF)
- Updates on the remaining 10% SQF minority share
- Oversight of the Singisi Forests minority shareholding matters.

Finance Committee report

The Finance Committee oversaw the Group's financial performance, capital allocation, cash flow management, investment initiatives, and risk-adjusted decision-making. The following information summarises the committee's work.

Achievements

Financial performance and cost control

- The Group achieved R1.3 billion in revenue, consistent with the prior year.
- Irregular expenditure decreased significantly to R0.2 million, reflecting strengthened internal controls.
- Material cost reductions were achieved, particularly in professional fees and non-core expenditure categories.

Strategic projects and turnaround progress

- Commencement of the ERP implementation, a cornerstone of operational efficiency and decision-making improvement.
- Finalisation of the Project Development Agreement for the CHP plant.
- Milestones achieved in the Timbadola reinvestment, supported by the onboarding of a specialist sawmill advisor.
- Continued implementation of the turnaround plan, with performance improvements linked to the commissioning of finger-joint and planer equipment.

Governance matters

- The committee reviewed and recommended several key governance policies to the Board (as listed earlier).
- Reviewed and supported decisions related to shareholding and investment structures across the SQF and Singisi Forests.

Challenges

Financial and operational pressures

- The current ratio target was not achieved driven by lower cash reserves that had declined in the previous year. A catch up plan to rebuild cash reserves to buffer levels is in place.
- Missed lumber sales targets and increased contractor expenditure due to fires negatively affected financial performance.

Timber theft

- Timber theft remains a material challenge, with **over R90 million** in losses recorded over seven years.
- Security interventions remain costly, averaging **R20 million annually**.

Operational constraints

- Persistent issues at **Timbadola Sawmill**, requiring continued operational stabilisation.
- **IFLOMA's inability to repay its loan to KLF**, necessitating further management interventions.
- Operational disruptions caused by **loadshedding and power outages**, prompting a review of alternative power generation.

Other oversight matters

- Monitoring ROI projections for the mechanised harvesting expansion project and the finger-joint investment.
- Oversight of delays related to the **Compensation Sum payment** associated with mining activities in the Belfast Plantation.

Focus for the next year

Financial sustainability and efficiency

- Strengthen liquidity through improved cash management and recovery of profitability.
- Prioritise achievement of targeted **EBITDA margins and current ratio** benchmarks.
- Expand cost-optimisation initiatives and improve capital discipline.

Strategic project execution

- Drive the successful rollout of the **ERP system**.
- Monitor implementation milestones for the **CHP Plant** and **Timbadola Reinvestment**.
- Enhance oversight of the mechanised harvesting expansion and related capital projects.

Operational strengthening

- Accelerate the turnaround programme to stabilise key operations, with a specific focus on Timbadola and IFLOMA.
- Improve operational resilience through investments in **alternative energy solutions** and power stabilisation initiatives.

Risk mitigation and governance

- Implement enhanced timber-theft prevention strategies, incorporating technology, stakeholder partnerships, and community involvement.
- Refine governance frameworks, strengthen internal controls, and ensure continuous policy updates.

Conclusion

This report was prepared based on information available at the time of reporting and reflects the activities and matters considered during the financial year under review in line with the committee's Terms of Reference.

Following the conclusion of the reporting period and changes in Board and Committee composition, the Chairperson of the Finance, Investments and Transactions Committee in office at the time of finalisation of the Integrated Report provided final oversight of the report based on available information, established processes, and assurances obtained. The previous Chairperson of the committee, Mr Neeshan Ishwarlal Balton, also participated in the review of the report together with the current Chairperson. Accordingly, this report is signed by the current Chairperson in office.

Ms Sharon Fikile Mkhize
Chairperson of the Finance, Investments and Transactions Committee

REPORT OF THE SAFETY, HEALTH, ENVIRONMENT AND QUALITY COMMITTEE

Associated capitals

> A major achievement was the retention of the Company's NOSA 4-Star rating, as well as the celebration of 27 years of FSC® certification.

Composition

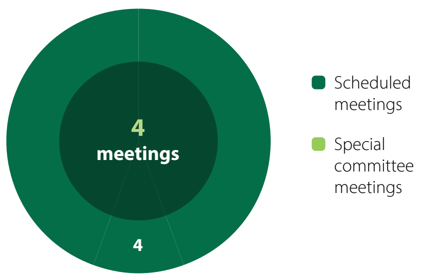
4
non-executive directors including the Chairperson

Members in FY 2024/25*

Adv. L Mokgatle (Chairperson)
Ms J Yawitch
Mr N Balton
Mr Y Pillay

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

No. of meetings in FY 2024/25



Responsibilities

- Consider participation, cooperation, and consultation on safety, health, environmental, and quality matters in governments; national and international organisations; supranational authorities; other companies; and environmental, health, and safety bodies.
- Consider the impact of the Company's operations on society and the environment and, where appropriate, amend the policy or approach.
- Consider all reports covering matters related to safety, health, environmental, and quality risks and liabilities, and monitor key indicators of accidents and incidents. Where appropriate, ensure that such information is communicated.
- Oversee the implementation and performance of the Company and its subsidiaries against its safety, health, environmental, and quality policies and procedures.
- Consider high-severity incidents that occur in a quarter and ensure that an accurate and consistent internal reporting system is in place for incidents and accidents.

SHEQ Committee – year in review

Chairperson's message summary

The 2024/25 financial year reaffirmed SAFCOL's unwavering commitment to safety, environmental stewardship, legal compliance, and operational resilience. Despite escalating external risks, ranging from climate change impacts to illegal activities across State forest land, the Company demonstrated maturity in its SHEQ systems, ensuring continuity, safety excellence, and strengthened governance.

A major achievement was the retention of the Company's NOSA 4-Star rating with a significantly improved compliance score, as well as the celebration of 27 years of FSC® certification, affirming the robustness of SAFCOL's sustainable forestry practices. Importantly, the Company recorded its fifth consecutive fatality-free year, reflecting strong safety leadership and a deeply embedded safety culture.

Security remains a critical challenge, with timber theft, illegal mining, and unauthorised access presenting significant operational, financial, and safety risks. Through collaboration with SAPS, SANDF, private security, and community policing structures, SAFCOL has begun to gain traction in mitigating these threats. The committee welcomed the establishment of a security task team and the development of an integrated, technology-enabled Security Strategy.

The impacts of climate change continued to shape operations, particularly in fire-prone areas. The implementation of the three-year SHEQ Strategy remains on track, positioning SAFCOL to respond proactively to environmental risks while strengthening occupational health, wellness programmes, and compliance systems across the organisation.

Looking forward, the committee remains committed to ensuring that SAFCOL delivers safe, sustainable, and environmentally responsible operations, protecting employees, assets, communities, and the natural environment.

"Protecting people, safeguarding forests, and driving sustainable operational excellence."

Strategic pillars supported

- Zero-harm safety culture
- Environmental stewardship and climate resilience
- Integrated security management
- Legal and regulatory compliance
- Occupational health and wellness
- Sustainable forestry certification
- Emergency preparedness and risk mitigation
- Technology-enabled SHEQ transformation.

At a glance: 2024/25 highlights

Safety, certification and compliance excellence

- ✓ **27 years of FSC® certification** celebrated
- ✓ **Retained NOSA 4-Star rating** with an improved compliance score of **89.06%**
- ✓ There were no fatalities recorded in the period under review, making 2024/25 the **fifth consecutive fatality-free year** across the organisation
- ✓ **SHEQ Strategy implementation on track** (Year 1 of 3)
- ✓ Strengthened safety culture supported by well-being and occupational health programmes
- ✓ Security Management Policy approved and implemented.

Security, risk and law enforcement collaboration

- Joint operations with SAPS, SANDF, private security firms, and community policing forums yielded positive results in:
  - combating illegal mining
  - reducing timber theft
  - addressing unauthorised site access
- Despite interventions, timber theft remains a significant challenge:
  - Estimated value stolen over seven years: over **R90 million**
  - Security expenditure over the same period: **R141 million**
- Illegal mining intensified in 2024/25, with ongoing alignment pursued with national departments
- A **Security Task Team** was established to develop immediate and long-term solutions.

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Occupational health, wellness and employee support

- Ongoing investment in employee well-being through:
  - Occupational Health services
  - Employee Assistance Programme (EAP)
  - Health and wellness awareness activities
- Focus on preventative health screening and psychological support remained a priority.

Environmental and climate risk management

- Climate change continued to heighten operational risks, particularly in fire-prone biomes
- SHEQC oversight ensured continued emphasis on:
  - fire management readiness
  - climate adaptation measures
  - biodiversity and environmental protection compliance.

Incidents and lessons learned

- Disabling injuries (DIs) increased, with **62 lost man-days**, compared to three DIs in 2023/24
- A drowning incident occurred at Graskop Forest Falls involving visitors entering a prohibited area
- Committee emphasised improved signage, public awareness, and perimeter control.

Strategy, policy and continuous improvement

- Security Risk Assessment completed across plantations
- Drafting of an Integrated Security Strategy and supporting procedures underway
- Security function showing positive maturity despite delays in technology deployment
- Ongoing alignment between SHEQ standards, operational practices, and employee behaviour.

Recommendations to the Board

- Continued investment in security technology solutions and integrated security infrastructure
- Prioritisation of climate resilience planning and fire-risk mitigation
- Strengthening controls around public access to recreational forestry sites
- Enhanced oversight of timber theft-related financial exposure and long-term mitigation measures
- Support for full implementation of the SHEQ Strategy and compliance-enhancing initiatives.
- Enhanced oversight on the impact of legal and illegal mining on SAFCOL operations and plantation. The ongoing submission of objections to all mining applications.

Conclusion

This report was prepared based on information available at the time of reporting and reflects the activities and matters considered during the financial year under review in line with the committee's Terms of Reference.

Following the conclusion of the reporting period and changes in Board and committee composition, the Chairperson of the Safety, Health, Environment and Quality Committee in office at the time of finalisation of the Integrated Report provided final oversight of the report based on available information, established processes, and assurances obtained. Accordingly, this report is signed by the current Chairperson in office.

Dr Leo Long
Chairperson of the Safety, Health, Environment and Quality Committee

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Associated capitals

> Our enterprise and supplier development programmes continued to deliver meaningful economic impact, with beneficiary entities creating over 1 500 jobs.

Composition

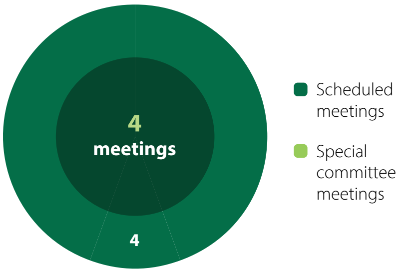
4
non-executive directors including the Chairperson

Members in FY 2024/25*

Ms J Yawitch (Chairperson)
Mr N Balton
Ms L Malema
Adv. L Mokgatle

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

No. of meetings in FY 2024/25



Responsibilities

- Consider progress in respect of the reporting process and disclosure controls applicable to sustainability matters.
- Ensuring the integrity of the sustainability matters that are included in the Integrated Report, as well as alignment with other reports and compliance with regulatory requirements applicable to the Company.
- Review all significant cases of employees' conflicts of interest, misconduct or fraud, or any other unethical activity, and consider any material potential conflicts of interest or questionable situations and make recommendations to the Board.
- Review policies pertaining to ethical standards, systems, and procedures to promote and enforce compliance therewith as well as the Code of Ethics, and recommend to the Board for approval.
- Monitor the ethical conduct of the Company, its executives, and senior officials in terms of the provisions of the Code of Ethics.
- Ensure that the Company's ethics performance is assessed, monitored, reported, and disclosed.
- Review the matters reported, action taken, and the results in respect of whistleblowing activities.

Social and Ethics Committee – year in review

Chairperson's message summary

The year under review highlighted SAFCOL's commitment to ethical leadership, social responsibility, and stakeholder confidence, despite operating in a challenging socio-economic environment. The committee continued to strengthen governance practices, deepen community impact, and ensure that SAFCOL's operations remained socially conscious, ethically grounded, and aligned with national development priorities.

A significant achievement was the broad review of ethics, stakeholder management, transformation, and social investment frameworks, enabling improved transparency, accountability, and organisational integrity. Through proactive engagements, policy refinement, and capacity-building initiatives, the committee ensured that SAFCOL remained compliant with legislative obligations while advancing its sustainability agenda.

The committee maintained oversight of customer relations and service excellence, noting improvements in the net promoter score and receiving valuable stakeholder insights that informed management interventions. Although customer satisfaction dipped slightly, the constructive feedback provided a clear road map for strengthening service delivery, communication, and operational responsiveness.

Our enterprise and supplier development programmes continued to deliver meaningful economic impact, with beneficiary entities creating over **1 500 jobs**. In contrast, targeted training, supplier webinars, youth empowerment initiatives, and agroforestry support strengthened resilience across communities.

SAFCOL also achieved a **Level 2 B-BBEE rating for the third consecutive year** and secured a 10-year B-BBEE Facilitator Status, an important lever for transformation and market competitiveness. Progress on land reform remained positive, including the settlement and transfer of the Makhubu (Robürnia Plantation) land claim, ongoing engagements with national departments, and increased participation of community-based entities in forestry operations.

The committee further oversaw improvements in ethical governance, with strong progress recorded in forensic recommendations and preventative controls. The strengthening of whistleblowing, anti-fraud, and conflict-of-interest frameworks reinforced SAFCOL's ethical culture.

Looking ahead, the committee remains committed to ensuring that SAFCOL continues to act responsibly, empower communities, uphold ethical excellence, and contribute meaningfully to South Africa's socio-economic and environmental well-being.

"Championing ethical leadership, sustainable communities, and responsible corporate citizenship."

Strategic pillars supported

- Ethical governance and organisational integrity
- Socio-economic development and community upliftment
- Stakeholder trust and transparent communication
- Environmental stewardship and sustainable forestry
- Broad-based transformation
- Customer and supplier partnership strengthening
- Responsible land reform facilitation
- Enterprise and supplier development.

At a glance: 2024/25 highlights

Governance, ethics and policy strengthening

- ✓ Comprehensive review of ethics-related, social investment, and compliance-linked policies, including:
  - Social Investment Policy
  - Crisis Communications Plan
  - Conflict of Interest and Work Outside SAFCOL Policy
  - Substance Abuse Policy
  - HIV/AIDS Policy
  - Forensic Policies (Whistleblowing, Anti-Fraud and Corruption, Lifestyle Audit, Investigation Charter)
- ✓ Fraud and forensic oversight strengthened:
  - 75% completion of preventative activities by Internal Audit
  - 88% implementation of forensic report recommendations (improved from 80% in 2023/24).

Customer and stakeholder experience

- Net Promoter Score improved from **41.3 to 43**
- Customer satisfaction score decreased from **8.8 to 8.4**, prompting targeted improvement plans
- Concerns raised: billing accuracy, delivery speed, management visibility, and communication gaps
- Customers continued to express strong appreciation for SAFCOL's product quality
- Committee recommended actionable management responses and improvement plans
- Company hosted multiple stakeholder engagements, including industry tours and forestry technical exchanges.

Enterprise, supplier and community development

- Webinars delivered on funding, compliance, and business processes for suppliers
- Training provided to:
  - Ngome cooperatives (safety and supervisory skills)
  - Sawmillers (B-BBEE compliance)
  - 76 suppliers (Forestry Business Management)
- Enterprise and supplier development beneficiaries created **1 508 jobs**
- Support provided to youth furniture cooperatives with tools and PPE
- Community projects delivered, including:
  - Mantjolo Orchards Initiative (fruit tree planting and greening)
  - Agroforestry support (fertiliser, insecticides, inputs)
  - Infrastructure projects in Mpumalanga and KwaZulu-Natal (some paused due to budget constraints)
  - Mushroom and vegetable farming for livelihood enhancement
  - Construction of a timber-frame ECD centre in rural KwaZulu-Natal
- Participation in Mpumalanga Tourism Show and the Timber Construction Summit.

Transformation and B-BBEE progress

- Achieved **Level 2 B-BBEE status** for the third consecutive year
- Granted **10-year B-BBEE Facilitator Status** by the former Minister
- Areas requiring focus: Management control and socio-economic development
- Transfer of minority shares in Siyaqhubeka and Singisi approved.

Land reform and community partnerships

- Settlement and title transfer of the **Makhubu (Roburnia Plantation)** land claim to the Mvimbela CPA
- Multistakeholder engagements held on post-settlement beneficiary support
- Ongoing participation in the National Forum on Forestry Land Claims
- Engagements with DFFE on prioritising settlements affecting SAFCOL operations
- Four community-based entities supported in thinning, gum clearing, and weeding operations
- Impact assessment of 26 ESD beneficiaries confirmed alignment with rural economic development priorities.

Communications, marketing and reputation management

- Increased media visibility through the Msunduzi Plantation Project
- Growth in digital engagement across Facebook, LinkedIn and Instagram
- Campaigns conducted to educate customers about uncertified lumber
- Hosted the Zimbabwe Timber Producers Federation Forestry Technical Team.

Recommendations to the Board

- Approval of revised ethics, social investment, and forensic governance policies
- Continued focus on customer service improvement and communication reforms
- Implementation of stakeholder engagement action plans arising from the survey
- Strategic prioritisation of land-reform engagements with DALRRD and DFFE
- Sustained investment in enterprise and supplier development programmes.

Conclusion

This report was prepared based on information available at the time of reporting and reflects the activities and matters considered during the financial year under review in line with the committee's Terms of Reference.

Following the conclusion of the reporting period and changes in Board and committee composition, the Chairperson of the Social and Ethics Committee in office at the time of finalisation of the Integrated Report provided final oversight of the report based on available information, established processes, and assurances obtained. Accordingly, this report is signed by the current Chairperson in office.

Ms Ntombifuthi Nkosi
Chairperson of the Social and Ethics Committee

Within SAFCOL, 'ethics' refers to the shared values, principles, and standards that guide the behaviour of all employees, contractors, and stakeholders in alignment with the Company's mandate, vision, and commitment to sustainable forestry and public accountability. It is about doing the right thing – even when no one is watching – and ensuring that decisions and actions uphold integrity, fairness, transparency, and respect for people and the environment.

Ethics contribute to value creation across the organisation in seven ways:

- Protecting reputation and building trust;
- Supporting strategic decision-making;
- Enhancing organisational resilience;
- Driving employee engagement and retention;
- Improving operational efficiency;
- Strengthening stakeholder relationships; and
- Enabling compliance and governance.

The Company has implemented a range of structured activities to embed ethical values across all levels of the business. These activities are aligned with corporate governance principles, legislative requirements, and the Company's internal values framework.

The following key activities have contributed to strengthening SAFCOL's ethical culture:

- Ethics awareness campaigns;
- Ethics training and capacity building;
- Whistleblowing and reporting mechanisms;
- Governance documents such as the Code of Ethics and related policies;
- Ethical leadership and the tone set at the top;
- Integration with governance and performance; and
- Stakeholder engagement and social responsibility.

Highlights include the use of an independent, confidential whistleblowing platform that has led to an increase in reports of misconduct and a more timely and transparent resolution process. Employees are demonstrating greater trust in internal mechanisms for addressing ethical concerns. In addition, the rollout of targeted ethics training across departments, supported by updated policies and procedures, has improved understanding of ethical expectations and reduced policy non-compliance in identified risk areas.

While SAFCOL has made significant strides in creating an ethical organisational culture, continuous improvement is essential. Addressing challenges such as inconsistent ethical behaviour at operational levels, balancing ethics with operational pressures, and limited ethics integration into performance management, requires leadership support, increased resourcing, clearer accountability mechanisms, and deeper integration of ethics into operational and strategic frameworks.

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

Associated capitals

> Constructive engagements with both unions contributed to a stable labour environment, culminating in a wage agreement concluded without external mediation.

Composition

4

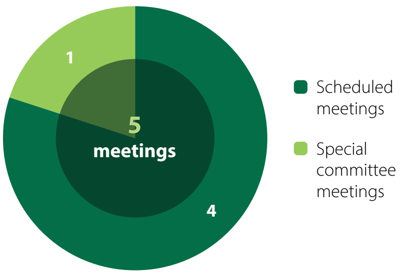
non-executive directors including the Chairperson

Members in FY 2024/25*

Mr Y Pillay
Adv. L Mokgatle
Mr F Baleni
Ms N Mabusela-Aikhuere

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

No. of meetings in FY 2024/25



Responsibilities

- The committee provides oversight in determining the SAFCOL people strategy, practices and policies, and companywide remuneration matters, and assists the SAFCOL Board in discharging its responsibility for oversight in the management of reward and remuneration matters.
- Oversee the development of policies that promote an employment environment that is free from discrimination and harassment, and where employment and progression are based on merit and matters of training, skills development, and other support to be provided to employees to enable them to advance their careers.
- Monitor compliance with labour legislation and oversee the development and implementation of processes or systems that safeguard the statutory and regulatory obligations, employment equity, and identify possible discriminatory practices.
- Review the organisational design principles and the Company's organisational structure, when required, and recommend any material changes to the Board for approval.
- Receive regular reports that ensure effective development opportunities are in place for all staff.
- The Chairperson of the committee shall report formally, in writing, at the meeting of the Board on the proceedings of the committee on all matters within the scope of its duties.
- The committee will review the succession plan for the Chief Executive Officer and Chief Financial Officer position, as well as development plans, talent retention, and career development for potential successors.

HR and REMCO – year in review

Chairperson's message summary

The year under review demonstrated the resilience and maturity of SAFCOL's people systems. Despite financial constraints and a challenging operating environment, the committee ensured that SAFCOL continued to invest in its people, strengthen its leadership pipeline, and protect organisational stability.

A standout achievement was the seamless internal succession into the Acting GCEO and Acting CFO roles, clear evidence that our leadership development, talent identification, and succession planning processes are robust and effective. This transition not only ensured continuity but also reinforced stakeholder confidence in SAFCOL's internal capability.

Our focus on culture, capability, and workforce agility continued to bear fruit. The integration of the Learner Management System, expansion of supervisor development, and targeted empowerment programmes, from apprenticeships to women's development, demonstrated our commitment to building a future-ready workforce.

The committee also oversaw the successful institutionalisation of hybrid work, strengthening SAFCOL's employee value proposition, improving productivity, and supporting retention. Constructive engagements with both unions further contributed to a stable labour environment, culminating in a wage agreement concluded without external mediation.

Despite budgetary pressure, most of the human capital Shareholder's Compact targets were achieved, a testament to disciplined oversight and agile decision-making. The committee also ensured strong governance, reviewing and recommending key HR policies that reinforce fairness, compliance, employee well-being, and high performance.

Looking ahead, the committee remains committed to enabling a workforce that is capable, engaged, innovative, and aligned with SAFCOL's strategic ambition. Our people remain the foundation of SAFCOL's resilience and long-term sustainability.

"Building a capable, agile and future-ready SAFCOL workforce."

Strategic pillars supported

- High-performance culture
- Workforce agility
- Leadership pipeline maturity
- Continuous learning and LMS integration
- Hybrid work optimisation
- Constructive labour relations
- Succession readiness and organisational continuity.

At a glance: 2024/25 highlights

Leadership continuity

✓ **Seamless internal appointments of Acting GCEO and Acting CFO**
Validating the strength of SAFCOL's leadership pipeline and succession processes.

Workforce and talent development

- Twenty-five apprentices maintained despite budget reductions
- Supervisor development programme rolled out companywide
- Women's empowerment and entrepreneurship programmes delivered with NYDA
- Learning Management System scaled for compliance, succession, and skills programmes.

Policy and governance enhancements

Twelve key HR policies reviewed and recommended, including:
Hybrid Work, Remuneration, Performance Bonus, Employment Equity, Harassment Prevention, Conditions of Employment, and Wellness-related policies.

Labour relations stability

- Constructive engagements with FAWU and SAFCCAUWU
- **Wage agreement successfully concluded without external mediation**
- Improved trust and collaboration with organised labour.

Employee experience

Employee Engagement Survey Snapshot

- **594 disengaged or frustrated employees**
- **447 engaged and reliable employees**
  Insights-informed culture-strengthening and leadership interventions.

Remuneration and financial prudence

- Sliding-scale implementation of inflationary adjustments
- Effectively managed the recruitment moratorium through acting arrangements and internal promotions, ensuring business continuity and service delivery in critical roles while the moratorium remains enforced.

Wellness and occupational health

- Companywide Wellness Policy roadshow
- EAP awareness campaigns and employee counselling
- HIV/AIDS prevention and health education during medical assessments.

Recommendations to the Board

- Appointment of Group CEO (to Shareholder)
- Appointment of Company Secretary
- Wage mandate and inflationary increases (all employee categories)
- Approval of key HR policies.

Strategic impact

HR & REMCO's oversight ensured continuity, stability, and capability building across the organisation, even under financial constraints. SAFCOL's people systems, culture, and leadership bench have become significantly more resilient and future-ready.

Conclusion

This report was prepared based on information available at the time of reporting and reflects the activities and matters considered during the financial year under review in line with the committee's Terms of Reference.

Following the conclusion of the reporting period and changes in Board and committee composition, the Chairperson of the Human Resources and Remuneration Committee in office at the time of finalisation of the Integrated Report provided final oversight of the report based on available information, established processes, and assurances obtained. Accordingly, this report is signed by the current Chairperson in office.

Madula

Mr Zwiitwaho James Madula
Chairperson of the Human Resources and Remuneration Committee

BOARD REMUNERATION

The members of the Board receive remuneration in accordance with the State-Owned Companies Remuneration and Incentives Guidelines.

Table 8: Board remuneration 2024/25

	SAFCOL NON-EXECUTIVE DIRECTORS			
	April 2024–March 2025			
Category and position	**Directors' fees R**	**Committee fees R**	**Reimbursements R**	**Total R**
MF Baleni (Interim Chairperson)	907 631	-	-	907 631
NI Balton	193 628	203 355	-	396 984
LH Malema	193 628	197 304	-	390 933
Adv. LG Mokgatle	193 628	203 355	-	396 984
Y Pillay	193 628	295 632	-	489 260
JR Yawitch	193 628	243 118	-	436 746
N Mabusela-Aikhuere	193 628	250 249	-	443 878
	2 069 401	**1 393 014**	**-**	**3 462 415**

COMPLIANCE WITH LAWS AND REGULATIONS

As an organ of state, SAFCOL operates within a legal and regulatory framework that is defined by various pieces of legislation, as well as constitutional and government policy directives. These are categorised as follows:

- Founding legislation, Shareholder mandate and guidelines;
- Forestry, resources and the environment;
- Financial management, taxation, procurement of goods and services, transformation and related policies;
- Corporate governance and Company regulation and protocols;
- Labour and skills;
- Land reform and rural development; and
- Support of a developmental state.

SAFCOL has a Legal and Compliance Register in place. The compliance universe has been updated with new amendments and legislation. The monitoring of Compliance Risk Management Plans for existing priority legislation is demonstrated in the following table.

Table 9: SAFCOL compliance with laws and regulations

Legislation	Q1	Q2	Q3	Q4	Status
Air Quality Act	✓	✓	✓	✓	Compliant
Basic Conditions of Employment Act	✓	✓	✓	✓	Compliant
Companies Act	✓	✓	✓	✓	Compliant
Competition Act	✓	✓	✓	✓	Compliant
Labour Relations Act	✓	✓	✓	✓	Compliant
Management of State Forest Act	✓	✓	✓	✓	Compliant
National Forest Act	✓	✓	✓	✓	Compliant
Occupational Health and Safety Act	✓	✓	✓	✓	Compliant Robust management systems are in place to ensure ongoing compliance through training, awareness, monitoring and, where appropriate, disciplinary action.
Preferential Procurement Policy Framework Act	✓	✓	✓	✓	Compliant
Protection of Personal Information Act	✓	✓	✓	✓	Compliant
Public Finance Management Act	✓	✓	✓	✓	Compliant

FRAUD AND CORRUPTION

SAFCOL's Fraud Prevention Plan (FPP) has been developed to comply with the provisions of the PFMA and Treasury Regulations. According to section 27.2.1 of the Treasury Regulations, SAFCOL must have a Risk Management Strategy, which must include an FPP.

The Company's FPP is a dynamic strategy that will evolve as SAFCOL makes changes and improvements in its drive to promote ethics as well as to fight fraud and corruption. The FPP's key components are presented in the following figure.

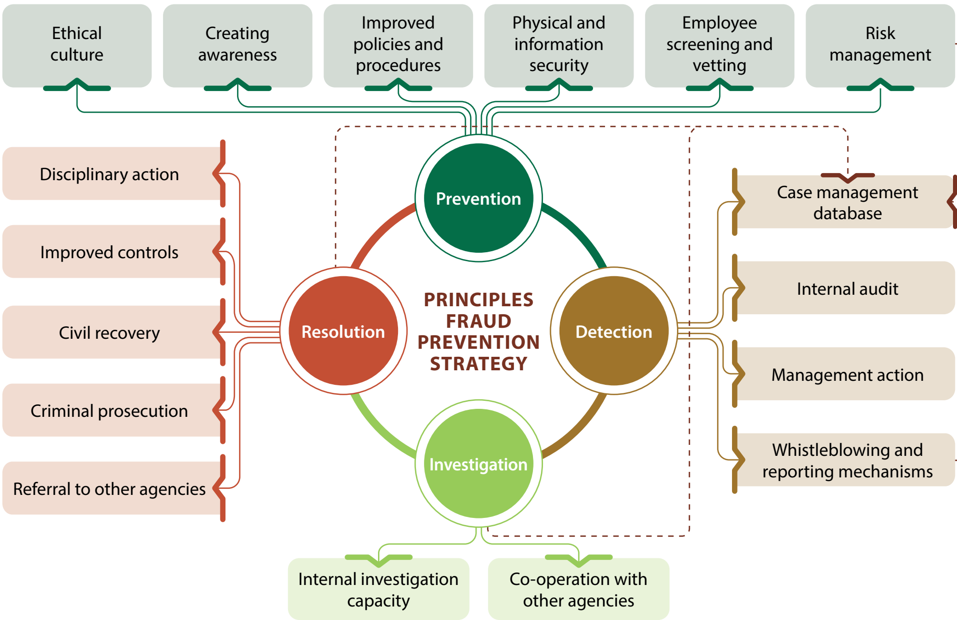


Figure 23: Components of SAFCOL's FPP

The Code of Conduct *(see next section)* plays a vital role in preventing and eliminating fraud and corruption, especially as it sets out the values that drive ethical and responsible business conduct. In addition to awareness raising engagements, the Company secures signatures from all employees as an indication of their understanding of, and commitment to, the Code of Conduct.

Progress with the implementation of the FPP is monitored quarterly by the EXCO, Audit and Risk Committee and Social and Ethics Committee. The CEO is the custodian of the FPP and is responsible for its administration, revision and interpretation. The FPP is reviewed regularly, and appropriate changes applied when required.

The CEO is responsible for fostering an environment that makes fraud prevention a responsibility of all staff and which demonstrates SAFCOL's zero tolerance of corrupt or fraudulent activities.

As a further preventative measure and considering the risk of employing corrupt and/or unsuitably qualified persons SAFCOL is implementing employee screening, consisting of qualification verification, reference and criminal record checks. The Company is also considering including in employment contracts as well as in the Code of Ethics, a clause that reserves its right to conduct lifestyle audits of employees where there are informed suspicions of possible fraud and corruption. Further activities include vetting, lifestyle audits, psychometric evaluations and credit checks for employees in management roles.

SAFCOL keeps a consolidated record of allegations of fraud and corruption perpetrated against the Company. This assists in identifying patterns and trends that might indicate control or procedural weaknesses, syndicate activity or collusion.

Whistleblowing is a valuable detection, prevention and deterrent mechanism as far as fraud and corruption are concerned. SAFCOL's Whistleblowing Policy provides for overall guidance for the reporting of concerns. It furthermore encourages and enables staff to raise concerns through prescribed reporting platforms within the Company. Education, training and awareness are provided to all employees and stakeholders on available reporting channels and on the Whistleblowing Policy.

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CODE OF CONDUCT

The SAFCOL Code of Conduct is a formal document that outlines the expected ethical standards, values, and professional behaviour required from employees. It serves as a guiding framework to promote integrity, accountability, transparency, and respect in the workplace.

The nature of the Code is both preventative and corrective. It is preventative in that it provides clear expectations and deters unethical conduct; and corrective because it establishes disciplinary processes for those who violate the standards.

Typical elements include:

- Respect for human rights and dignity;
- Confidentiality of information;
- Avoidance of conflicts of interest;
- Responsible use of public resources; and
- Commitment to lawful and ethical behaviour.

Effect on SAFCOL

The Code of Conduct plays a crucial role in shaping the culture and reputation of SAFCOL by:

- **Promoting ethical governance**: Ensures decisions are made based on fairness, merit, and accountability.
- **Fostering public trust**: Demonstrates commitment to high moral standards, thus enhancing confidence in the entity's services.
- **Reducing misconduct**: Provides clarity on unacceptable behaviour, helping to minimise fraud, corruption, and maladministration.
- **Enhancing operational efficiency**: Creates a harmonious, respectful, and productive work environment.

Process followed for a breach of the Code of Conduct

When an employee breaches the Code of Conduct, a formal process is followed to ensure fairness and compliance with labour laws and internal policies. The typical steps include:

1. **Reporting the breach**:
    - Alleged breaches are reported by employees, managers, or anonymous whistleblowers.
    - Reports may be submitted through a designated Ethics Officer, Line Manager, or a whistleblower hotline.
2. **Preliminary assessment**:
    - An initial review determines the validity and seriousness of the allegation.
    - If warranted, the matter proceeds to a formal investigation.
3. **Formal investigation**:
    - Conducted by Human Capital Management, Internal Audit through the Forensics unit and/or Ethics Office.
    - Involves gathering evidence, interviewing witnesses, and documenting findings.
4. **Disciplinary hearing**:
    - The accused employee is notified and given a chance to respond.
    - A neutral panel or presiding officer evaluates the evidence.
5. **Outcome and sanctions**:
    - If found guilty, disciplinary actions may include:
        - Verbal or written warnings;
        - Suspension;
        - Demotion; and
        - Dismissal.
    - The severity depends on the nature and frequency of the misconduct.
6. **Appeal process**:
    - Employees have the right to appeal the outcome through internal procedures or external forums such as the CCMA (in South Africa).
7. **Record-keeping and monitoring**:
    - All actions and decisions are documented and reviewed to ensure consistency and legal compliance.
    - Lessons learned may inform future policy updates or training initiatives.

HEALTH SAFETY AND ENVIRONMENTAL ISSUES

SAFCOL believes that it has a legal, moral, and financial obligation to protect the health and safety of its employees, contractors, and the communities in which it operates. To this end, the Company has in place a comprehensive and robust health and safety management system modelled on the requirements of the NOSA Integrated 5 Star System, modified and adapted to the specific operating requirements of the Company. Additionally, the Company has an obligation to protect the physical environment in which it operates and to ensure that any negative impacts are eliminated as far as reasonably practicable and that where such impacts do occur, mitigating and corrective actions are implemented in a timely manner. Environmental protection and compliance is one of the three pillars of FSC® certification which SAFCOL, through its operating company KLF, has held for 27 consecutive years.

Failure to meet its obligations in terms of health, safety and environmental management will severely impact the Company's financial viability, ability to access and compete in markets for its products, may result in criminal prosecution or civil liability claims, and reputational damage, particularly in light of the fact that it is a state-owned entity.

MINIMISING CONFLICT OF INTEREST

The Supply Chain Management (SCM) unit uses the declaration of interest system to minimise conflict of interest in supply chain processes. Bid committees, bid evaluation and bid adjudication committees are required to declare their interests before each process. The declaration of interest process is also embedded in the SCM operational processes to ensure that all personnel who are part of RFQ and tender processes do not have any interest in the process.

An official who is involved in the evaluation and recommendation process or who is in any way involved with the procurement process, shall also certify that he/she complies with the Prevention and Combating of Corrupt Activities Act. All officials who can influence the recommendation or award of a quotation/bid are seen as being involved in the selection process.

A register of attendance or declaration form for the members of the Bid Evaluation Committee and Bid Adjudication Committee must contain a declaration to be signed by members that they do not have any material interest to declare regarding the bid concerned or the evaluation and award process. All other officials who have access to the decision-making process must sign a similar declaration. This is to minimise conflict of interest.

Once the declaration of interest process identifies a conflict of interest, the official will be excused from all SCM processes relating to that declaration and new members are appointed to the process.

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

For the past three years, SAFCOL has proudly maintained its Level 2 B-BBEE status, a testament to its unwavering commitment to economic transformation and inclusivity. This achievement goes beyond mere compliance – it is about creating opportunities, changing lives, and fostering inclusive economic growth within the communities it serves and beyond.

At SAFCOL, transformation is not just a requirement, it is embedded in the organisation's core strategy. The B-BBEE scorecard results reflect a deep and genuine commitment to economic empowerment, social justice, and sustainable growth, fully aligned with governmental objectives.

One of SAFCOL's flagship initiatives in this regard is its participation in the YES programme, which empowers young South Africans by providing them with critical workplace experience and skills development opportunities. Through this programme, SAFCOL contributes to tackling youth unemployment while fostering a pipeline of skilled talent in the forestry sector and beyond.

This success is driven by strategic initiatives and well-structured, people-centred policies that reinforce SAFCOL's leadership in advancing meaningful transformation within the industry. With a strong focus on management control, skills development, enterprise and supplier development, and socio-economic development, SAFCOL continues to set the standard for responsible corporate citizenship.

Management control

SAFCOL's proactive human resource policies have been instrumental in promoting diversity and inclusion within the organisation. With a focus on employment equity and leadership representation, SAFCOL has enhanced the representation of black individuals in senior and middle management positions. This achievement underscores the organisation's commitment to fostering an inclusive workplace that reflects the diverse demographics of South Africa.

Procurement policies

SAFCOL has adopted preferential procurement policies that favour previously disadvantaged designed groups. The purpose of the policy is to provide a governance framework for all Procurement and SCM practices within SAFCOL, to ensure that a consistent, transparent, and cost-effective procurement function exists within the organisation. By adhering to procurement targets set by the Shareholder and implementing criteria that prioritise suppliers who are B-BBEE compliant, the Company increased its spend on black-owned suppliers, thereby also boosting their B-BBEE procurement score.

Enterprise and supplier development

SAFCOL has demonstrated excellence in ESD by actively supporting black-owned SMMEs. Through its preferential procurement policies, SAFCOL has significantly increased its spending on black-owned suppliers, empowering them to grow sustainably. In addition, targeted support for exempted micro enterprises and qualifying small enterprises has been provided through non-financial support which include but is not restricted to mentorship, training, and access to market opportunities. These initiatives have strengthened SAFCOL's supply chain while promoting economic growth.

Socio-economic development

SAFCOL's socio-economic development initiatives are designed to improve the livelihood of communities surrounding its operations. Through targeted investments in education, healthcare, food security, and social infrastructure, SAFCOL has improved the quality of life for many community members. These initiatives are aligned with SAFCOL's Transformation Strategy, which emphasises sustainable community development.

Skills development programmes

SAFCOL's skills development initiatives continue to have a positive impact on employee growth and community upliftment. Comprehensive training programmes, which include learnerships, apprenticeships, and accredited courses, have been implemented to enhance the skills and competencies of black employees and community members. These programmes have not only improved employee performance but have also opened pathways for career advancement.

Verification and documentation

SAFCOL's B-BBEE performance is verified by a SANAS-accredited B-BBEE verification agency, ensuring credibility and transparency in compliance with B-BBEE Codes of Good Practice. This verification process is conducted annually and involves a detailed assessment of SAFCOL's adherence to B-BBEE requirements across all relevant elements. A summary of SAFCOL's results per B-BBEE scorecard element follows:

Scorecard Element	Target Score	Actual Score
Management Control (MC)	20	14.59
Skills Development (SD)	30	17.60
Enterprise and Supplier Development (ESD)	54	53.40
Socio-Economic Development (SED)	5	5.00
Total Score	**109**	**90.59**

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PFMA COMPLIANCE REPORT

IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure

Description	2025 R'000	2024 R'000
Opening balance	813 683	813 221
Adjustment to opening balance	-	-
Opening balance as restated	813 683	813 221
Add: Irregular expenditure confirmed	3 336	462
Less: Irregular expenditure condoned	587 581	-
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recoverable and written off	-	-
Closing balance	**229 438**	**813 683**

The R3 336 486 is the total amount for the irregular expenditure identified in the current year and the expenditure identified in the current year relating to prior years.

Reconciling notes

Description	2025 R'000	2024 R'000
Irregular expenditure that was under assessment	813 683	813 221
Irregular expenditure that relates to the prior year and identified in the current year	-	-
Irregular expenditure for the current year	3 336	462
Total	**229 438**	**813 683**

Details of irregular expenditure (under assessment, determination, and investigation)

Description	2025 R'000	2024 R'000
Irregular expenditure under assessment	3 336	462
Irregular expenditure under determination	813 683	813 221
Irregular expenditure under investigation	-	-
Total	**229 438**	**813 683**

Details of irregular expenditure condoned

Description	2025 R'000	2024 R'000
Irregular expenditure condoned	587 581	-
Total	**587 581**	**-**

Details of irregular expenditure removed – (not condoned)

Description	2025 R'000	2024 R'000
Irregular expenditure NOT condoned and removed	3 336	-
Total	**3 336**	**-**

Details of disciplinary or criminal steps taken as a result of irregular expenditure

No disciplinary or criminal steps were taken during the year under review.

FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

Description	2025 R'000	2024 R'000
Opening balance	6 827	6 821
Adjustment to opening balance	-	-
Opening balance as restated	-	-
Add: Fruitless and wasteful expenditure confirmed	-	6
Less: Fruitless and wasteful expenditure recoverable	-	-
Less: Fruitless and wasteful expenditure not recoverable and written off	-	-
Closing balance	**6 827**	**6 827**

Reconciling notes

Description	2025 R'000	2024 R'000
Fruitless and wasteful expenditure that was under assessment	-	6 821
Fruitless and wasteful expenditure that relates to the prior year and identified in the current year	-	-
Fruitless and wasteful expenditure for the current year	-	6
Total	**-**	**6 827**

Details of fruitless and wasteful expenditure (under assessment, determination, and investigation)

Description	2025 R'000	2024 R'000
Fruitless and wasteful expenditure under assessment	-	6 821
Fruitless and wasteful expenditure under determination	-	-
Fruitless and wasteful expenditure under investigation	-	6
Total	**-**	**6 827**

Details of disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

No disciplinary or criminal steps required as there was no fruitless or wasteful expenditure above the materiality threshold incurred in this financial year.

ADDITIONAL DISCLOSURE RELATING TO MATERIAL LOSSES IN TERMS OF PFMA SECTION 55(2)(B)(I) & (III))

Details of material losses through criminal conduct

Material losses through criminal conduct	2025 R'000	2024 R'000
Theft	22 546	-
Other material losses	-	-
Less: Recoverable	-	-
Less: Not recoverable and written off	-	-
Total	**22 546**	**-**

Theft figures for the 2024 financial year were not available on the previous finance system so have not been disclosed.

SUPPLY CHAIN MANAGEMENT

Procurement by other means

Description of service/goods	Reason for deviation	Name of service provider	Amount (incl. VAT) R
Appointment of a suitably qualified and competent entity for the provision of technical advisory services for the Combined Heat and Power project	Not obtaining 3 quotations	Wholesum Capital Green (Pty) Ltd	R695 500.00
Renewal of the annual Oracle Technical Support Services license for a period of 4 months	Sole supplier	Oracle Corporation (South Africa)	R1 857 811.22
Request for approval to renew the annual license for the Diligent Board software for a period of 12 months	Sole Supplier	Diligent Software Proprietary Limited	R239 628.42
Procurement of Improved Black Wattle Seed	Sole supplier	Institute for Commercial Forestry Research (ICFR)	R65 856.00
Request for approval to engage EOH for data migration from JDE for the new Sage X3	Other reasons	EOH Mthombo	R37 057.60
SAFCOL for annual compliance auditing and certification of SAFCOL's Safety, Health, and Environment Management Systems for the 3 financial years 2024/25 to 2026/27	Sole supplier	National Occupational Safety Association (NOSA)	R817 345.50
Appointment of the Kaapsehoop Land Claimant Community to provide Silviculture services to Berlin Plantation for a period of 12 months	Other reasons	Simunye Sibambisene (Pty) Ltd	R2 666 418.75
Request for approval for an emergency procurement for the supply and delivery of fuel	Emergency Procurement	Q-Tique (Pty) Ltd	R3 042 865.00
Procurement of firefighting tools and material	Emergency Procurement	Hlatini Forestry Specialists	R235 124.08
Ration packs for fire at Berlin plantation	Emergency Procurement	Gracker Trading	R122 992.50
Transportable damsak for fire at Berlin plantation	Emergency Procurement	Anco Manufacturing	R36 114.60
Instal WAN equipment on identified towers for the digital radio	Single source	Mint Fresh t/a ICTS	R2 838 015.22

Description of service/goods	Reason for deviation	Name of service provider	Amount (incl. VAT) R
Bulk water carriers for fire at Berlin plantation	Emergency Procurement	XM Timber	R374 555.00
Provision of thinning services to Ngome Plantation for a period of 8 months	Limited Bidding	Lethokuhle Forestry Services (Pty) Ltd	R915 165.00
Provision of thinning services to Ngome Plantation for a period of 8 months	Limited Bidding	Sinempumelelo Forestry Services (Pty) Ltd	R915 165.00
Security services at Witklip Plantation	Emergency Procurement	Phoenix Security	R483 000.00
Silviculture services at Woodbush Plantation	Sole supplier	Mamahlola Location 635 LT	R5 599 896.69
Support and maintenance of JDE system	Single source	EOH Mthombo	R74 520.00
Renewal of license for Microforest software package	Sole supplier	Forsys	R5 385 388.72
Renewal of license for the TMS software	Other reasons	4D Treasury Services (Pty) Ltd	R273 969.44
Renewal of license for Microsoft Licensing on an Enterprise Agreement	Sole supplier	Microsoft Ireland	R14 213 227.45
Rental of space for two-way radio communication in Contact Communications towers	Single source	Contact Communications	R189 552.91
Emergency Armed Combat Security Services to protect Witklip Plantation and the surrounding Sabie Plantation	Emergency Procurement	Infinite Prospects 160cc, trading as Phoenix Flying Squad	R1 380 000.00
Procurement of green fees, catering services, and other consumables for the SAFCOL sixth annual stakeholder's Golf Day event	Single source	Mbombela Golf Club	R79 800.00
Leasing of office space in Pretoria for the SAFCOL head office for a period of four (4) months	Written price quotation	Festiglo Investment (Pty) Ltd	R816 560.00
Renewal of license for the TMS software for 4 months	Other reasons	4D Treasury Services (Pty) Ltd	R273 969.44
Site rental lease	Sole supplier	Sentech SOC	R3 792 248.46
Total			**R47 421 747.00**

Contract variations and expansions

A list of contract variations and expansions was not available at the time of finalising this report.

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CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTENTS

GENERAL INFORMATION

Country of incorporation	South Africa
Nature of business and principal activities	Development in the long term of the South African forestry industry and the optimisation of its assets and land value
Directors	S Dlamini D Human (Resigned 30 June 2025) J Maruma (Appointed 1 July 2025) N Mabusela-Aikhuere (End of term 31 March 2025) L Malema (Resigned 30 June 2025) Y Pillay (End of term 30 June 2025) J Yawitch (End of term 30 June 2025) NI Balton (Re-appointed 1 April 2025) FM Baleni (End of term 30 June 2025) Adv. L Mokgatle (End of term 31 March 2025) Prof. AE Nesamvuni (Appointed 1 April 2025) N Baloyi (Appointed 1 April 2025) N Grootboom (Appointed 1 April 2025) L Long (Appointed 1 April 2025) J Madula (Appointed 1 April 2025) Adv. N Memani (Appointed 1 April 2025) F Mkhize (Appointed 1 April 2025) N Nkosi (Appointed 1 April 2025)
Registered office	210 Aramist Avenue Menlyn Maine Pretoria 0181
Business address	210 Aramist Avenue Menlyn Maine Pretoria 0181
Ultimate shareholder	Government of the Republic of South Africa
Auditors	Auditor-General of South Africa Chapter 9 institution 300 Middel Street New Muckleneuk Pretoria 0081
Company Secretary	L Letsoalo

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

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

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

The directors have reviewed the Group's cash flow forecast for the period to 31 March 2025 and, in light of this review and the current financial position, they are satisfied that the Group has access to adequate resources and funding to continue in operational existence for the foreseeable future.

No dividends were declared or paid for the 2025 financial year.

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 99 to 104.

The consolidated annual financial statements were approved by the board on 21 April 2026 and were signed on their behalf by:

Approval of financial statements

Prof. AE Nesamvuni
SAFCOL Board Chairperson

Mr S Dlamini
Acting Chief Executive Officer

CERTIFICATE BY COMPANY SECRETARY

The Company Secretary confirms that certain statutory returns required to be lodged with the Companies and Intellectual Property Commission in terms of the Companies Act, No. 71 of 2008, have not yet been submitted. These outstanding returns should be lodged as a matter of priority to ensure the Company remains fully compliant with its statutory filling obligations.

Ms L Letsoalo
Company Secretary

REPORT OF THE AUDITOR-GENERAL

to the shareholder of South African Forestry Company SOC Limited and its subsidiaries

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the South African Forestry Company SOC Limited (SAFCOL) and its subsidiaries (the group) set out on pages 105 to 163, which comprise the consolidated and separate statement of financial position as at 31 March 2025, consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including material accounting policy information.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of SAFCOL as at 31 March 2025 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated and separate financial statements section of my report.
4. I am independent of the public entity in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Restatement of corresponding figures

7. As disclosed in note 43 to the financial statements, the corresponding figures for 31 March 2024 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2025.

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

8. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the IFRS and the requirements of the PFMA 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.
9. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the public 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 appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

10. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
11. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located at page 103, forms part of my auditor's report.

Report on the annual performance report

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

13. I selected the following material performance indicators related to the core function "development in the long term of the forestry industry according to accepted commercial management practice" presented in the annual performance report for the year ended 31 March 2025. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

    - Total expenditure on R&D as a percentage of the previous year (2023-24) unaudited SAFCOL Revenue
    - Agro/social forestry research: Bioeconomy
    - Temporary unplanted proportion: South Africa
    - Temporary unplanted proportion: Mozambique – Manica operations
    - Timbadola intake volume
    - Timbadola lumber sales volume
    - KLF South African Operations fully certified to FSC standard and submission of annual FSC report
    - Training spend
    - Apprenticeship trainees
    - Sector-specific learnerships (e.g. wood technologist, processor, foresters)
    - Annual value of all enterprise development and supplier development contributions made by SAFCOL.

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

15. I performed procedures to test whether:

    - the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
    - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
    - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
    - the reported performance information is presented in the annual performance report in the prescribed manner
    - there is adequate supporting evidence for the achievements reported.

16. I performed the procedures to report material findings only, and not to express an assurance opinion or conclusion.

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

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under-achievements.

20. The tables that follow provide information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report.

Operational excellence

Targets achieved: 33.33%		
Key indicator not achieved	**Planned target**	**Reported achievement**
Total expenditure on R&D as a percentage of the previous year's (2023-24 financial year) unaudited SAFCOL revenue	≥1.5%	1.4%
Temporary unplanted proportion: Mozambique – Manica operations	3.5%	7%
Timbadola intake volume	100 000 m^3	83 762 m^3
Timbadola lumber sales volume	45 500 m^3	35 170 m^3

Socio economic impact

Targets achieved: 80%		
Key indicator not achieved	**Planned target**	**Reported achievement**
Apprenticeship trainees	≥10	0

Report on compliance with legislation

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

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

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

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

Annual financial statement and annual report

25. Financial statements were not submitted for auditing within the prescribed period after the end of the financial year, as required by section 55(1)(c)(i) of the PFMA.

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

Consequence management

27. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.

28. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

Oversight and governance

29. Approved audited financial statements were not filed with the annual return within the prescribed period, as required by section 33(1)(a) of the Companies Act and section 30(2) of the Companies Regulation.

Other information in the annual report

30. The accounting authority is responsible for the other information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act of South Africa. The other information referred to does not include the consolidated and separate financial statements, the auditor's report and those selected material indicators in the scoped-in core function presented in the annual performance report that have been specifically reported on in this auditor's report.

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

32. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected material indicators in the scoped-in core function presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

33. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary.

Internal control deficiencies

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

35. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.

36. Management did not exercise its oversight responsibility regarding financial and performance reporting and compliance and related internal controls by ensuring that annual financial statements were submitted on time and the annual performance report was compiled. The late submission of the financial statements resulted in non-compliance with section 55(1)(c)(i) of the PFMA.

37. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

38. Management did not adequately implement monitoring processes to prevent non-compliance with laws and regulations relating to consequence management.

39. Management did not ensure that the annual report was filed within the prescribed period.

Auditor - General

Pretoria

22 April 2026

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Consolidated and separate financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 50(3); 50(3)(a); 50(3)(b); 51(1)(a)(ii) Section 51(1)(a)(iii); 51(1)(b)(i); 51(1)(b)(ii) Section 51(1)(e)(iii); 52(b); 54(2)(c); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b) Section 57(d); 66(3)(a)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1 Regulation 29.2.2; 29.3.1; 31.2.5; 31.2.7(a) Regulation 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 30(3)(b)(i); 33(1)(a); 45(2); 45(3)(a)(ii) Section 45(3)(b)(i); 45(3)(b)(ii); 45(4); 46(1)(a) Section 46(1)(b); 46(1)(c); 72(4)(a); 75(6); 86(1) Section 86(4); 88(2)(d); 112(2)(a); 129(7)
Companies Act Regulations, 2011	Regulation 30(2); 43(2)(a)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second Amendment National Treasury Instruction No. 5 of 2020/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 2020/21	Paragraph 2
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Treasury SCM Instruction No. 3 of 2021/22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Paragraph 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2 Regulation 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5 Regulation 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2 Regulation 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

STATEMENT OF FINANCIAL POSITION

as at 31 March 2025

	Note(s)	GROUP 2025 R'000	GROUP 2024 R'000	COMPANY 2025 R'000	COMPANY 2024 R'000
Assets					
Non-current assets					
Property, plant and equipment	3	233 332	228 639	3 347	3 523
Investment property	4	14 200	14 200	-	-
Biological assets	5	5 025 872	4 731 369	-	-
Intangible assets	6	10 043	5 728	-	219
Other financial assets	8	-	1 616	-	1 616
Right-of-use asset	24	381 559	399 654	-	4 007
Deferred tax	10	57 308	96 102	43 894	50 152
		5 722 314	**5 477 308**	**47 241**	**59 517**
Current assets					
Biological assets	5	398 234	365 716	-	-
Inventories	11	92 556	91 653	157	165
Loans to group companies	7	-	-	294 042	294 042
Trade and other receivables	12	217 774	197 773	270 773	260 963
Current tax receivable	13	2 210	-	2 203	-
Cash and cash equivalents	14	220 098	202 020	202 511	172 743
		930 872	857 162	769 686	727 913
Total assets		**6 653 186**	**6 334 470**	**816 927**	**787 430**
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	15	318 013	318 013	318 013	318 013
Reserves	16/17/18	70 624	74 919	129 043	129 043
Retained income		3 304 060	3 235 224	143 324	114 392
		3 692 697	**3 628 156**	**590 380**	**561 448**
Non-controlling interest		(48 221)	(47 678)	-	-
		3 644 476	**3 580 478**	**590 380**	**561 448**
Liabilities					
Non-current liabilities					
Finance lease liabilities	19	1 208 218	999 901	-	-
Long-term liabilities	20	62 682	66 347	-	-
Deferred tax	10	1 004 032	1 024 085	-	-
Provisions	21	15 027	10 163	-	-
		2 289 959	**2 100 496**	**-**	**-**
Current liabilities					
Finance lease liabilities	19	270 930	228 789	-	3 977
Long-term liabilities	20	19 655	16 314	-	-
Provisions	21	20 561	13 530	-	-
Current tax payable	13	-	173	-	178
Trade and other payables	23	407 605	394 690	226 547	221 827
		718 751	653 496	226 547	225 982
Total liabilities		**3 008 710**	**2 753 992**	**226 547**	**225 982**
Total equity and liabilities		**6 653 186**	**6 334 470**	**816 927**	**787 430**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2025

		GROUP		COMPANY	
	Note(s)	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Revenue	25	1 287 857	1 186 140	167 551	176 650
Cost of sales	26	(1 177 521)	(1 110 113)	-	-
Gross profit/(loss)		**110 336**	**76 027**	**167 551**	**176 650**
Other operating income	27	10 814	19 859	3 221	2 138
Fair value gains	28	1 464 692	1 522 107	-	-
Other operating expenses	30	(1 208 067)	(1 143 552)	(167 128)	(179 342)
Allowance for bad debts	30	(19 421)	(23 484)	-	-
Operating profit/(loss)		**358 354**	**450 957**	**3 644**	**(554)**
Investment income	31	6 344	8 290	33 488	27 030
Finance costs	32				
Lease finance costs		(274 700)	(243 516)	(196)	(883)
Other finance costs		(43)	(572)	(16)	(68)
Profit/(loss) before taxation		**89 955**	**215 159**	**36 920**	**25 525**
Taxation	34	(21 663)	(79 541)	(7 988)	(9 051)
Profit/(loss) for the year		**68 292**	**135 618**	**28 932**	**16 474**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(4 295)	25 983	-	-
Other comprehensive income for the year net of taxation		**(4 295)**	**25 983**	**-**	**-**
Total comprehensive income for the year		**63 997**	**161 601**	**28 932**	**16 474**
Total comprehensive income for the period attributable to owners of SAFCOL Group arises from:					
Owners of SAFCOL Group SOC Ltd		64 541	152 779		
Non-controlling interests		(544)	8 822		
		63 997	**161 601**		

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2025

GROUP	Share capital R'000	Foreign currency translation reserve R'000	Retirement fund reserve R'000	Other NDR R'000	Total reserves R'000	Retained income R'000	Total R'000	Non-controlling interest R'000	Total equity Group R'000
Balance at 31 March 2023	**318 013**	**(80 107)**	**64 000**	**65 043**	**48 936**	**3 108 428**	**3 475 377**	**(55 643)**	**3 419 734**
Profit/(loss) for the year	-	-	-	-	-	126 796	126 796	8 823	135 619
Current year movement in translation reserve	-	25 983	-	-	25 983	-	25 983	(858)	25 125
Balance at 31 March 2024	**318 013**	**(54 124)**	**64 000**	**65 043**	**74 919**	**3 235 224**	**3 628 156**	**(47 678)**	**3 580 478**
Profit/(loss) for the year	-	-	-	-	-	68 836	68 836	(543)	68 293
Current year movement in translation reserve	-	(4 295)	-	-	(4 295)	-	(4 295)	-	(4 295)
Balance at 31 March 2025	**318 013**	**(58 419)**	**64 000**	**65 043**	**70 624**	**3 304 060**	**3 692 697**	**(48 221)**	**3 644 476**

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

COMPANY	Share capital R'000	Retirement fund reserve R'000	Other NDR R'000	Total reserves R'000	Retained income R'000	Total equity R'000
Balance at 31 March 2023	**318 013**	**64 000**	**65 043**	**129 043**	**97 918**	**544 974**
Total comprehensive profit for the year	-	-	-		16 474	16 474
Balance at 31 March 2024	**318 013**	**64 000**	**65 043**	**129 043**	**114 392**	**561 448**
Total comprehensive profit for the year	-	-	-		28 932	28 932
Balance at 31 March 2025	**318 013**	**64 000**	**65 043**	**129 043**	**143 324**	**590 380**

STATEMENT OF CASH FLOWS

for the year ended 31 March 2025

	Note(s)	GROUP 2025 R'000	GROUP 2024 R'000	COMPANY 2025 R'000	COMPANY 2024 R'000
Cash flows from operating activities					
Cash generated from operations	33	335 709	1 064	4 582	(164 194)
Interest received		-	8 290	33 483	27 026
Dividend received		4	3	4	3
Finance costs paid		(274 743)	(120 112)	(212)	(951)
Tax received/(paid)	34	(4 101)	(3 210)	(4 112)	(1 787)
Net cash from operating activities		**56 869**	**(113 965)**	**33 745**	**(139 903)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(32 160)	(76 310)	-	(4)
Purchase of intangible assets	6	(6 307)	(5 509)	-	-
Loans (to)/from group companies		-	-	-	-
Net cash from investing activities		**(38 467)**	**(81 819)**	**-**	**(4)**
Cash flows from financing activities					
Finance and long-term loan payments		(18 477)	(12 796)	(3 977)	(5 944)
Long-term additions		18 153	77 044	-	-
Dividend paid to shareholders		-	-	-	-
Net cash from financing activities		**(324)**	**64 248**	**(3 977)**	**(5 944)**
Total cash movement for the year		**18 078**	**(131 536)**	**29 768**	**(145 851)**
Cash at the beginning of the year		202 020	333 556	172 743	318 594
Total cash at end of the year	14	**220 098**	**202 020**	**202 511**	**172 743**

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. Material 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. No new standards were issued in the current year. The impact of amendments to existing standards issued in the current year has been considered. The financial statements have no material impact due to amendments to existing standards.

The financial statements have been prepared on 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. They incorporate the following principal accounting policies.

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

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

1.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act No. 71 of 2008 of South Africa, as amended.

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

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

These accounting policies are consistent with the previous period.

1.2 Consolidation

Basis of consolidation

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

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

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

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

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

Indústrias Florestais de Manica SA (IFLOMA), is a company situated in Mozambique. It is controlled by Komatiland Forest SOC Limited (KLF) with an 80% shareholding. Although KLF holds only 80% of the shares, it has an irrevocable option to acquire the minority interest at a fixed price of USD 112 500.

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

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

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

ACCOUNTING POLICIES continued

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

1.3 Significant judgements and sources of estimation uncertainty

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

Key sources of estimation uncertainty

Provisions

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

Provision for impairment of trade receivables

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

Impairment of property, plant and equipment and intangible assets

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

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

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

Agriculture–owned forestry assets

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

- **Current market prices:**
  The market prices per cubic metre are based on market expectations per log class.
- **Expected yield per log class:**
  - The expected yield per log class is calculated with reference to growth models relevant to the nominal planted area.
  - The growth models are derived from actual trial data measured regularly. Using the modelled tree shape at various ages, a merchandising model is used to split the tree-lengths into pre-defined products or log classes.
  - The nominal planted area is derived from the core forestry management systems.
- **Volume adjustment factor:**
  Due to the nature of plantation forestry, and more specifically, its susceptibility to the environment, an adjustment factor is determined to reduce the modelled volumes to approximate marketable volumes. The percentage volume adjustment is based on factors such as baboon damage and other pests and damage due to natural elements, such as wind, rain, hail, drought, fires, insect and fungal damage such as sirex and fusarium. Natural elements such as extreme wind, rain and hail conditions may damage the trees, as well as reduced rainfall or uneven rainfall affects tree growth. In the case of fires, the actual volume is recalculated per compartment.

- **Rotation:**
  The Group mainly manages its plantation crop on a 30-year rotation for saw log production in the current year. Management has, however, obtained a resolution from directors to harvest mature pine plantations from 25 years of age.
- **Operating costs:**
  - Operating costs are calculated with reference to the maintenance and harvesting activities and the average annual unit costs per activity.
  - The activities are based on the prescribed silvicultural regimes and volume of timber to be harvested and extracted.
  - The operating costs per activity are based on the annual average unit costs as per the plantation operating statements and include relevant overheads.
- **Discount rate:**
  The current market-determined discount rate is based on the Weighted Average Cost of Capital model as calculated by an independent professional service provider, using the following:
  - Risk free rate which is updated with the market rates applicable at the valuation dates.
  - Market premium which has been adjusted to compensate for increased risk factors.
  - Inflation assumptions which have been adjusted to incorporate the market view at the valuation date.

Taxation

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

Finance Leases

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

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

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

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

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

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

1.4 Biological assets

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

1.5 Investment property

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

ACCOUNTING POLICIES continued

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

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

1.6 Investment in subsidiaries

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

1.7 Property, plant and equipment

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

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

Owned assets:

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

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.

De-recognition:

The carrying amount of an item of property, plant and equipment is de-recognised at the earlier date of disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on the de-recognition of property, plant and equipment items 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 asset's carrying amount.

Depreciation:

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

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

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

1.8 Intangible assets

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

Acquired computer software is capitalised based on the costs incurred to acquire and bring the specific software into use. Intangible assets with finite useful lives acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised straight-line over their estimated useful lives which are disclosed in the accompanying notes. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives acquired separately are carried at cost less accumulated impairment losses.

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

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

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

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

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

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

Item	Useful life
Computer software	3–25 years

The carrying amount of an item or part of an intangible asset is de-recognised 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 de-recognition 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.

ACCOUNTING POLICIES continued

1.9 Financial instruments

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

Financial assets, which are debt instruments:

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

Financial liabilities:

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

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

Loans receivable

Classification

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

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

Recognition and measurement

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

Subsequently measured at amortised cost

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

Impairment

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

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

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

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

Trade and other receivables

Classification

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

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Impairment

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

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

De-recognition

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

Borrowings

Classification

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

Recognition and measurement

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

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

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

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

Trade and other payables

Classification

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

Recognition and measurement

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

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

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

Trade and other payables expose the Group to liquidity risk and possibly interest rate risk. The note provides details of risk exposure and management.

De-recognition

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

Cash and cash equivalents

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

1.10 Tax

Current tax

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

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

Deferred tax

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

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

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

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

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

Dividend Withholding Tax

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

Tax expenses

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

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

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

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

1.11 Leases

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

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

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

On initial recognition, the carrying value of the lease liability also includes:

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

Right-of-use

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

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

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

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

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

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

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

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

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

Nature of leasing activities (in the capacity as lessee)

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

The table below shows the current proportions of lease payments that are either fixed or variable. Right-of-use is initially measured at the present value of minimum lease payments. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the asset's remaining economic life if this is rarely considered shorter than the lease term. The carrying amount of Right-of-use is determined as its amortised costs less accumulated depreciation.

ACCOUNTING POLICIES continued

At 31 March 2025	Lease Contracts Number	Fixed Payment
Land and property lease	5	100%
Leases of computer equipment	3	0%

1.12 Inventories

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

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

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

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

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

Cost is determined on the following bases:

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

1.13 Non-current assets held for sale

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

Non-current assets held for sale (or disposal) are measured at the lower of their 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.

In the current and prior financial years, the Group did not classify any assets as held for sale. However, from time to time, the Group may have assets that meet the criteria in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Accordingly, the accounting policy for assets held for sale has been included because it remains relevant and applicable to the Group.

1.14 Impairment of non-financial assets

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

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

1.15 Share capital and equity

Ordinary shares are classified as equity.

1.16 Employee benefits

Short-term employee benefits

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

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

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

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

Defined contribution plans

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

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

Termination benefits

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

1.17 Provisions, contingencies and commitments

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

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

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

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

1.18 Revenue

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

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

ACCOUNTING POLICIES continued

Sales of services

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

Sale of logs

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

Sale of timber products

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

1.19 Translation of foreign currencies

Functional and presentation currency

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

Foreign currency transactions

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

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

Foreign operations

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

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

1.20 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.

Retirement fund reserve

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

Revaluation reserve

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

Other non-distributable reserve

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

1.21 Post balance sheet

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

1.22 Related parties

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

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

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

1.23 PFMA reportable expenditure

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

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

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

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

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

1.24 Research and development

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

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the prior year

Several new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Company still needs to adopt the new or amended standards early in preparing these financial statements:

IFRS pronouncement	Effective date	Impact
IAS 1 – Classification of Liabilities as Current or Non-current Amendments.	1 January 2024	Immaterial
IFRS 17 – Insurance Contracts and amendments to IFRS 17 Insurance contracts	1 January 2024	Not applicable
IAS 7 and IFRS 7 – Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024	Immaterial
IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2024	Immaterial
IFRS 16 – Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024	Immaterial
IAS 8 – Definition of Accounting Estimates	1 January 2024	Immaterial
IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2024	Immaterial

Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2025 or later periods:

IFRS pronouncement	Effective date
Lack of Exchangeability – Amendments to IAS 21	1 January 2025
Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
IFRS 10 & IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

3. *Property, plant and equipment*

GROUP	2025 Cost R'000	2025 Accumulated depreciation R'000	2025 Carrying value R'000	2024 Cost R'000	2024 Accumulated depreciation R'000	2024 Carrying value R'000
Land	2 481	-	2 481	2 481	-	2 481
Buildings	35 829	(26 190)	9 639	37 575	(25 017)	12 558
Leasehold improvements: Buildings	4 853	(2 511)	2 342	5 358	(1 870)	3 488
Plant and machinery	397 300	(266 356)	130 944	383 411	(255 685)	127 726
Furniture and fixtures	2 364	(1 147)	1 217	2 443	(1 190)	1 253
Motor vehicles	185 347	(148 711)	36 636	167 967	(140 196)	27 771
Computer equipment	46 885	(36 909)	9 976	54 092	(45 596)	8 496
Leasehold improvements	70 035	(44 506)	25 528	66 684	(40 654)	26 030
Capital – work in progress	14 569	-	14 569	18 836	-	18 836
Total	**759 663**	**(526 330)**	**233 332**	**738 847**	**(510 208)**	**228 639**

COMPANY	2025 Cost R'000	2025 Accumulated depreciation R'000	2025 Carrying value R'000	2024 Cost R'000	2024 Accumulated depreciation R'000	2024 Carrying value R'000
Buildings	3 138	(943)	2 195	3 138	(819)	2 319
Leasehold	1 309	(239)	1 070	1 309	(190)	1 119
Plant and machinery	87	(87)	-	87	(87)	-
Furniture and fixtures	1 310	(1 310)	-	1 310	(1 309)	1
Motor vehicles	2 892	(2 830)	62	2 892	(2 836)	56
Computer equipment	2 886	(2 866)	20	2 886	(2 858)	28
Total	**11 622**	**(8 275)**	**3 347**	**11 622**	**(8 099)**	**3 523**

Reconciliation of property, plant and equipment

GROUP – 2025	Opening balance R'000	Additions R'000	Other changes R'000	Depreciation R'000	Closing Balance R'000
Land	2 481	-	-	-	2 481
Buildings	12 558	-	(2 275)	(644)	9 639
Leasehold: Buildings	3 488	-	(269)	(877)	2 342
Plant and machinery	127 726	14 805	(318)	(11 269)	130 944
Furniture and fixtures	1 253	2 535	(2 441)	(130)	1 217
Motor vehicles	27 771	14 895	654	(6 683)	36 636
Computer equipment	8 496	4 325	949	(3 795)	9 976
Leasehold improvements	26 030	-	3 568	(4 069)	25 528
Capital – work in progress	18 836	-	(4 267)	-	14 569
Total	**228 639**	**36 560**	**(4 399)**	**(27 467)**	**233 332**

Other changes are related to changes due to write-backs, write-offs and transfers.

Leasehold improvement on roads, telephone lines and fences.

GROUP – 2024	Opening balance R'000	Additions R'000	Other changes R'000	Depreciation R'000	Closing Balance R'000
Land	2 481	-	-	-	2 481
Buildings	13 665	568	(826)	(849)	12 558
Leasehold and other improvements: Buildings	5 037	32	(6)	(1 575)	3 488
Plant and machinery	79 689	63 728	(99)	(15 592)	127 726
Furniture and fixtures	1 232	3	130	(112)	1 253
Motor vehicles	32 682	374	221	(5 506)	27 771
Computer equipment	3 544	6 275	1 873	(3 196)	8 496
Leasehold improvements	28 944	1 309	(2 082)	(2 141)	26 030
Capital - work in progress	14 815	4 021	-	-	18 836
Total	**182 089**	**76 310**	**(789)**	**(28 971)**	**228 639**

COMPANY – 2025	Opening balance R'000	Additions R'000	Other changes R'000	Depreciation R'000	Closing Balance R'000
Buildings	2 319	-	-	(124)	2 195
Leasehold improvements: Buildings	1 119	-	-	(49)	1 070
Plant and machinery	-	-	-	-	-
Furniture and fixtures	1	-	-	(1)	-
Motor vehicles	56	-	-	6	62
Computer equipment	28	-	-	(8)	20
Total	**3 523**	**-**	**-**	**(176)**	**3 347**

COMPANY – 2024	Opening balance	Additions	Other changes	Depreciation	Closing Balance
Buildings	2 444	-	-	(125)	2 319
Leasehold improvements: Buildings	1 171	-	-	(52)	1 119
Furniture and fixtures	7	4	-	(10)	1
Motor vehicles	95	-	-	(39)	56
Computer equipment	70	-	(31)	(11)	28
Total	**3 787**	**4**	**(31)**	**(237)**	**3 523**

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

4. *Investment property*

GROUP	2025 Opening cost/ valuation R'000	2025 Fair value adjustment R'000	2025 Closing value R'000	2024 Opening cost/ valuation R'000	2024 Fair value adjustment R'000	2024 Closing value R'000
Investment property	14 200	-	14 200	14 200	100	14 200

Reconciliation of investment property

GROUP – 2025	Opening cost/ valuation R'000	Fair value adjustment R'000	Closing value R'000
Land and buildings	14 200	-	14 200

GROUP – 2024	Opening cost/ valuation R'000	Fair value adjustment R'000	Closing value R'000
Land and buildings	14 200	100	14 200

Investment property

Nature of the property

Investment property comprises land situated at R618 Ngome, KwaZulu-Natal, South Africa. The property includes the remainders of Portions 1 and 2 of the Farm Mooiplaats No. 537 HU and Portion 1 of the Farm Zaagkuil No. 777. The land is held to earn rentals and/or for capital appreciation and is not owner-occupied.

Measurement basis

The investment property is measured at fair value in accordance with IAS 40. Fair value is determined annually by an independent professional valuer.

Valuation

The latest valuation was performed by an independent, qualified property valuation expert as at 31 March 2025. The valuer is a member in good standing of the South African Council for the Property Valuers Profession and has more than five years of experience in valuing similar properties. The fair value of the land as at 31 March 2025 is R14.2 million (2024: R14.2 million).

The fair value measurement is categorised as Level 3 under the IFRS 13 fair value hierarchy, as significant unobservable inputs are used in the valuation.

Restrictions and encumbrances

A register containing full details of the investment property is available for inspection at the Company's registered office. Management is aware of land claims affecting this property. Under the current legal framework and established case law, the Company will be entitled to fair compensation if the land is expropriated. Management intends to engage with any new landowner as an interested party to secure its legal rights to continue using the land notwithstanding a change in ownership.

Significant assumptions and inputs

Key unobservable inputs in determining fair value include comparable market transactions, zoning restrictions, and the potential for land use. Any changes in these assumptions could materially affect the valuation.

The following table outlines the valuation technique employed to determine the fair value of investment property, along with the significant unobservable inputs utilised.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Comparable sales approach (Sales Comparison Method – IVS 2007). The value is established by comparing the subject property with similar or substitute properties and related market data. Value is estimated through processes that involve comparing sales transactions, asking prices, and other relevant market evidence. Adjustments are made for differences in location, condition, tenure, size, permitted use and market conditions at the date of valuation.	• Recent sale prices of comparable properties – Location, condition and size adjustments. • Differences in tenure, permitted use or encumbrances – Market conditions at the valuation date (supply/demand, liquidity).	The estimated fair value would increase/(decrease) if: a. market prices for comparable properties increase/(decrease); b. fewer downward adjustments are required for differences between the subject property and comparable; c. more favourable market conditions prevail (higher demand, lower supply); d. location and property-specific attributes compare more positively with the selected comparable.

5. Biological assets

Biological assets are measured at fair value, less costs to sell, with any change recognised in profit or loss. On 31 March 2025, standing timber comprised approximately 133 056 hectares of pine, eucalyptus, wattle, and other tree plantations (2024: 117 907 hectares), which ranged from newly established trees to trees that were 30 years old. The Group recognises biological assets when it controls them because of past events. Future economic benefits associated with such assets will flow to the Group, and the fair value or cost of the assets can be measured reliably.

The Group does not capitalise costs incurred on biological assets. Expenditure incurred on biological assets is recognised as a period cost in the period incurred.

GROUP	2025 Fair valuation R'000	2025 Closing value R'000	2024 Fair valuation R'000	2024 Closing value R'000
Non-current assets	5 025 872	5 025 872	4 731 369	4 731 369
Current assets	398 234	398 234	365 716	365 716
Total	**5 424 106**	**5 424 106**	**5 097 085**	**5 097 085**

Reconciliation of biological assets

GROUP – 2025	Opening balance R'000	Decrease due to harvest/ sales R'000	Fair value R'000	Closing balance R'000
Planted forests	5 097 085	(1 137 671)	1 464 692	5 424 106

GROUP – 2024	Opening balance R'000	Decrease due to harvest/ sales R'000	Fair value R'000	Closing balance R'000
Planted forests	4 613 437	(1 038 359)	1 522 007	5 097 085

Biological assets: Current and non-current

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

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Current portion	398 234	365 716	-	-
Non-current portion	5 025 872	4 731 369	-	-
Total	**5 424 106**	**5 097 085**	**-**	**-**

Reconciliation of standing volume

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Opening balance	40 853 011	40 780 282	-	-
Increase due to growth and enumeration	575 601	1 109 194	-	-
Decrease due to harvesting and sales	(1 293 991)	(1 238 005)	-	-
Closing balance	**40 134 621**	**40 651 471**	**-**	**-**

Measurement of fair values

i. Fair value hierarchy

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

ii. Level 3 fair values

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

Gains included in other operating gains and losses

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Fair values	1 464 692	1 522 007	-	-

iii. Valuation techniques and significant unobservable inputs

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

Type	Valuation techniques	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value measurement
Standing timber	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for 30 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Estimated future timber market prices weighted average per cube (2025: R869.00; 2024: R873.43). • Estimated volumes (2025: 37 086 525; 2024: 37 746 275) • Risk-adjusted discount rate (2025: 11.98%; 2024: 12.78%).	The estimated fair value would increase/(decrease) if: • the estimated timber prices per tonne were higher/(lower); • the estimated yields per hectare were higher/(lower); • the estimated harvest and transportation costs were lower/(higher); or • The risk-adjusted discount rates were lower/(higher).

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Estimated yields per hectare are primarily influenced by the age class of the plantations, historical yield data, and adjustments for expected harvest losses arising from extreme weather events, diseases, pests, and other environmental risks. A volume adjustment factor of 6% (2024: 5%) has been applied to reflect these risks. The application of this adjustment reduces the carrying amount of biological assets at year-end by R516 million (2024: R401 million).

For additional context, management has estimated the liquidation value of the biological assets, based on prevailing pulp selling prices, at approximately R34 billion. This amount represents the theoretical proceeds if the plantations were disposed of without replanting, thereby prioritising short-term cash generation over sustainable operations.

This liquidation approach is presented to provide stakeholders with an understanding of the potential downside value under a distressed scenario. However, management notes that such a methodology is inconsistent with the requirements of IAS 41 and IFRS 13, as it does not reflect the Company's business model or the going concern assumption. The Company measures biological assets using the fair value model, consistent with IAS 41.12 and the going concern principle in IAS 1.25.

Level 3 fair value

The valuation model considers the present value of the net cash flows expected to be generated from the plantations. The cash flow projections include specific estimates for 30 years (2024: 30 years). The expected net cash flows are discounted using a risk-adjusted comparable discount rate that considers the Beta factors of comparable forestry companies.

The estimated yields per hectare of each species of tree plantations are determined mainly based on the age of the plantation, historical yields, the potential impact of extreme weather events and harvest loss due to disease and pests. Historical yields of standing timber have been adjusted downwards by 6% (2024: 5%) to reflect unknown potential losses due to fire, severe storms, adverse weather, disease and animal damage. The impact of the 6% volume adjustment factor on the current year's valuation is R516 540 120. Further, the risk of potential losses due to fire is reflected in the cash flows, including the estimated cost of fire prevention activities.

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

Methodology and assumptions used in determining fair value

Volumes

The expected yields per log class are calculated using growth models relevant to the planted area. The growth models are derived from actual trial data measured annually. Using the modelled tree shapes at various ages, a merchandising model divides the trees into predefined products to calculate log yields. In the prior year, management approved a proposal to harvest trees that mature earlier than the prescribed maturity period of 30 years. Management's decision increased the volumes available in the current and future periods.

Volume adjustment factor

Due to the susceptibility of the plantations to the environment, an adjustment factor is used to reduce the volumes obtained from the merchandising model. This percentage is based mainly on animal damage and damage due to natural elements, such as wind, rain, hail, droughts and fires. The volume reduction acknowledged deviations such as the impact of baboon damage and other natural elements, genetic defects, pests, and diseases from the planned harvesting volumes. Consistent with prior years, volumes expected from the KLF plantations in MicroForest are adjusted down by 6% (2024: 5%).

Log prices

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

Operating costs

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

Costs to sell

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

Discount rate

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

Risk management strategy related to agricultural activities

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

i. Regulatory and environmental risks

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

ii. Supply and demand risks

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

iii. Climate and other risks

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

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

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

Pledged as security

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

Components of biological assets

Biological assets are made up of the following plantation trees:

- Pine trees;
- Eucalyptus trees;
- Wattle trees;
- Other.

Area under each of the species

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

	GROUP		COMPANY	
	2025 Total area (Ha)	2024 Total area (Ha)	2025 Total area (Ha)	2024 Total area (Ha)
Pine	117 210	110 922	-	-
Eucalyptus	13 840	4 998	-	-
Wattle	1 574	1 565	-	-
Other	432	423	-	-
Temporary unplanted areas	32 919	2 166	-	-
Conservation area	124 679	69 468	-	-
Total landholding	**290 654**	**189 542**	**-**	**-**

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Biological assets – standing timber

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

The most significant judgements and assumptions relate to:

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

Level 3 reconciliation

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Opening balance	5 097 085	4 613 437	-	-
Harvested timber	(1 137 671)	(1 038 359)	-	-
Fair value	1 464 692	1 522 007	-	-
Closing balance	**5 424 106**	**5 097 085**	**-**	**-**

No biological assets were added through acquisitions of forests or other plantations in the current year.

Level 3 fair values

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

Key assumptions used in the calculation of the discount rate

	GROUP		COMPANY	
	2025	2024	2025	2024
Risk-free rate (%)	-	-	12.55%	10.55%
Beta factor	-	-	0.90	0.90
Cost of equity (%)	-	-	19.80%	19.80%
Cost of debt (%)	-	-	12.68%	12.68%
Capital structure (%)	-	-	72.30%	72.30%
Pre-tax discount rate	-	-	12.78%	12.78%

An external independent third party calculated WACC.

Sensitivity

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

			Amount R	Percentage (%) change	Amount R	Percentage (%) change
Variables	**Base**	**Movement**	**Low**		**High**	
10% change in price	5 137 530 131	Decrease/Increase	5 120 041 797	0%	5 172 506 798	1%
10% change in volume	5 137 530 131	Decrease/Increase	4 276 629 930	-17%	5 998 430 331	17%
10% change in WACC	5 137 530 131	Decrease/Increase	5 620 753 549	9%	4 721 123 259	-8%
10% change in costs	5 137 530 131	Decrease/Increase	5 484 677 318	7%	4 790 382 944	-7%

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

6. *Intangible assets*

GROUP	2025 Cost/ valuation R'000	2025 Accumulated amortisation R'000	2025 Carrying value R'000	2024 Cost/ valuation R'000	2024 Accumulated amortisation R'000	2024 Carrying value R'000
Computer software	77 974	(67 931)	10 043	71 667	(65 939)	5 728

COMPANY	2025 Cost/ valuation R'000	2025 Accumulated amortisation R'000	2025 Carrying value R'000	2024 Cost/ valuation R'000	2024 Accumulated amortisation R'000	2024 Carrying value R'000
Computer software	59 202	(59 202)	-	59 202	(58 983)	219

Reconciliation of intangible assets

GROUP – 2025	Opening balance R'000	Additions R'000	Amortisation R'000	Closing balance R'000
Computer software	5 728	6 307	(1 992)	10 043

GROUP – 2024	Opening balance R'000	Additions R'000	Amortisation R'000	Closing balance R'000
Computer software	439	5 509	(220)	5 728

Financial systems implementation

The Company initiated the implementation of a new financial system in the prior financial year as part of its strategy to enhance efficiency, accuracy, and reliability in financial reporting. The system is designed to strengthen the Company's ability to capture, track, and analyse financial data, thereby supporting improved decision-making and overall financial performance. During the current year, the implementation was finalised and the system became operational. The new system has enhanced the Company's operations, reporting processes, and internal control environment in line with best practice and governance requirements.

In terms of *IAS 38 Intangible Assets*, costs directly attributable to the development and implementation of the financial system that meet the recognition criteria have been capitalised as intangible assets. Ongoing training, maintenance, and other post-implementation costs are expensed as incurred.

No subsequent events requiring adjustment or disclosure under IAS 10 Events after the Reporting Period have arisen in relation to the system after year-end.

Intangible assets

The Company's only intangible asset consists of computer software, which is capitalised at cost in accordance with IAS 38 Intangible Assets and amortised on a straight-line basis over its estimated useful life. Amortisation is recognised in profit or loss. Once an intangible asset is fully amortised, it remains recognised at cost and accumulated amortisation until it is disposed of or derecognised, but its carrying amount is nil.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2025 continued

Reconciliation of intangible assets

COMPANY – 2025	Opening balance R'000	Amortisation R'000	Closing balance R'000
Computer software	219	(219)	-

COMPANY – 2024	Opening balance R'000	Amortisation R'000	Closing balance R'000
Computer software	439	(220)	5 728

7. *Loans to group companies*

	COMPANY	
	2025 R'000	2024 R'000
Subsidiaries:		
Komatiland Forests SOC Limited	294 042	294 042
	294 042	**294 042**

Loans to subsidiaries

The Group has advanced loans to its wholly owned subsidiaries Komatiland Forests SOC Limited. This loan forms part of the Group's internal funding structure and is disclosed as related-party balance.

- Komatiland Forests SOC Limited
  The intercompany loan to Komatiland Forests SOC Limited is unsecured and interest-bearing at the prevailing prime rate of 11% (2024: 11.75%). There are no fixed terms of repayment, and the loan is repayable on demand at the discretion of the holding company. The loan is intended to fund working capital and strategic forestry operations within the subsidiary.

Measurement basis

SAFCOL applies the cost method in accordance with IFRS for the measurement of all loans to subsidiaries. Under this method, loans are initially recognised at the amount advanced and subsequently measured at amortised cost, adjusted for any impairment losses in accordance with IFRS 9 *Financial Instruments*. Because the loans to ABACUS Forestries and Kamhlabane Timber are non-interest-bearing and have no fixed terms, management assesses whether they are, in substance, equity contributions. For loans that are considered to be financial assets rather than equity contributions, an expected credit loss (ECL) assessment is performed annually to ensure the carrying amount is not overstated.

Accounting and disclosure: Interest income and impairment

Interest income arising on the loan advanced to Komatiland Forests SOC Limited is recognised in profit or loss on an accrual basis using the effective interest rate method. This reflects the ongoing return on the financing provided to the subsidiary.

The loans to ABACUS Forestries SOC Limited and Kamhlabane Timber SOC Limited are non-interest-bearing and therefore do not give rise to interest income. Nevertheless, in line with IFRS 9 *Financial Instruments*, these loans are subject to an annual ECL assessment to ensure that the carrying amounts are not overstated and that any impairment losses are promptly recognised. Where the substance of a loan is closer to a capital contribution than a financial asset, management considers this in its classification and measurement assessment.

Accounting and disclosure: Consolidation and separate financial statements

All intercompany balances and transactions are eliminated on consolidation in the Group financial statements. However, in the separate financial statements of SAFCOL, the loans are presented at cost less any impairment losses, consistent with the Group's policy of applying the cost method for investments and loans to subsidiaries. This presentation reflects the parent company's ongoing funding relationship with its subsidiaries, even though these amounts do not appear as assets or liabilities at the consolidated level.

8. *Other financial assets*

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Investments	-	1 616	-	1 616
Non-current assets				
Other financial assets	-	1 616	-	1 616
	-	**1 616**	**-**	**1 616**

Fair value hierarchy of available-for-sale financial assets

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

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

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

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

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Level 1				
Insurance policy – Guardrisk	-	1 614	-	1 614
Level 3				
Transvaal Wattle Growers Co-Op Agriculture Co.	1	1	1	1
KAAP Agri	1	1	1	1
NTE Investments	-	-	-	-
	2	2	2	2
	2	**1 616**	**2**	**1 616**

Reconciliation of financial assets measured at Level 3

GROUP – 2025	Opening balance R'000	Closing balance R'000
Transvaal Wattle Growers Co-Op Agriculture Co.	1	1
KAAP Agri	1	1
NTE Investments	-	-
	2	**2**

GROUP – 2024	Opening balance R'000	Closing balance R'000
Transvaal Wattle Growers Co-Op Agriculture Co.	1	1
KAAP Agri	1	1
NTE Investments	1 743	-
	1 745	**2**

Reconciliation of financial assets measured at Level 3

COMPANY – 2025	Opening balance R'000	Closing balance R'000
Transvaal Wattle Growers Co-Op Agriculture Co.	1	1
KAAP Agri	1	1
	2	**2**

COMPANY – 2024	Opening balance R'000	Closing balance R'000
Transvaal Wattle Growers Co-Op Agriculture Co.	1	1
KAAP Agri	1	1
	2	**2**

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Other financial assets				
Balance at the beginning of the year	1 616	3 676	1 616	1 934
Movement for the year	(1 616)	(2 060)	(1 616)	(318)
	-	**1 616**	-	**1 616**

The directors value all unlisted investments at cost. The other financial assets were impaired in the current financial year. No other financial assets were impaired in the current financial year.

9. Financial assets by category

The accounting policies for the recognition, measurement and presentation of financial instruments, as set out in IFRS 9 Financial Instruments, have been applied in these financial statements as set out in Note 39 Risk Management.

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10. *Deferred tax*

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Deferred tax asset	57 308	96 102	43 894	50 152
Deferred tax liability	(1 004 032)	(1 024 085)	-	-
Total net deferred tax asset/(liability)	**(946 724)**	**(927 983)**	**43 894**	**50 152**
Reconciliation of deferred tax asset/(liability)				
At the beginning of year	(927 983)	(855 272)	50 152	57 812
Prior year under/(over) provision	(2 594)	(8 207)	2 147	-
Reversing/Originating temporary differences on foreign subsidiary	1 123	(43 535)	-	-
Reversing/Originating temporary differences on property, plant and equipment, right-of-use assets	286	(2 563)	1 369	1 692
Reversing/Originating temporary differences in provisions	3 452	(2 721)	95	(121)
Reversing/Originating temporary differences on other allowances	-	(6)	(1 803)	21
Reversing/Originating temporary differences in fair value	(86 843)	(92 424)	-	-
Reversing/Originating temporary differences in borrowings	67 555	33 446	(1 143)	(3 693)
Reversing/Originating temporary differences on prior year adjustments	-	1 122	-	-
Reversing/Originating temporary difference on assessed loss	(1 720)	42 177	(6 923)	(5 559)
	(946 724)	**(927 983)**	**43 894**	**50 152**

The deferred tax asset in SAFCOL is due to an assessed loss accumulated over the years, timing differences in property, plant, equipment, right-of-use assets, and provisions. This asset will be realised over time at the applicable tax rate.

11. *Inventories*

Inventories comprise raw materials, work in progress, finished goods and consumables that are held for use in the Group's forestry and timber operations. In accordance with IAS 2 Inventories, these items are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in acquiring the inventories and bringing them to their present location and condition and is determined on a weighted-average basis. Net realisable value represents 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.

A provision for obsolete or slow-moving stock is recognised where necessary to write inventories down to net realisable value. Changes in this provision are recognised in profit or loss in the period in which they arise.

The composition of inventories at year-end is as follows:

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Raw materials	55 886	7 484	-	-
Work in progress	9 991	13 845	-	-
Finished goods	6 155	22 989	-	-
Consumables	22 818	49 054	157	165
	94 850	93 372	157	165
Provision for obsolete stock	(2 294)	(1 719)	-	-
	92 556	**91 653**	**157**	**165**

Assigning costs to inventories

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

Provision for obsolete stock

The Group has provided for an inventory based on the history on write-downs in the prior years. This has been assumed to estimate correct provisions as the business model and products have not changed over the years.

Amounts recognised in profit or loss

Inventories recognised as an expense under cost of sales during the year amounted to R1 131 million (2024: R1 038 million) for the Group.

Inventory write-downs

Inventory has been reduced by R67.8 million (2024: R81 million) because of the write-down to net realisable value. This write down was recognised as an expense during 2025.

There are no inventories pledged as security at the date of these financial statements.

12. Trade and other receivables

Trade and other receivables comprise amounts due from customers, prepayments and other receivables arising in the normal course of business. In accordance with IFRS 9 Financial Instruments, these balances are initially recognised at fair value and subsequently measured at amortised cost, less any expected credit loss allowance. Provisions for impairment are recognised to reflect lifetime expected credit losses on trade and other receivables, with movements in the allowance recorded in profit or loss.

The composition of trade and other receivables at year-end is as follows:

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Trade receivables	241 893	221 676	-	-
Prepayments	10 537	3 842	6 082	5
Other receivables	85 207	52 693	2 064	856
Trade and intercompany receivables	-	-	262 627	260 102
Provision for impairment	(119 863)	(80 438)	-	-
	217 774	**197 773**	**270 773**	**260 963**

Classification as trade receivables

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

Fair values of trade receivables

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

Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to credit risk and interest rate risk can be found in Note 39 Risk Management.

Trade and other receivables pledged as security

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

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Fully performing trade and other receivables

Trade receivables and other receivables

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Fully performing trade receivables	106 302	111 490	-	-
Fully performing other receivables	8 560	-	270 773	260 963
	114 862	**111 490**	**270 773**	**260 963**

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

Included in the Group's trade and other receivables are trade and other receivables with a carrying amount of R40 million (2024: R81 million) which has not been provided as there has been no significant change in the credit quality and the amounts are still considered recoverable.

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Trade receivables and other receivables	40 726	81 303	-	-

Trade and other receivables not impaired

Trade and other receivables that are past due but not impaired represent balances for which there has been no significant increase in credit risk and where the Group still expects to recover the outstanding amounts in full. In accordance with IFRS 9 Financial Instruments, these balances are monitored for signs of default and included in the expected credit loss assessment. The ageing of amounts past due but not impaired at year-end is as follows:

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

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
30–60 days	1 284	1 600	-	-
60–90 days	(6 295)	74	-	-
90–120 days	8 340	1522	-	-
120–150 days	37 397	78 107	-	-
	40 726	**81 303**	**-**	**-**

Reconciliation of loss allowance

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Opening balance	(80 438)	(77 469)	-	-
Decrease/(Increase) in loss allowance	(19 421)	(2 969)	-	-
	(99 859)	**(80 438)**	**-**	**-**

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

13. *Current tax receivable/(payable)*

Consists of:

	GROUP		COMPANY	
	2025 R'000	**2024 R'000**	**2025 R'000**	**2024 R'000**
SA Normal Tax: Normal Taxation	2 210	(173)	2 203	(178)
	2 210	**(173)**	**2 203**	**(178)**

14. *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, bank balances and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. In accordance with IAS 7 Statement of Cash Flows, these balances are used in the preparation of the statement of cash flows and represent the Group's short-term, highly liquid resources available to meet current obligations. The composition of cash and cash equivalents at year-end is as follows:

	GROUP		COMPANY	
	2025 R'000	**2024 R'000**	**2025 R'000**	**2024 R'000**
Bank balances	18 207	29 743	623	466
Short-term deposits	201 885	172 271	201 884	172 271
Petty cash	6	6	4	6
	220 098	**202 020**	**202 511**	**172 743**

There is uncertainty about the ultimate ownership of the funds received on behalf of communities linked to the minority shareholding, and it is therefore not yet clear whether these amounts legally belong to the SAFCOL Group or to the communities.

Although an internal legal opinion indicates that the funds have not yet vested in the communities and were received in the Group's own name and therefore legally belong to SAFCOL, the Group has, in line with the Conceptual Framework for Financial Reporting (paragraphs 2.12–2.13 on prudence and faithful representation), elected to adopt a prudent approach.

Accordingly, it recognises a separate financial liability for the potential obligation to transfer the funds to the communities once identified. In accordance with IFRS 9 Financial Instruments (paragraphs 3.1.1–3.2.1), the deposits meet the definition of a financial asset, while the obligation to transfer them meets the definition of a financial liability.

Consistent with IAS 32 Presentation of Financial Instruments (paragraphs 42), the Group has not offset the related financial asset and liability in the statement of financial position because the offsetting criteria are not met.

15. *Share capital*

The Company's share capital comprises only ordinary shares with a par value of R1 each, which carry one vote per share and equal rights to dividends and residual assets on winding-up. In accordance with IAS 32 Presentation of Financial Instruments, proceeds from the issue of these shares are classified as equity and recorded at par value together with any share premium, net of directly attributable transaction costs.

The authorised and issued share capital of the Company at year-end is as follows:

	GROUP		COMPANY	
	2025 R'000	**2024 R'000**	**2025 R'000**	**2024 R'000**
Authorised				
1 500 000 000 Ordinary shares of R 1 each	1 500 000	1 500 000	1 500 000	1 500 000
Issued				
318 013 254 Ordinary shares of R1 each	318 013	318 013	318 013	318 013

16. Foreign currency translation reserve

In accordance with IFRS, the foreign currency translation reserve comprises exchange differences arising from the translation of the financial statements of foreign operations into the Group's presentation currency. Such differences are recognised in other comprehensive income and accumulated in this reserve.

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Foreign exchange – IFLOMA	(58 419)	(54 124)	-	-

The foreign currency translation reserve represents cumulative exchange differences recognised in other comprehensive income in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates. This reserve does not impact profit or loss until the disposal of the relevant foreign operation.

17. Retirement fund reserve

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Lump-sum payment to retirement funds	20 000	20 000	20 000	20 000
Pension fund shortfall funded by Government	44 000	44 000	44 000	44 000
	64 000	**64 000**	**64 000**	**64 000**

18. Other non-distributable reserves

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Capital surplus on sawmill insurance claims	37 061	37 061	37 061	37 061
Cancellation of the provision for cost of transfer of land	27 982	27 982	27 982	27 982
	65 043	**65 043**	**65 043**	**65 043**

19. Finance lease liabilities

Finance lease liabilities represent the present value of future minimum lease payments under leases that transfer substantially all the risks and rewards of ownership to the Group and are therefore accounted for as finance leases in accordance with IFRS 16 Leases. These liabilities are initially measured at the present value of the lease payments and subsequently increased by finance costs and reduced by lease payments made, with the corresponding leased assets capitalised and depreciated over their useful lives. The breakdown of future minimum lease payments and their present values at year-end is as follows:

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
- within one year	328 387	276 765	-	4 172
- in the second to fifth year inclusive	1 596 149	1 058 676	-	-
- more than five years	18 470 409	15 699 174	-	-
	20 394 945	17 034 615	-	4 172
less: future finance charges	(18 915 797)	(15 805 925)	-	(195)
Present value of minimum lease payments	**1 479 148**	**1 228 690**	**-**	**3 977**
Present value of minimum lease payments due				
- within one year	270 930	229 045	-	3 977
- in the second to fifth year inclusive	756 916	548 597	-	-
- more than five years	451 302	451 048	-	-
	1 479 148	**1 228 690**	**-**	**3 977**
Non-current liabilities	1 208 218	999 901	-	-
Current liabilities	270 930	228 789	-	3 977
	1 479 148	**1 228 690**	**-**	**3 977**

Finance lease liabilities are capitalised between prime plus 0.97% and prime less 0.35% (2024: prime plus 1.15% and prime less 2.45%). The effective interest rate prevailing at year-end was 12.68% (2024: 10.33%). In finance, lease liabilities are instalment sale agreements secured over assets with a carrying value of R93.4 million (2024: R38.2 million). Monthly repayments are R1.7 million (2024: R2.2 million). The lease terms are 5 years, with a range of 1–5 years.

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20. Long-term liabilities

The Group has entered into a long-term liability with a financial institution to purchase vehicles and equipment. The purchased vehicles are used as collateral support over the lease liability. The duration of the collateral support is equal to the finance term over the liability incurred. The balance of the liabilities is shown below.

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Non-current liabilities	62 682	66 347	-	-
Current liabilities	19 655	16 314	-	-
	82 337	**82 661**	**-**	**-**
Maturity analysis – contractual undiscounted cash flows				
- within one year	28 421	25 866	-	-
- in the second to fifth year inclusive	73 490	82 471	-	-
	101 911	108 337	-	-
less: future finance charges	(19 574)	(25 676)	-	-
Present value of minimum lease payments	**82 337**	**82 661**	**-**	**-**
Reconciliation				
Opening balance	82 661	18 413	-	-
Additions	18 153	77 074	-	-
Interest	10 908	6 201	-	-
Payments	(29 385)	(19 027)	-	-
Closing balance	**82 337**	**82 661**	**-**	**-**

Finance lease liabilities are capitalised between prime plus 0.97% and prime less 0.35% (2024: prime plus 1.7% and prime less 3.6%). The effective interest rate prevailing at year-end was 12.68% (2024: 10.2%). In finance, lease liabilities are instalment sale agreements secured over assets with a carrying value of R93.4 million (2024: R18.7 million). Monthly repayments are R1.7 million (2024: R1.1 million). The lease terms are between 1–70 years.

21. Provisions

Reconciliation of provisions

GROUP – 2025	Opening balance R'000	Additions R'000	Reversals R'000	Closing balance R'000
Non-current liabilities				
Provisions – IFLOMA	10 163	4 864	-	15 027
Current liabilities				
Provision for quality claims on log products	13 530	-	(425)	13 105
Provision – IFLOMA	-	7 456	-	7 456
	23 693	**12 320**	**(425)**	**35 588**

The provision on logs concerns customer claims, and the provision on IFLOMA concerns withholding tax payable to the Mozambique tax authority. In the current year, a settlement was reached with a third party regarding the legal provision. The provision has been subsequently utilised to accommodate the settlement.

GROUP – 2024	Opening balance R'000	Additions R'000	Reversals R'000	Closing balance R'000
Non-current liabilities				
Provisions – IFLOMA	8 329	1 834	-	10 163
Current liabilities				
Provision for quality claims on log products	13 239	291	-	13 530
Provision - legal	10 477	-	(10 477)	-
	32 045	**2 125**	**(10 477)**	**23 693**

The provision for returns is calculated based on the anticipated returns on products delivered to customers. The sales contracts and past practices of the Group allow the customers to return products that are out of specification or damaged. In practice, the Group will enable claims that can be substantiated and verified to be adjusted based on the product's collected price.

Past practice has shown that customers do not receive actual returns, but an adjustment to the product price is collected. The group business model has remained relatively the same as it was the prior year. The provision for returns has thus been calculated based on the prior years' rate of returns. The expected timing of the outflow of economic benefits is estimated to be during the next two to five years.

The Company does not have any provisions.

22. *Financial liabilities by category*

The accounting policies for recognition, measurement and presentation of financial instruments, as set out in IFRS 9 Financial Instruments, have been applied in these financial statements as set out in Note 39 Risk Management.

23. *Trade and other payables*

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Trade payables	55 298	89 515	911	3 183
Minority shareholders	214 947	203 211	214 946	203 211
Accruals and other payables	127 317	91 477	11 571	13 475
Value-Added Tax (VAT)	10 043	10 487	(881)	1 958
Total trade and other payables	**407 605**	**394 690**	**226 547**	**221 827**

Minority shareholders

Dividends and interest of R215 million (2024: R203 million), held on behalf of minority shareholders, are included in trade and other payables.

24. Right-of-use asset

The Group leases land from the Department of Forestry, Fisheries and the Environment. The lease term has been estimated over 70 years. This corresponds to approximately two rotation periods of pine trees, which is the main product of the Group. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group leases a building from a third party. The building is used as offices for administrative purposes. The Group also leases computer equipment from a third party. Some of the Group's vehicles, property, plant and equipment are financed through finance leasing with financial institutions.

The right-of-use reconciliation for the Group and Company is as presented below:

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Cost at 1 April 2024	452 227	445 933	16 570	17 098
Additions for the year	-	6 822	-	-
Adjustment to cost	(418)	(529)	(418)	(529)
Accumulated depreciation	(52 573)	(33 272)	12 563)	(7 178)
Depreciation charge for the year	(17 677)	(19 300)	(3 589)	(5 384)
Balance at 31 March 2025	**381 559**	**399 654**	**-**	**4 007**

The reconciliation of the carrying amounts for the right-of-use assets for the Group and Company is shown in the table below. The reconciliation also includes depreciation that was charged to the current year's profit and loss statement.

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Opening balance as at 1 April 2024	399 654	412 771	4 007	10 030
Additions	(418)	6 183	(418)	(639)
Adjustment to accumulation depreciation	-	-	-	-
Depreciation	(17 677)	(19 300)	(3 589)	(5 384)
Closing balance as at 31 March 2025	**381 559**	**399 654**	**-**	**4 007**

Finance lease obligations are capitalised between prime plus 0.97% and prime less 0.35% (2024: prime plus 1.7% and prime less 3.6%). The effective interest rate prevailing at year-end was 12.68% (2024: 10.2%). Instalment sale agreement are secured over assets with a carrying value of R93.4 million (2024: R18.7 million). Monthly repayments are R1.7 million (2024: R1.1 million).

The finance lease portion relating to land has been capitalised using WACC. The WACC of 12.78% has been determined by an independent third party at the inception of the lease. The lease relating to land is escalated with a portion of PPI every year.

25. Revenue

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

The Group's policy is to sell its products to the end customer with a right of return within a reasonable time. Therefore, a refund liability (included in provisions) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, a significant reversal in the cumulative revenue recognised will probably not occur. The validity of this assumption and the estimated return amount are reassessed at each reporting date.

Revenue streams

The Group generates revenue primarily from the sale of logs and lumber products. Other sources of revenue include rental income from its tourism facilities.

	GROUP		COMPANY	
	2025 R'000	**2024 R'000**	**2025 R'000**	**2024 R'000**
Provision of services: Management fees	-	-	167 551	176 650
Sale of goods: Log sales	1 140 683	961 066	-	-
Sale of goods: Processing	117 360	201 430	-	-
Other revenue	29 814	23 644	-	-
	1 287 857	**1 186 140**	**167 551**	**176 650**

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

26. *Cost of sales*

Cost of sales includes only expenses directly or indirectly attributable to the production process. The cost of harvested logs at the point of harvest is valued at fair value, which is less than the cost of selling. The fair value of harvested logs has been estimated to equal the prevailing market price in an open market between a willing buyer and a willing seller. The harvesting costs are negligible; thus, the selling price is assumed to approximate fair value less costs to sell.

	GROUP		COMPANY	
	2025 R'000	**2024 R'000**	**2025 R'000**	**2024 R'000**
Harvested timber	1 140 684	1 038 359	-	-
Lumber processing	36 837	71 566	-	-
Other	-	188	-	-
	1 177 521	**1 110 113**	**-**	**-**

27. *Other operating income*

	GROUP		COMPANY	
	2025 R'000	**2024 R'000**	**2025 R'000**	**2024 R'000**
Other income	10 814	19 859	3 221	2 138
	10 814	**19 859**	**3 221**	**2 138**

Other operating income includes proceeds from insurance claims, SETA income and sundry income. In the current year the Group received income from a mining company that is mining at one of the locations that the Group operates from.

28. *Fair value gains*

	GROUP		COMPANY	
	2025 R'000	**2024 R'000**	**2025 R'000**	**2024 R'000**
Biological assets	1 464 692	1 522 007	-	-
Investment Property	-	100	-	-
	1 464 692	**1 522 107**	**-**	**-**

Under Notes 4 Investment property and 5 Biological assets, full details of the fair value gains above have been disclosed.

29. *Operating profit/ (loss)*

Operating profit for the period is stated after charging the following expenses: Group 2025: R1 208 067 (2024: R1 143 552), Company 2025: R167 128 (2024: R179 342).

30. *Other operating expenses and allowance for bad debts*

	GROUP		COMPANY	
	2025 R'000	**2024 R'000**	**2025 R'000**	**2024 R'000**
Audit fees	8 268	12 363	5 856	3 465
Contractors	263 827	241 718	510	880
Depreciation	45 144	47 378	3 765	5 651
Amortisation	1 992	220	219	220
Material management	220 379	181 331	345	1 041
Office and administration	82 551	92 318	12 330	15 851
Operating leases	2 489	9	283	-
Professional fees	54 199	39 292	18 480	17 650
Repairs and maintenance	79 536	75 826	706	112
Risk management	26 630	20 453	15 501	13 632
Employee related costs	420 353	429 208	108 156	119 310
Travel and accommodation	2 699	3 436	977	1 530
Operating expenditure	1 208 067	1 143 552	167 128	179 342
Allowance for bad debts	19 421	23 484	-	-
Total operating expenditure and allowance for bad debts	**1 227 488**	**1 167 036**	**167 128**	**179 342**

The operating costs disclosed above include R15 million relating to research and development expenditure and R3.8 million relating to corporate social investment expenditure.

In accordance with IFRS 9 Financial Instruments, the Group applies the simplified approach to measuring expected credit losses, which requires a lifetime expected loss allowance for all trade receivables. The reconciliation of the loss allowance for trade receivables at 31 March 2025 is presented in the trade receivables note. The allowance for bad debts recognised in profit or loss for the year is included in the amounts disclosed above.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2025 continued

31. Investment income

In accordance with IFRS, dividend income is recognised when the shareholder's right to receive payment is established, and interest income is recognised using the effective interest method on financial assets measured at amortised cost in line with IFRS 9 Financial Instruments.

The following table sets out the composition of the Group's investment income for the year ended 31 March 2025:

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Dividend income				
From Group entities:				
Dividends received from NTE	68	203	4	3
Interest income				
From investments in financial assets:				
Bank and other cash	4 364	6 937	4 364	6 937
Other interest	1 912	1 150	1 908	765
From loans to Group and other related parties:				
Subsidiaries	-	-	27 212	19 325
Total interest income	**6 276**	**8 087**	**33 484**	**27 027**
Total investment income	**6 344**	**8 290**	**33 488**	**27 030**

Investment income on financial instruments which are held to maturity has been reclassified in compliance with IFRS 9. Investment income consists of interest earned on investments.

32. Finance costs

Finance costs consist primarily of interest and other charges incurred on the Group's borrowings and lease liabilities. In accordance with IFRS 9 Financial Instruments and IAS 23 Borrowing Costs, finance costs are recognised in profit or loss using the effective interest method, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

No finance costs were capitalised during the current or prior financial year. The composition of finance costs for the year is as follows:

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Lease finance costs	274 700	243 516	196	883
Other finance costs	43	572	16	68
Total finance costs	**274 743**	**244 088**	**212**	**951**

1
2
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33. *Cash generated from operations*

	GROUP		COMPANY	
	2025 R'000	**2024 R'000**	**2025 R'000**	**2024 R'000**
Profit/(loss) before taxation	89 955	215 159	36 920	25 525
Adjustments for:				
Depreciation and amortisation	47 137	47 818	3 984	5 871
Fair value adjustments on investment property	-	(100)	-	-
Net fair value gain on biological assets	(327 021)	(483 648)	-	-
Movement in other financial assets	1 616	2 060	1 691	317
Movement in right of use assets	-	-	-	-
Net movement on non-current assets held for sale	-	708	-	-
Movement in current & deferred tax payable	-	(4 015)	-	-
Additions to finance lease	250 458	(6 607)	-	-
Additions to long-term loans	(323)	-	-	-
(Decrease)/Increase in provisions	11 895	(8 352)	-	-
Dividend income	(3)	(3)	(4)	(3)
Interest income	-	(8 290)	(33 484)	(27 026)
Finance costs	274 743	244 088	212	951
Adjustment passed on retained earnings	-	-	-	-
Net movement in reserves/forex	(4 295)	27 228	-	-
Dividends paid	-	-	-	-
Other expenses non-cash transactions	(464)	-	345	(1)
Changes in working capital:				
Movement in inventories	(903)	(11 206)	8	20
Movement in trade and other receivables	(20 001)	(21 508)	(9 810)	(190 569)
Movement in trade and other payables	12 915	7 732	4 720	20 721
	335 709	**1 064**	**4 582**	**(164 194)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2025 continued

34. Taxation

	GROUP		COMPANY	
	2025 R'000	**2024 R'000**	**2025 R'000**	**2024 R'000**
Major components of the taxation				
Current tax				
Current period	(1 718)	(2 814)	(1 731)	(1 390)
	(1 718)	**(2 814)**	**(1 731)**	**(1 390)**
Deferred tax				
Current period	(16 131)	(68 520)	(8 405)	(7 661)
Prior period	(3 814)	(8 207)	2 148	-
	(19 945)	**(76 727)**	**(6 257)**	**(7 661)**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense				
Accounting profit/loss	89 955	209 962	36 920	25 525
Tax at the applicable tax rate of 27% (2024: 27%)	24 288	56 690	9 968	6 892
Tax effect of adjustments on taxable income				
Net effect of (income)/expenses that are not (taxable)/ deductible in determining taxable profit	(3 442)	(3 152)	1	2 159
Effect of different tax rate of subsidiaries operating in different jurisdictions	(2 631)	17 640	-	-
Adjustments recognised in the current year in relation to prior periods	3 814	8 489	(2 148)	-
Taxable capital gains	-	(66)	-	-
Unrealised deferred tax asset on assessed loss	-	(60)	-	-
Other movements	(366)	-	167	-
	21 663	**79 541**	**7 988**	**9 051**
Tax paid				
Balance at the beginning of the year	(173)	(569)	(178)	(575)
Current tax for the period recognised in profit or loss	(1 718)	(2 814)	(1 731)	(1 390)
Balance at the end of the year	(2 210)	173	(2 203)	178
	(4 101)	**(3 210)**	**(4 112)**	**(1 787)**

35. Commitments

Committed expenditure represents contractual obligations that the Group has already entered into but which have not yet been provided for in these financial statements. In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, these commitments are disclosed rather than recognised as liabilities because they do not yet meet the criteria for recognition.

The composition of commitments at year-end is as follows:

	GROUP		COMPANY	
	2025 R'000	**2024 R'000**	**2025 R'000**	**2024 R'000**
Committed expenditure	1 094 634	1 136 506	346 937	352 552
	1 094 634	**1 136 506**	**346 937**	**352 552**

Available bank facilities, retained profits, and existing cash resources will finance committed expenditure. Estimating reliably how the commitments will be expended is impossible, as the expenditure depends on business activities and cash management processes. Some activities may be prioritised over others based on their cash-generating capacity. Straight lining the remaining contract value will, therefore, not accurately approximate the intended future expenditure. These commitments support the Group's strategy and growth initiatives.

36. Contingencies

36.1 Bank facilities

There are contingent liabilities in respect of:

- Bank guarantees in respect of Group company liabilities to the amount of R1 023 000.
- Cross-suretyships between the subsidiaries and the holding company for any indebtedness which any of them may have to the specific financial institutions in respect of cash management and financial facilities.
- SAFCOL has provided a guarantee to the amount of R160 000 000 in respect of Komatiland Forests SOC Ltd obligations, including asset-based finance.
- Vehicle and asset finance (Marketing Limit) of R89 000 000.
- Fleet card facility of R600 000.
- Daylight limit of R52 000 000.
- Standard Bank performance guarantees of R105 000.

36.2 Legal cases

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

Estimates and assumptions

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

36.2.1 Competition law infringement investigations

36.2.1.1 Masterbord SA (Pty) Ltd (MASTERBORD) vs Komatiland Forests SOC Limited (KLF) and South African Forestry Company SOC Limited (SAFCOL) – 2018DEC0036

On 26 February 2018, SAFCOL and KLF received a letter of complaint from the Competition Commission SA ("Commission"). SAFCOL and KLF have submitted written responses to the complaint within the timelines set by the Commission.

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

SAFCOL has complied with all information requests from the Commission related to the matter thus far. The Commission is still seized with the matter within its statutory mandate and the matter has not been concluded. Though it is in SAFCOL and KLF's interests that the complaint be finalised to ensure certainty in the market, the Commission is still seized with the matter and will communicate the outcome thereof upon conclusion.

It is significant to note that the matter was managed internally and no legal fees have been incurred to date.

36.2.2 Contingent liabilities

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

In November 2016, KLF received summons from Economists.co.za claiming payment of the sum of R399 000. KLF defended the action matter due to issues related to the contraventions of the PFMA. The matter is pending in the High Court and awaiting the Plaintiff to set the matter down for trial, however the Plaintiff has not taken any further steps to advance the matter. KLF attorneys have advised that this matter should be pended until further notice.

The Plaintiff's claim against KLF is an amount of R399 000 and the legal fees incurred to date are R204 935.

36.2.2.2 Ukhamba Management Consultants CC vs KLF

In September 2018, Ukhamba issued summons against KLF in the High Court of South Africa, Johannesburg for an alleged breach of contract for services rendered but not paid for by KLF, which claim KLF is disputing and defending. In July 2019 Ukhamba applied for summary judgment against KLF, which KLF resisted successfully as the applications for summary judgement were dismissed with costs in favour of KLF. The Plaintiff alleged a breach of contract by KLF and claimed damages in the amount R10 702 883, which has not been proven.

Ukhamba's attorneys have requested a pre-trial conference, which will be held in the 2nd quarter ending 30 September 2025.

36.2.2.3 Ukhamba Management Consultants CC vs KLF

In September 2018, Ukhamba issued summons against KLF for an alleged breach of contract for services rendered but not paid for by KLF, which claim KLF is disputing and defending. Ukhamba applied for summary judgement against KLF, which KLF resisted successfully as the applications for summary judgement were dismissed with costs in the cause.

However, the Plaintiff has not taken any further steps to advance the matter so that a court date can be allocated by the Registrar. KLF attorneys have advised that this matter should be pended until further notice.

The full extent of the potential financial liability exposure in the case is R66 774. The legal fees incurred to date for both matters (paragraphs 2.2.2 and 2.2.3) are R654 799.

Ukhamba's attorneys have requested a pre-trial conference, which will be held in the 2nd quarter ending 30 September 2025.

36.2.2.4 Basadi Ba Itsosa CC vs SAFCOL

In July 2021, Basadi Ba Itsosa CC (Basadi) referred an unlawful termination of contract dispute to arbitration against SAFCOL. In its application, Basadi sought an amount of R59 million as damages but failed to prove the damages claim at arbitration. On 30 August 2022, the Arbitrator found in Basadi's favour and awarded damages in the amount of R23 826 437. SAFCOL has instituted review proceedings against the decision of the Arbitrator to award damages wherein such was not proven by Basadi.

On 16 January 2024, an entity known as Hakhensa Consulting CC served an application for leave to intervene, on the Applicant and the Seconded Respondent in the main application. Instead of having to prepare for the review proceedings as set, SAFCOL's attorneys of record were instructed to oppose the application by Hakhensa as the latter has no locus standi in SAFCOL's view.

On 30 January 2024, SAFCOL's attorneys of record served and filed a notice of intention to oppose the application to intervene, and the Second Respondents attorneys served and filed their answering affidavit to the application to intervene.

On 13 February 2024, SAFCOL's attorneys proceeded to file its answering affidavit to the application to intervene.

Given the intervention application, the hearing date that had been allocated for the review application being 19 February 2024 had been rendered moot.

On 19 February 2024, SAFCOL's attorneys served and filed a notice of removal with regard to the review application, given the occurrence of the intervention application. Consequently, the review proceedings could not proceed on 19 February 2024 as the High Court was not ready to hear both the application by Hakhensa and proceed with the review simultaneously.

On 13 March 2024, Basadi's attorneys prematurely served and filed their heads of argument, practice note, chronology, and list of authorities.

On 15 March 2024, the intervening party served and filed their replying affidavits to SAFCOL's answering affidavit, as well as to answering affidavit.

SAFCOL's attorneys await the intervening party's heads of argument, practice note, chronology and list of authorities, whereafter SAFCOL will have 10 court days to serve and file its heads of argument, practice note, chronology and list of authorities.

On 21 May 2025, SAFCOL's attorneys of record provided SAFCOL with a detailed opinion on the errors of law in the judgment, particularly the fact that the judgment is largely based on public interest intervention whereas the whole case is based on contractual relationship and recommended that the judgment be appealed.

Notwithstanding the fact that the judgment had not been issued to all parties, to safeguard SAFCOL's interest, on 27 May 2025, SAFCOL's attorneys of record filed an application for leave to appeal the judgment and are currently in the process of securing a hearing date for the leave to appeal.

The full extent of the potential financial liability exposure in the case is R23 826 437 and the legal fees to date are R1 545 583.

36.2.2.5 Ladz Trading CC vs SAFCOL and Nomkhita Mona

In March 2016, SAFCOL received summons from Ladz Trading CC as the plaintiff alleging the breach of an 'oral agreement' and claiming damages as a result. In response, SAFCOL launched a counterclaim against Ms Nomkhita Mona for R807 560. The matter is still pending at the High Court as the Plaintiff has not taken any further steps to advance the matter. SAFCOL's attorneys were instructed to pend the file due to amongst others consideration of cost-containment measures.

The extent of the financial value in the case is R498 980.28 and the total fees to date are R909 901.

36.2.2.6 Morajane du Plessis vs SAFCOL

In November 2019, Morajane du Plessis Attorneys (MDP) instituted a claim against SAFCOL for payment of alleged outstanding invoices. SAFCOL defended the claim and filed a special plea of prescription and misjoinder. However, MDP as the Plaintiff in the matter has not taken any further steps to advance the matter so that a court date can be allocated. SAFCOL attorneys have advised that this matter should be pended until further notice to save costs.

The extent of the financial value in the case is R72 858.

36.2.2.7 Capstone CC vs KLF

This is an application launched by Capstone against KLF for an alleged breach of contract in 2018. KLF is opposing the application and has noted that the matter has prescribed and there is a jurisdictional issue as well.

The full extent of the potential financial liability exposure in the case is R8 275 493. The total fees to date are R202 884.

36.2.2.8 The iFIRM Trading and Project (Pty) Ltd vs SAFCOL and NP Mona

In March 2017, SAFCOL received summons from iFIRM claiming payment of the sum of R873 054 from SAFCOL and NP Mona jointly and severally. The matter is pending in the High Court. SAFCOL still awaits a plea by iFIRM on the counterclaim filed to set aside the unlawful contract entered into with iFIRM by Ms Mona. Judgement was granted against Ms Mona and she subsequently launched proceedings to rescind the judgement, which SAFCOL did not oppose. Ms Mona was successful in her rescission application in July 2019 and thereafter entered her plea. Since then, there have been no further steps taken by the Plaintiff to advance the matter. SAFCOL attorneys have advised that this matter should be pended until further notice to manage, save and avoid further litigation costs.

The extent of the financial value in the case is R873 054 and the legal costs to date amount to R356 800.07.

36.2.2.9 Collins Sebola Financial Services (CSF) vs SAFCOL and 2 Others (Declaratory order)

In this matter, CSF launched application on 1 September 2023 and served upon SAFCOL on 13 September 2023 for a declaratory order:

To invalidate the decision by SAFCOL to cancel the tender in respect of RFB 039/2022, and to interdict SAFCOL from re-advertising RFB 039/2022. To interdict and restrain SAFCOL from cancelling RFB 039/2022. SAFCOL is opposing this application and has also agreed to follow the mediation process. SAFCOL's legal representative required a discovery of documents that CSF relies on for its application against SAFCOL.

This matter was set down for hearing on 11 August 2025 but did not proceed due to court allocations and the parties are awaiting a new hearing date. The fees incurred to date amount to R620 009

36.2.2.10 Mokoena and Another vs Regional Land Claims Commission (Mpumalanga), SAFCOL and Others

In August 2023, SAFCOL was served with the documents on the claim by Enqunqini ka Majumba (Tribal Community).

The Tribal Community brought an application in the Land Claims Court for an order transferring portion and remaining extent of Witklip 230 JT currently owned by the Engcungcwini Community Property Association (CPA). Some members of the Tribal Community allege that the Regional Land Claims Commission and the Director-General of Land Affairs are in concert with the CPA in fraudulent activities as they hijacked their claim. The Land Claims Court heard the application by the Tribal Community on 14 November 2023 and the judgment was reserved. As soon as the judgment is passed, SAFCOL will engage with the relevant party that emerges victorious to protect its business interest in relation to Witklip Plantation.

It is significant to note that SAFCOL has incurred no legal fees as the matter was managed internally.

36.2.2.11 MB Mnisi N.O and Others vs Chief Land Claims Commissioner, SAFCOL and Others

An application was launched by land claimants in the Land Claims Court against the Land Claims Commissioner on the disputed land claim that concerns various farms that include the Nelshoogte Plantation and Morgenzon which are managed by SAFCOL.

SAFCOL is listed as an interested party in the dispute.

The outcome of the application will have an impact in the business of SAFCOL at the Nelshoogte Plantation. The application is directly against the Land Claims Commissioner.

It is significant to note that SAFCOL has incurred no legal fees as the matter was managed internally.

36.2.3 Contingent asset

36.2.3.1 SAFCOL vs Connaught Mining (Pty) Ltd

After long and drawn-out negotiations since March 2023, and on 17 January 2024 at Pretoria, the duly authorised representatives of SAFCOL and Connaught signed the Compensation and Access Agreement ("CAA"). Connaught duly complied with its obligations under clause 4.1 of the CAA by making payment of the up-front payment of R2 000000.00 of the Compensation Sum to SAFCOL on or about 13 February 2024. The remaining balance in the amount of R14 000 000.00 of the Compensation Sum was to be paid by Connaught to SAFCOL on 17 July 2024 (within 6 months from the Signature Date, 17 January 2024) in terms of clause 8.1 of the CAA. When the amount of R14 million of the Compensation Sum became due, Connaught reneged on the CAA by refusing to pay and consequently a dispute was declared for arbitration.

After the determination by the Arbitrator of issues regarding jurisdiction and Connaught's counter-claim of about R370 million in favour of SAFCOL on 31 March 2025, a further pre-arbitration meeting was held between the parties and the Arbitrator on 13 May 2025 to discuss time periods for the determination of the remainder of the issues in the arbitration proceedings, which pertain inter alia to the R7.3 million which relates to the claim for employee costs.

Shortly after the pre-trial, SAFCOL was approached by Connaught with the proposition for the settlement of the matter. The Arbitrator allowed parties to engage until June 2025. Should the matter not settle, the parties will continue with the arbitration process.

With regard to the continuation of arbitration process, and in the event that Connaught is dissatisfied with SAFCOL's response to Connaught's request for further and better discovery on R7.3 million that relates to employee costs, and wishes to bring an application to compel in respect of the same, Connaught will notify SAFCOL and the Arbitrator of its intention to do so and the Arbitrator will issue a directive in respect of the time periods for when an answering affidavit and replying affidavit will need to be delivered.

36.2.3.2 KLF vs Diggersrest (Pty) Ltd – R2 545 223.36

KLF's attorneys (Dyason Inc.) are engaging with the Defendant's attorneys to explore settlement out of court. While negotiations proceed, the Defendant has filed an application for the taxation of a Bill of Costs arising out of a court order dismissing a summary judgment application launched by previous attorneys (Macbeth Incorporated). This is set down for 15 October 2025. Status: Settlement negotiations ongoing; Bill of Costs taxation application set down for 15 October 2025.

36.2.3.3 KLF vs Riverside (Pty) Ltd – R3 843 380.00

In September 2022, KLF issued summons for recovery of this amount arising from Riverside's default on timber payments (Sekati & Sekati Attorneys). Default judgment applied for on 25 March 2024 was refused due to questions of proper service. On 6 September 2024, KLF applied for substituted service on co-sureties. Application granted but attorneys withdrew; a new law firm will finalise the matter. Status: Substituted service granted; appointment of new law firm pending.

36.2.3.4 KLF vs De Wet Paljas – R5 982 820.63

Arises from an alleged breach of a signed AOD (Phungula Attorneys Inc.). Summons issued to recover debt. Pleadings and amendments exchanged. Interlocutory application to compel compliance opposed by Defendant on 25 October 2024. KLF filed replying affidavit on 15 November 2024. Matter set down for 22 July 2025. Status: Awaiting hearing on 22 July 2025.

36.2.3.5 KLF vs Lothair Consolidated Timber Industries (Pty) Ltd – R1 471 607.18 (Claim 1)

Breach of timber sale agreement by Lothair (AMS Attorneys). Arbitration initiated. Combined summons issued and served but no appearance to defend. Default judgment application heard on 20 January 2025 refused; substituted service ordered and granted on 14 February 2025. Summons served by publication on 11 April 2025. Defendants have now entered appearance to defend, and pleadings are being exchanged. Status: Pleadings being exchanged following defendants' appearance to defend.

36.2.3.6 KLF vs Lothair Consolidated Timber Industries (Pty) Ltd – R2 656 463.10 (Claim 2)

Breach of AOD by Lothair (AMS Attorneys). Matter referred to arbitration with the Arbitration Foundation of Southern Africa (AFSA) for claim 2. Status: Arbitration date awaited from AFSA.

36.2.3.7 KLF vs Verwoerd Dumezulu Holdings – R608 753.77

Cash sale of timber accounts where customers over trade and denies liability (Zungu Attorneys Inc.). Summons issued in Mbombela High Court on 20 June 2024, but Sheriff struggled to serve; substituted service suggested. Status: Substituted service under consideration due to failed personal service.

36.2.3.8 KLF vs Mountain View – R705 531.61

Cash sale of timber account where customer overtraded and denies liability (Ntsoane Attorneys). Timber sales contracts under review for issuing summons. Summons issued at Mbombela High Court on 22 May 2024. Mountain View defended and filed plea in the 2nd quarter. KLF's attorneys requested information to prepare replication; information being collated. Status: Awaiting KLF information to file replication.

36.2.3.9 KLF vs Dukuduku Timbers (Pty) Ltd – R826 139.52

Summons drafted and sent to Correspondent Attorneys in Durban for issuing and service (Khumalo Masondo Attorneys). In May 2025, Defendants' attorneys indicated intention to defend. Notice received 15 May 2025. Plea due 20 days thereafter prescribed on 3 July 2025; KLF served notice of bar and will proceed to trial if no plea filed. Status: Notice of bar served; will progress to trial if plea is not filed.

Contingent liability: IFLOMA

Liabilities arising from differing interpretations of tax law

The Company's tax status may be reviewed by the tax authorities for a five-year period. Therefore, potential tax corrections may lead to varying interpretations and/or violations of tax legislation, particularly the Income Tax (IRPC) and Income Tax of Individuals (IRPS). The Board of Directors is of the opinion that the financial statements will not be significantly impacted by any corrections that may arise from inspection and/or review by the tax authorities.

37. Related parties

Relationships

Ultimate shareholder	Government of the Republic of South Africa
Subsidiaries	Komatiland Forests SOC Limited ABACUS Forestries SOC Limited Kamhlabane Timber SOC Limited Indústrias Florestais de Manica
Other related parties	Other public entities within the Department of Forestry, Fisheries and the Environment
Members of key management	Listed in the directors' emoluments

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Related party balances				
Loan accounts – Owing (to)/by related parties				
Komatiland Forests SOC Limited	-	-	294 042	294 042
Payables to related parties				
Other State-Owned Companies	-	(1 815)	-	-
Department of Forestry, Fisheries and Environment	1 466 923	-	-	-
Receivables from related parties				
Komatiland Forests SOC Limited	-	-	262 626	260 102
ABACUS Forestries SOC Limited	-	-	721	651
Kamhlabane Forests SOC Limited	-	-	42	22
Interest income				
Komatiland Forests SOC Limited	-	-	27 212	19 324
Interest expense				
Department of Forestry, Fisheries and Environment	261 652	-	-	-
Sale of goods and services				
Komatiland Forests SOC Limited	-	-	167 551	176 650
Eskom	-	251	-	-
Purchase of goods and services				
Komatiland Forests SOC Limited	-	-	(600)	(600)
Eskom	-	(23 156)	-	-
Department of Forestry, Fisheries and Environment	75 300	-	-	-
Compensation to directors and other key management				
Short-term employee benefits	(23 024)	(25 669)	(23 024)	(25 669)

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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Related party relationships – Government departments

In prior years, Eskom was regarded as a related party of the Company because both entities were ultimately controlled by the Department of Public Enterprises and, subsequently, by the Office of the Presidency, which at the time were identified as the Company's ultimate controlling shareholder.

In the current year, the Company's ultimate shareholder changed to the Department of Forestry, Fisheries and the Environment (DFFE). In terms of IAS 24.9 read together with IAS 24.25–27, Eskom no longer qualifies as a related party because it is no longer under the control of the same government department as the Company.

Accordingly, transactions with Eskom are no longer disclosed as related party transactions in the current year.

38. Directors' emoluments

This note sets out the emoluments, reimbursements, retirement fund contributions and total remuneration paid to the Group's executive directors and prescribed officers, as well as the directors' fees paid to non-executive directors, for the current and comparative financial years. In accordance with IAS 24 Related Party Disclosures and section 30(4)–(6) of the South African Companies Act, the Group discloses the remuneration of directors and prescribed officers individually. Amounts are presented on an accrual basis and include all benefits earned during the year, whether paid or payable.

The remuneration of executive directors and prescribed officers, as well as the fees of non-executive directors, for the years ended 2025 and 2024 are as follows:

Executive directors and prescribed officers

2025	Emoluments R'000	Reimbursement R'000	Retirement fund R'000	Total R'000
SO Dlamini	3 262	-	354	3 616
D Human	2 591	-	273	2 864
MI Gaeganelwe	1 964	-	237	2 201
ED Motseko	1 889	-	231	2 120
LN Rapoo	1 797	-	189	1 986
V Harichund	1 975	4	294	2 273
SS Mpontshana	1 714	-	180	1 894
K Mokobane	2 321	-	286	2 607
	17 513	**4**	**2 044**	**19 561**

2024	Emoluments R'000	Reimbursement R'000	Retirement fund R'000	Total R'000
OT Monaheng	3 191	-	386	3 577
D Human	2 587	-	279	2 866
SO Dlamini	2 899	-	352	3 251
MI Gaeganelwe	1 744	5	230	1 979
ED Motseko	1 839	-	230	2 069
LN Rapoo	1 749	-	189	1 938
C Marais	1 707	5	286	1 998
V Harichund	1 924	4	292	2 220
SS Mpontshana	1 666	-	179	1 845
	19 306	**14**	**2 423**	**21 743**

Non-executives

2025	Directors' fees R'000	Reimbursement R'000	Total R'000
MF Baleni	908	-	908
N Balton	397	-	397
L Malema	391	-	391
L Mokgatle	397	-	397
Y Pillay	489	-	489
J Yawitch	437	-	437
N Mabusela-Aikhuere	444	-	444
	3 463	**-**	**3 463**

2024	Directors' fees R'000	Reimbursement R'000	Total R'000
PM Makwana	131	-	131
MF Baleni	652	-	652
N Balton	528	-	528
B Hanise	192	-	192
L Malema	391	-	391
L Mokgatle	374	-	374
Y Pillay	440	-	440
ZP Zatu	409	2	411
J Yawitch	437	-	437
N Mabusela-Aikhuere	370	-	370
	3 924	**2**	**3 926**

39. Risk management

Due to the nature of its activities and the use of various financial instruments, the group is exposed to various financial risks. The Board has the overall responsibility for establishing and overseeing the Group's risk management framework.

Capital risk management

The Group manages its capital to ensure that its entities can continue as a going concern. The Group's overall strategy is to position itself as an attractive business partner by continuously managing its statement of financial position, preserving cash, and seeking alternative funding alternatives.

The gearing ratio at 2025 and 2024, respectively, was as follows:

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Total debt	3 008 710	2 753 992	226 547	225 982
Total equity	3 644 476	3 580 478	590 380	561 448
Gearing ratio	83%	77%	38%	40%

The capital structure of the Group consists of debt, which includes short- and long-term borrowings and equity attributable to the parent's equity holders, comprising issued capital, reserves, and retained earnings. As a contingency plan to manage the liquidity of the Group, a facility (a combination of an asset-based finance and multi-option facility) has been secured with a financial institution. There were no dividends declared in the current financial year. A significant portion of the debt consists of finance leases relating to land leases from DFFE. The statement of change in equity note has disclosed equity and other reserves.

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. Internal Audit conducts ad hoc reviews to assess compliance with risk management policies.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2025 continued

Classes of financial instruments

The financial instruments are held at amortised costs. At year-end, all financial instruments held at amortised value approximated fair value.

The carrying amounts of the financial assets and liabilities for both Group and Company are shown in the statement of financial position and the accompanying notes to the financial statements. All financial assets and financial liabilities at amortised costs approximate their fair values. The Group does not hold any financial instruments that are traded on an active exchange and thus their carrying amounts are equal to their fair value. The fair value of the financial assets and liabilities equals their amortised costs that is presented in the statement of financial positions and respective accompanying notes to the annual financial statements.

Major financial risks

The following major financial risks that the organisation is exposed to have been identified:

- Forward exchange risk;
- Financial risk management;
- Liquidity risk;
- Market risk;
- Compliance risk;
- Operational risk;
- Price risk;
- Credit risk; and
- Cash flow interest rate risk.

Forward exchange risk

Forward exchange risk is the risk of loss arising from changes in the exchange rate from one currency to another through higher payments or lower receipts in the local currency.

The Group enters into forward exchange contracts to buy and sell specified amounts of various foreign currencies in the future at predetermined exchange rates, if needed. The contracts are entered into in order to manage the Group's exposure to fluctuations in foreign currency exchange rates on specific transactions. The contracts are matched with foreign currency commitments and anticipated future cash flows in foreign currencies consisting primarily of exports. No significant export transactions were concluded during the year.

Funding for the IFLOMA subsidiary in Mozambique is mainly paid in US Dollars, whilst expenses are mainly denominated in Metical. This has the effect that the Group is exposed to fluctuations in the Rand, the US Dollar and the Metical. No forward exchange cover was used during the year.

Financial risk management

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

Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet its financial obligations as they fall due. In line with IFRS 7, the Group manages this risk by maintaining adequate cash reserves, holding highly liquid short-term deposits and ensuring access to committed credit facilities. At year-end, the Group held deposits at call of R52.6 million (2024: R1.8 million), which are available to generate immediate cash inflows.

The Group's treasury function actively monitors rolling cash flow forecasts to ensure that sufficient liquidity is available to meet operational, capital and financing needs. Liquidity risk management includes projecting cash flows, monitoring the adequacy of liquid assets, maintaining balance sheet ratios, and implementing both long-term and short-term funding strategies. The Board reviews cash flow forecasts and the overall liquidity position regularly as part of its oversight responsibilities.

At year-end, the Group reported the following current ratios, demonstrating its ability to cover short-term obligations:

	GROUP		COMPANY	
	2025 R'000	**2024 R'000**	**2025 R'000**	**2024 R'000**
Current assets	930 872	857 162	769 686	727 913
Current liabilities	718 751	653 496	226 547	225 982
Current ratio	**1.30**	**1.31**	**3.40**	**3.22**

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Liquidity risk arises primarily from fluctuations in revenue flows and the Group's ability to service debt and interest obligations. To mitigate these risks, the Group:

- Monitors liquidity daily and prepares regular rolling cash flow forecasts.
- Maintains sufficient levels of liquid assets and marketable securities.
- Implements a combination of long-term and short-term funding strategies.
- Diversifies funding and investment activities to avoid reliance on a single source.

Management has assessed the liquidity position as part of the going concern evaluation and concluded that the Group has access to sufficient cash resources to continue operating in the foreseeable future.

The following maturity analysis presents the Group's financial liabilities by contractual maturity date, showing undiscounted cash flows. Amounts due within 12 months equal their carrying values, as the impact of discounting is not significant.

Group financial liabilities

GROUP	Carrying amount R'000	Contractual amount R'000	Less than 1 year R'000	More than 1 year R'000
At 31 March 2025				
Finance lease obligation	1 479 148	1 479 148	228 789	1 250 359
Long-term liabilities	82 338	82 338	19 656	62 682
Trade and other payables	19 690	19 690	19 690	-
	1 581 176	**1 581 176**	**268 134**	**1 313 041**

GROUP	Carrying amount R'000	Contractual amount R'000	Less than 1 year R'000	More than 1 year R'000
At 31 March 2024				
Finance lease obligation	1 228 690	1 228 690	228 789	999 901
Long-term liabilities	82 661	82 661	16 314	66 347
Trade and other payables	394 690	394 690	394 690	-
	1 706 041	**1 706 041**	**639 793**	**1 066 248**

Disclosure of contractual amount – Correction of error

During the preparation of the current year's financial statements, management identified a disclosure error in the comparative information previously reported. In the 2024 financial statements, the contractual amount of finance lease liabilities was disclosed as R1 105 070, whereas the correct amount was R1 228 690. The other error was on the 2024 financial statement, less than 1 year total amount disclosed was R615 177 whereas the corrected amount was R639 793.

This misstatement related solely to the disclosure of the contractual amount and did not affect the recognition or measurement of the underlying finance lease liability, the statement of financial position, profit or loss or cash flows. In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (paragraphs 41–49), the comparative disclosure has been restated to reflect the correct amount of R1 228 690.

COMPANY	Carrying amount R'000	Contractual amount R'000	Less than 1 year R'000	More than 1 year
At 31 March 2025				
Finance lease obligation	-	-	-	-
Trade and other payables	226 547	226 547	226 547	-
	226 547	**226 547**	**226 547**	**-**

COMPANY	Carrying amount R'000	Contractual amount R'000	Less than 1 year R'000	More than 1 year R'000
At 31 March 2024				
Finance lease obligation	3 977	4 172	4 172	-
Trade and other payables	221 827	221 827	221 827	-
	225 804	**225 999**	**225 999**	**-**

Group financial assets

GROUP	Loans and receivables R'000	Other financial assets R'000	Total R'000
At 31 March 2025			
Trade and other receivables	217 774	-	217 774
Other financial assets	-	-	-
Cash and cash equivalents	220 098	-	220 098
	437 872	**-**	**437 872**

GROUP	Loans and receivables R'000	Other financial assets R'000	Total R'000
At 31 March 2024			
Trade and other receivables	215 333	-	215 333
Other financial assets	-	1 616	1 616
Cash and cash equivalents	202 020	-	202 020
	417 353	**1 616**	**418 969**

Company financial assets

COMPANY	Loans and receivables R'000	Other financial assets R'000	Total R'000
At 31 March 2025			
Loans to group companies	294 042	-	294 042
Trade and other receivables	270 774	-	270 774
Cash and cash equivalents	202 511	-	202 511
Current tax receivable	-	-	-
	767 327	**-**	**767 327**

COMPANY	Loans and receivables R'000	Other financial assets R'000	Total R'000
At 31 March 2024			
Loans to group companies	294 042	-	294 042
Trade and other receivables	260 963	-	260 963
Other financial assets	-	1 616	1 616
Cash and cash equivalents	172 743	-	172 743
	727 748	**1 616**	**729 364**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Compliance risk

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

This is minimised through effective monitoring and reporting to ensure compliance with the PFMA, the Occupational Health and Safety Act, Companies Act, Income Tax Act, The Corporate Laws Amendment Act, applicable environmental legislation and the requirements of statutory and other bodies; including the Competition Authorities, South African Reserve Bank, Financial Services Board and the Forestry Stewardship Council.

Operational risk

Operational risk is the risk resulting from inadequate or failed internal processes, people, and systems, or from external events. The Group's approach to managing operational risk has led to the establishment of the following practices:

- Policies and procedures to sustain effective risk management; and
- The ongoing assessment of the effects of changes in the regulatory environment and adaptation of the processes accordingly.

Price risk

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

Prices have been adjusted in accordance with market expectations.

Credit risk: Trade receivables

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

To measure expected credit losses, trade receivables have been compiled based on shared credit risk characteristics and the number of days past due. The Company has, therefore, concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates. Management predicts the expected loss rates to reflect current and forward-looking information on macro-economic factors that affect customers' ability to settle receivables. On that basis, the loss allowance on 31 March 2025 was determined as follows for trade receivables:

Ageing bucket (days past due)	Gross carrying amount R'000	Historical loss rate %	Forward-looking adjustment %	Adjusted loss rate %	Expected credit loss R'000
1–30 days	85 056 113	1%	0.00%	0.68%	576 473
31–60 days	1 293 180	1%	0.00%	0.68%	8 765
61–90 days	6 337 618	1%	0.00%	0.68%	42 954
91–120 days	8 396 546	1%	0.00%	0.68%	56 908
121–150 days	6 085 461	1%	0.00%	0.68%	41 245
> 151 days	31 566 278	1%	0.00%	0.68%	213 943
Subtotal – Performing	126 059 960				854 380
Handed over/legal cases	99 004 769	Individually assessed		100.00%	99 004 769
Total	**225 064 729**				**99 859 149**

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. The Group actively follows up on all outstanding debtors to ensure that they are recovered. Group Legal is also involved in credit disputes that require its services. CGIC insurance is then engaged at the point where the Legal team fails to recover. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Interest rate risk

Cash flow interest rate risk refers to the risk of loss resulting from fluctuations in interest rates, which can lead to higher interest payments or lower interest receipts. The Group does not have significant liabilities financed through a finance lease. The interest rate associated with each finance lease is negotiated and agreed upon prior to the conclusion of the finance lease. Financial institutions consider the Company to be of medium risk, with its interest payments linked to the prime rate.

The Group is exposed to interest rate risk, as it funds assets and invests surplus funds from time to time. The Group utilises limited asset-based and finance leases to fund assets. These finance leases have fixed rates, as well as floating interest rates linked to the prime rate. 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 needed. Surplus funds from operations are transferred to the holding company on a daily basis. These surpluses or shortfalls bear interest on a floating interest intercompany account.

Basis for determining fair values

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

Available-for-sale financial assets

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

Trade and other receivables

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

Other loans and receivables

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

Cash and cash equivalents

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

Borrowings

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

Other financial liabilities

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

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. Due to the short-term nature of trade and other payables, the carrying amount approximates fair value.

Interest rates used for determining fair values

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

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Interest rate risk sensitivity: Finance costs				
- 5.0% Increase in interest rate	288 480	258 733	223	1 008
- 5.0% Decrease in interest rate	261 006	229 443	202	894
Profit/Loss after tax				
- 5.0% Increase in interest rate	54 555	120 972	28 921	16 417
- 5.0% Decrease in interest rate	82 029	150 263	28 943	16 531

5.0% rate used is linked to the average CPI rate for the year.

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

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.
Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 3

Recurring fair value measurements

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Assets				
Biological assets				
Biological assets	1 464 692	1 522 107	-	-
Other financial assets				
Unlisted shares (NTE and Guardrisk)	-	(2 060)	-	(318)
Total	**1 464 692**	**1 520 047**	**-**	**(318)**

Gains and losses recognised in profit or loss are included in other income on the statement of comprehensive income.

40. Going concern

The annual financial statements have been prepared on the going concern basis in accordance with IFRS. This basis presumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The going concern assumption is considered appropriate because, for the year ended 31 March 2025, the Group generated a profit after tax and recorded positive operating cash inflows, consistent with the prior year.

These results reflect the Group's ability to operate profitably even in a challenging economic environment. Management has also prepared detailed cashflow forecasts covering at least the 12 months following approval of these financial statements, which indicate that the consolidated Group will have sufficient cash resources to meet its obligations as they fall due.

In assessing the Group's ability to continue as a going concern, the Directors undertook a comprehensive review of all relevant factors. This included an evaluation of the Group's current liquidity position; an analysis of historical performance showing positive operating cash inflows and profits after tax in both the current and prior year; a review of detailed cashflow forecasts prepared by management, incorporating conservative assumptions about revenues, costs and working capital; and consideration of the availability of undrawn borrowing facilities and new funding sources. Funding arrangements include the continued support from Directors and shareholder in securing appropriate funding facilities to support ongoing operations and strategic initiatives. The Directors also noted that a significant portfolio of biological assets remains unencumbered. This asset base represents valuable collateral that can be leveraged to enhance liquidity and provides the Group with flexibility to secure additional funding if required.

The assessment further incorporated external market conditions. In particular, the Directors considered the continuing slow recovery of the construction sector, which affects demand for the Group's products and services, and the broader economic pressures that have contributed to liquidity challenges in the past year. In response to these factors, the Directors have implemented and continue to maintain enhanced cashflow monitoring, tighter budgetary controls, disciplined expenditure management and the active procurement of additional funding sources.

These measures are designed to mitigate potential cashflow pressures and strengthen the Group's liquidity profile. The Directors believe that the combination of these measures, together with the Group's unencumbered biological assets, places the Group in a strong position to withstand current market volatility.

IFLOMA subsidiary: The Company is currently executing a turnaround plan that has received approval from the IFLOMA and SAFCOL boards. The Company is further accessing the viability of the Galinha project and intends to secure funding/investment to launch it.

Abacus Land Claims on investment property present a risk to its ongoing operations. Management has proactively devised several measures to mitigate this risk and ensure the Company's ongoing operation. These steps include:

- Engagement with legal experts to strengthen its case and prepare for potential legal proceedings.
- Strategic financial planning: Efforts have been made to diversify income streams to reduce dependency on the property, thereby improving financial resilience.
- Stakeholder communication: Open communication channels with stakeholders were established to maintain trust and manage expectations.

Although the SAFCOL Group has experienced liquidity pressures arising from the prevailing economic environment, the Directors are satisfied that adequate measures are in place and that the Group can obtain additional funding if required. Based on this evaluation, the Directors have concluded that no material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern.

Accordingly, it is appropriate to prepare these financial statements on a going concern basis, consistent with the requirements of IAS 1 Presentation of Financial Statements. Should circumstances change and material uncertainties arise, the Group will disclose these in the relevant reporting period in accordance with IFRS.

41. Events after the reporting period

After year-end, the Group concluded a final settlement with a third party in respect of pending legal matters between the parties. This settlement relates to inventory held by the third party as collateral and represents an adjusting event after the reporting period. The effect of this settlement has been reflected in the valuation of the Group's inventory at year-end in accordance with IAS 10 Events after the Reporting Period.

During the current financial year, the reporting line of the Group company was transferred from the Office of the Presidency to the Department of Forestry, Fisheries and the Environment. This change in oversight occurred within the reporting period and does not affect the ownership structure of the Group, which remains unchanged.

After the reporting date, the Group experienced significant fires affecting multiple areas of its operations. The extent of the financial losses from these fires is still being evaluated. Preliminary assessments indicate that the potential impact of these events falls within the range of expected future losses already incorporated into the valuation of the Group's biological assets. As such, the fires currently represent a non-adjusting event as defined by IAS 10.

After the reporting date, Instituto de Gestão de Participações do Estado (IGEPE) indicated its intention to sell its 20% shareholding in the Company. KLF accepted the offer to acquire the shares, and the required approval from the South African Reserve Bank was obtained. The acquisition was completed after year-end, although the formal transfer processes remain outstanding as of the date of approval of these annual financial statements. Management assessed this as a non-adjusting subsequent event.

Also, after year-end, the Group's Chief Financial Officer resigned. The Board has initiated a process to appoint a successor. This event does not affect the amounts recognised in the financial statements for the reporting period and is therefore treated as a non-adjusting event.

The challenging economic environment continues to exert pressure on the Group's profitability targets. As a forestry business, revenue and expenditure are not always closely aligned because of the cyclical activities required to maintain biological assets. The Directors have proactively implemented cash-preservation and cost-curtailment measures to manage liquidity pressures, and these measures are already producing positive results. Despite the adverse conditions, the Group continues to meet its obligations as they fall due.

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42. *Compliance note*

The following information covers irregular, fruitless and wasteful expenditure. The amounts disclosed are inclusive of VAT in the current year.

	GROUP		COMPANY	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000
Irregular expenditure – current year	332	462	-	265
Irregular expenditure identified in the current year relating to the prior year	3 004	45	93	45
Fruitless and wasteful expenditure	-	6	-	3

Irregular expenditure

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

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

Condonation of the irregular expenditure is obtained from the relevant internal governance structure.

Non-compliance with SCM policies

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

To ensure that these findings will not be repeated, the NEC4 suite of contracts was implemented to ensure that all SCM Policies and Treasury Regulations are followed before awarding a contract and during the life of the contract. Furthermore, a loss control committee was implemented, and investigations have been instituted to identify the root causes of the irregular expenditure and assist with consequence management. The investigations also review and test whether the Company, for services and goods provided, received value for money.

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

Fruitless and wasteful expenditure

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

43. *Prior period error*

During the current year, it was determined that trade and other receivables of R260.1 million in the prior period was incorrectly recognised as loans to group companies instead of being classified as intercompany loans under trade and other receivables. The prior year loans to group companies was R544.8 million before restating the balance to R294 million while the prior year trade and other receivables amount was R0.02 million before restating the balance to R260.9 million. These changes subsequently affected the disclosure of the related party note and cashflow statement working capital note. These errors have been corrected by restating the comparative figures for 31 March 2024.

LIST OF ACRONYMS/ABBREVIATIONS

AG	Auditor-General
B-BBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CGU	Cash-Generating Unit
CHP	Combined Heat and Power
CPA	Community Property Association
CSI	Corporate Social Investment
DFFE	Department of Forestry, Fisheries and the Environment
DIFR	Disabling Injury Frequency Rate
ECL	Expected Credit Loss
EE	Employment Equity
ERP	Enterprise Resource Planning
ERRP	Economic Reconstruction and Recovery Plan
ESD	Enterprise Supplier Development
ESG	Environmental, Social and Governance
EXCO	Executive Committee
FPP	Fraud Prevention Plan
FSA	Forestry South Africa
FSC®	Forest Stewardship Council
FY	Financial Year
GDP	Gross Domestic Product
HA	Hectare
HR	Human Resources
ICT	Information and Communication Technology
IFLOMA	Indústrias Florestais de Manica SARL
IFRS	International Financial Reporting Standards
IR	Integrated Report
JET	Just Energy Transition
JTF	Just Transition Framework
KLF	Komatiland Forests SOC Limited
KPI	Key Performance Indicator
MOUs	Memorandum of Understanding
NDP	National Development Plan
NOSA	National Occupation Safety Association
NYDA	National Youth Development Agency
PCC	Presidential Climate Commission
PFMA	Public Finance Management Act
R&D	Research and Development
SAFCOL	South African Forestry Company Limited
SANAS	South African National Accreditation System
SDG	Sustainable Development Goal
SEDFA	Small Enterprise Development Finance Agency
SHEQ	Safety, Health, Environment and Quality
SIS	Strategic Intent Statement
SOC	State-Owned Company