INTEGRATED ANNUAL REPORT

for the year ended 30 June 2014

YORK TIMBERS

ABOUT THIS REPORT

We are pleased to present to stakeholders our integrated annual report for the year ended 30 June 2014. The scope of this report covers the performance of the Group in the period under review. We are confident that our integrated annual report will provide the basis for meaningful engagement with our stakeholders in the year ahead.

Our external auditors, KPMG Inc., have audited the financial statements. The Group's broad-based black economic empowerment (BBBEE) rating and scorecard has been verified by an accredited rating agency, Premier Verification Proprietary Limited. The Audit Committee had oversight of the preparation of the integrated annual report and recommended it for Board approval, which was obtained on 17 September 2014.

The information included in the integrated annual report is provided in accordance with International Financial Reporting Standards (IFRS), the South African Companies Act 2008, the JSE Listings Requirements, as well as the King Code of Governance Principles 2009 and related guidance. The report may be accessed on our website www.york.co.za.

YOUR GUIDE

The icons alongside serve as a guide to where further information on key areas can be found.

This icon denotes information that appears on our website: www.york.co.za

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GLOSSARY

Boiler — A closed vessel in which water or other fluid is heated. The fluid does not necessarily boil. The heated or vaporised fluid exits the boiler for use in various processes or heating applications.

Camcore — Camcore is an international organisation, based in Raleigh, North Carolina, which seeks to provide its members with improved germplasm and advice as well as to keep abreast of the development of modern tree breeding technology. It is due to the collaborative efforts of its members on specific projects in the testing of various families, species or hybrids across landholdings in both South America and Africa that York is able to advance its tree breeding programme rapidly.

Conditioning chamber — A structure similar to that of a kiln which uses steam to heat the logs to a specific core temperature for the peeling process. The logs move progressively on trolleys through the structure until the specified temperature is reached.

Dryer — A machine that dries the veneer sheets to a specified moisture content.

Lay-up line — A lay-up line is used to stack and glue dry veneer sheets onto one another to form a plywood panel.

Peeler — A machine that peels each log into one long veneer sheet. A log is placed inside the peeler, and as the peeler rotates the log at high speed on its longitudinal axis, a full length knife blade peels a continuous ribbon of veneer according to the prescribed thickness (2,65mm, 3,15mm or 3,65mm).

Pine chips — Fibre from chipping the round log to produce final lumber board dimension. This is the highest grade fibre of the tree.

Planer — A machine that is used to remove the rough or excess surface from a wooden plank or board. The plank or board is left with a smooth finish.

Press — The multi-daylight (multi-layered, i.e. can press several panels at a time) press creates the plywood panels under heat and pressure, allowing resin to cure and stacked veneer sheets to form a plywood panel.

FINANCIAL HIGHLIGHTS

for the year ended 30 June 2014

	2010 R'm	2011 R'm	2012 R'm	2013 R'm	2014 R'm	CAGR %
Financial performance						
Revenue	909	959	1 113	1 132	**1 324**	7,8
Revenue growth (%)	(17)	6	16	2	**17**	
EBITDA	105	195	194	187	**156**	7,9
EBITDA margin (%)	12	20	17	17	**12**	
Net profit	65	38	138	107	**51**	(1,3)
Net profit margin (%)	7	4	12	9	**4**	
Financial position						
Total equity	1 968	2 026	2 170	2 277	**2 327**	5,0
Return on equity (%)	4	2	6	5	**2**	
Total assets	3 267	3 316	3 504	3 658	**3 720**	2,7
Return on assets (%)	2	1	4	3	**1**	
Total debt	682	614	558	597	**563**	(3,8)
Cash	84	103	145	159	**110**	6,0

FINANCIAL HIGHLIGHTS continued

Earnings

- **17% REVENUE GROWTH** with the integration of Roodekop and Epping (RE) businesses into York. It however resulted in gross profit margin dilution of 3% due to a different product offering and the buy-in of wood products for resale.
- Earnings per share reduced by 53% due to increased external log purchases, reduced Sawmill segment profitability and operational losses at the acquired RE businesses (full year operating losses came to R9,4 million, which includes once-off expenditure of R5,3 million).
- Average selling price increases remained depressed during the year, achieving a 2,8% increase only. The impact of not being able to achieve a CPI-related price increase of 5,8% amounted to R31,9 million in lost opportunity, which came as a direct consequence of a fragmented industry.
- **Purchased 34% external log volumes** of total value R182 million from outside parties as a result of the age class distribution of our own plantations not being at the ideal rotation age yet. This had a **R28,6 MILLION IMPACT ON EBITDA**.
- Driekop sawmill was unprofitable, driven by specie specific log quality, reduced average selling prices and lower overall equipment efficiency.
- Sudden and abrupt price increases above forestry PPI of 4,5% resulted in further margin squeeze, such as a 9% overall labour rate increase per Processing division wage earner, as well as 13,1% utility increases, which impacted results by R25,2 million and R7,2 million respectively. In addition, the impact of the 62% minimum wage increase in the forestry contractor industry had an impact of R10,3 million during the year. These increases have to be recovered through efficiencies going forward.
- Continued release of the environmental provision, albeit less than the prior year, as environmental concerns continue to receive attention. Reduction in other income relates to the environmental provision released – prior year R27,6 million vs. current year R7,2 million release. The remaining provision to address current concerns is R11,6 million.
- Selling, general and administration costs increased by R44,6 million year-on-year, driven by RE adding R25,5 million and overall employee expenses increasing by R13,4 million (RE portion R10 million), whilst depreciation overall increased by R7,4 million (RE portion R1,1 million) driven by R66 million additional capital expenditure in the year. Excluding RE, overall selling, general and administration costs increased by 6,7%, including unexpected fire-fighting costs of R2,5 million during June 2014.
- Exceptional items accounted for a potential add back to normalised EBITDA of R111,9 million.
- The effective tax rate increased from 22,6% to almost 24%, driven by the non-deductible impairment of the York Chile loan account (once-off adjustment).

Balance sheet

- **THE BIOLOGICAL ASSETS INCREASED** marginally in value **by R2,2 million** year-on-year, driven by the purchase of standing timber of R4,2 million and a net reduction in the discounted cash flow value of own plantations of R2 million as a result of reduced selling price assumptions, as well as an increased discount rate.
- Property, plant and equipment was bolstered by continued capital investment of R66,1 million, mainly at the plywood plant, Sabie sawmill and Jessievale sawmill, as well as in replacement of moveable equipment.

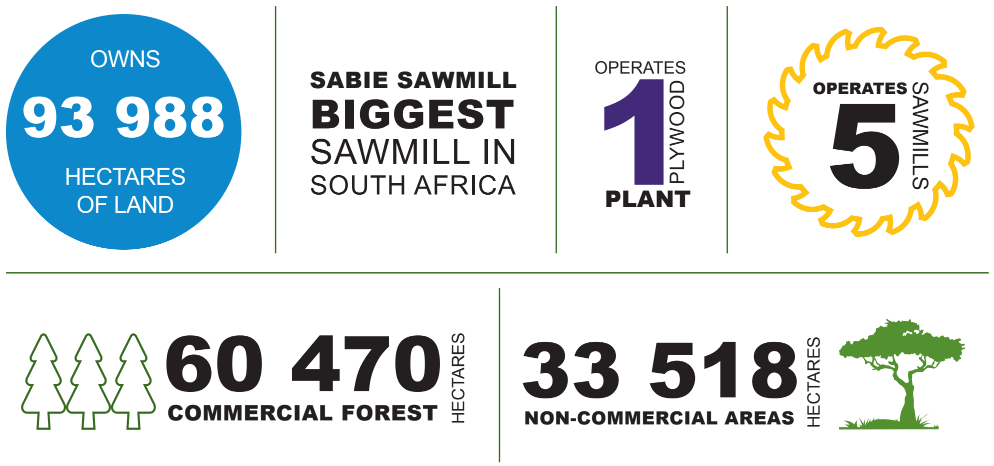
- **NET WORKING CAPITAL INCREASED** by **R32,6 million**, driven by the integration of the RE businesses.
- **Repaid R29 million** in **CAPITAL AND SERVICED** R54 million interest on the Land Bank loan with adherence to all debt covenants.
- Continued investment in the self-insurance plantation fund with **R38,5 million** invested for this purpose to date. The maximum foreseeable loss insurance of R100 million for any single event remains in place.

Cash flow

- **CASH GENERATED FROM OPERATIONS INCREASED** by **42%** after adjustments. Net working capital outflow was R0,2 million (2013: R61 million).
- Continued capital investment of **R61,6 million** was financed through Wesbank facilities (R11,6 million) with the balance funded from operating cash flows.
- A drawdown on the Land Bank term loan was made during the year to fund the R34,2 million acquisition of the RE businesses.
- Utilisation of the self-insurance plantation fund of R5,7 million was made during the year to refund fire-fighting cash flows incurred.

Corporate action

- During the past year we considered the purchase of various businesses in line with our strategic objectives, aiming to improve cash generation, be EBITDA accretive and achieve sustainable synergistic prospects.
- We reviewed a number of opportunities during the year which, based on the strategic criteria were filtered. York remains committed to pay the appropriate value for viable identified opportunities.
- York continues to evaluate various opportunities to consolidate the industry that will **ENHANCE STAKEHOLDER RETURNS**.



BIOLOGICAL ASSETS

Forestry explained…

BIOLOGICAL ASSET RECONCILIATION

	2014 R'000
Prior year value	**2 100 870**
Change in value	**2 222**
Purchased plantations	**4 206**
Growth	**131 897**
Revenue and price	**53 659**
Operating costs	**(35 314)**
Discount rate	**(152 226)**
Closing value	**2 103 092**

Introduction

South Africa is a semi-arid and hence a sparsely treed country. As a developing country with a rapidly increasing population, forest products are of ever increasing importance to meet the country's developmental needs.

South Africa's surface area is 119 300 000 hectares, of which 1,1% (1 268 443 hectares) is dedicated to commercial forestry. Of this, 646 759 hectares is planted with predominately softwoods (pine), of which 454 190 hectares is managed for lumber production.

Over the last number of years, the area under commercial forestry has declined by 249 695 hectares for a number of reasons. The exit strategy implemented by the State (Department of Agriculture, Forestry and Fisheries (DAFF)) that resulted in the removal of State-owned plantations in ecologically sensitive and marginal forestry areas. These areas have been or are being returned to their natural state.

The second reason for the reduction in area is that the main forestry regions are located in the higher rainfall catchment areas along the Eastern Escarpment of South Africa. These areas are also the origin of many of the main water sources for industry and agriculture. In order to reduce the impact of forestry on these water resources, the State has established certain criteria to protect catchment areas. This resulted in a vast number of hectares of plantation being removed around streams and wetlands. Furthermore, a number of private growers have converted from forestry to other crops.

Since 1972 legislation requires that all **new** afforestation needs a planting permit. In 2001 **all** afforestation needed to register for water licensing. No new licences have been issued since 2001 and, as a result, no new commercial afforestation has taken place. All primary catchments in Mpumalanga are closed for new afforestation.

Currently the sustainable annual cut from plantations is just over 19 million tons (total amount of fibre), against a demand for 22 million tons, resulting in a supply deficit. Demand is forecast to reach 28 million tons per annum within 30 years, increasing the imbalance which will result in South Africa becoming a net importer. To prevent this, 24 000 hectares per annum is required *(Source: M. Edwards, 2012 – SA Forestry Handbook, page 4)*.

The changing forestry landscape

Over the last 50 years, the rapid development of the industry has been driven primarily through private sector involvement, with the Government through DAFF taking on the role of regulator as opposed to the developer of the past. The State itself has been attempting to divest itself of its commercial forestry interests through its State Forest Restructuring Programme. These plantations were sold to private companies under a land lease agreement with certain tenure period and obligations of maintaining and improving the plantation area. The remaining State forestry interests are held in a State-owned company called SAFCOL, covering 187 320 hectares of land of which 121 000 hectares is planted, with the main plantations located in Mpumalanga and Limpopo provinces and known as Komatie Land Forests.

Challenges of today's forestry business

It is important to ensure optimum forest productivity, given the fact that the land available for afforestation is limited.

The forestry industry is recognised as a major contributor to the country's overall economic activity, contributing 1,2% to GDP, and one of the country's foremost export industries. The industry is also a recognised leader in natural resource management and utilisation, based on the custodianship and development of a renewable resource.

Factors impacting tree growth

The success of commercial forestry is dependent on matching the correct commercial tree species with the growing conditions and other factors such as markets, logistics and infrastructure.

The main criteria for consideration when investigating a site's ability to support tree growth are climate and soils/lithology. These constitute a dynamic set of interacting and partly compensating factors and must be jointly considered and evaluated. For example, the importance of soils increases as precipitation decreases.

MEAN ANNUAL RAINFALL is one of the most limiting factors in South Africa and needs to be considered in conjunction with ambient air temperature and altitude when selecting a species for commercial production. Each specie has a particular optimum range of physiological activity for fast and continuous growth.

BIOLOGICAL ASSETS continued

For example, **Pinus patula**, which is one of the main commercial pine species in South Africa, will survive in areas with a mean annual rainfall of 750mm where temperatures range between 13ºC – 15ºC but requires greater than 900mm in areas where temperatures range between 17ºC – 21ºC. Much of South Africa's landscape in the summer rainfall areas experiences winter and spring frost.

FROST TOLERANCE, therefore, is an important consideration to ensure tree survival post-planting at higher elevations.

EDAPHIC FACTORS for consideration include soil effective rooting depth, texture, structure, drainage, fertility, stones and lithology. **SOIL DEPTH** is a limiting factor for all species and is important, especially in areas that receive less rain and/or extended periods of drought.

Again this is addressed by specie selection. Specific information on tree rooting conditions requires intensive field surveys (1:10 000 scale) and a spatial database capable of detailing and interpreting the entire rooting profile (soil, saprolite and lithology).

As all commercial species grown in South Africa originated from other regions and continents free of their natural pests and disease they have thrived as monocultures. However, with modern travel modes, the occasional insects and diseases find their way into South Africa, with some becoming problematic.

However, South Africa has one of the world's top forestry pest and disease institutes and most pests have been successfully managed biologically while diseases are managed through breeding programmes. Insect pests such as the Eucalyptus snout beetle, the black pine aphid and sirex woodwasp have been controlled biologically.

FIRES, if not controlled, can be a threat to plantation forestry, but over the years the forestry growers have developed a sophisticated network of electronic fire towers and central control centres with access to dedicated fire-fighting helicopters and fixed-wing aircraft, thus reducing the risk.

Certain plantation areas are prone to hail. This phenomenon excludes the planting of susceptible species in these areas. Of late, certain species with desirable characteristics such as drought tolerance, frost tolerance or good growth, have been crossed to create hybrids with superior growth (hybrid vigour) characteristics and have been successfully deployed in place of the pure specie. These are gaining popularity in South Africa and are often the preferred choice.

York has been experiencing baboon damage for a number of years, which negatively impacts on lumber recovery. Over the years, York has tried various methods of baboon control but has recently decided to change these control methods, which will be rolled out over the next two years.

Current indications are that these new methods should be more effective, which will substantially mitigate York's exposure to this risk.

Silviculture systems and regimes

Plantation forestry is practised over large areas and is a long-term activity (20 – 30 years for saw timber rotation), where strategic planning horizons extend beyond the length of a single rotation.

The silviculture system currently implemented in all commercial plantations in Southern Africa is that of an even-aged stand. A **SILVICULTURE MANAGEMENT REGIME** can be defined as a planned programme of operations implemented during the life of a stand of trees. This includes the method of establishing or regenerating the stand and the tending operations implemented during the rotation to produce certain products as required by the processing plants.

The next table provides a list of the most important silviculture activities and their approximate time frames in the life cycle of a generalised plantation.

Generalised schedule of silviculture activities in the life cycle of plantation forests (modified from Evans and Turnball, 2004)

Time period for plantation establishment (years)	Silviculture activity	Description of key operations
-3 to -1	Choose silviculture regimes and tree taxa	Strategic decisions to match silvicultural regimes and species/genotypes to individual site capabilities and market needs
Continuous	Genetic tree improvement	Assemble and manage populations of genetically improved trees from which seed/cuttings can be obtained
-2 to -0,5	Obtain seeds or prepare cuttings	Collect, store, and pre-treat seed/manage clonal hedges
-1 to 0	Propagation	Raise transplants in nurseries
-1 to 0	Site preparation	Slash management, pre-plant weeding and site preparation
0	Establishment	Plant seedlings/cuttings and blanking where necessary to maintain stocking levels above 90%
-1 to 4	Vegetation management	Manage competition between target crop and other vegetation
-0,2 to 25	Nutrient management	Biomass removal and slash management. Initial and post-establishment fertilisation
1 to 12	Pruning	Pruning of lower live branches at set intervals so as to have logs clear of knots
1,5 to 20	Thinning	Thin stands to a specific basal area or stand density at set intervals. Reduce the number of trees to reduce competition
20 to 35+	Clearfelling	Fell at optimum rotation length to provide the log mix required by the processing plants
Continuous	Risk management	Fire and fuel load management. Biotic risk management (pests, insects, diseases)
Continuous	Infrastructure and open area management	Road network, buildings, power lines and open areas not suitable for planting trees

Directly after planting, young seedlings are unaffected by other vegetation and grow as free standing trees. This growth, however, depends on the necessary weed control. As trees continue growing, they start competing with each other for space and other essential resources. Initially this competition could be advantageous as it could stimulate growth, but it does become negative when the resources are over utilised. Tree spacing that is too tight will suppress diameter growth and lead to tall slender trees, whereas more open tree spacing will provide room for the trees to add girth. The above principle is used by forestry companies to optimise volume and log dimensions to suit their specific needs.

When trees are grown for bulk volume, as in the case of the pulp growers, the clearfell age would be planned to coincide with the switch over point from a positive to negative growth rate, whilst when trees are grown for saw timber, this switch over could indicate the optimal timing for the removal of some trees through a thinning. Forestry companies also investigate the intensity and number of thinnings in order to achieve the desired tree dimensions in the

BIOLOGICAL ASSETS continued

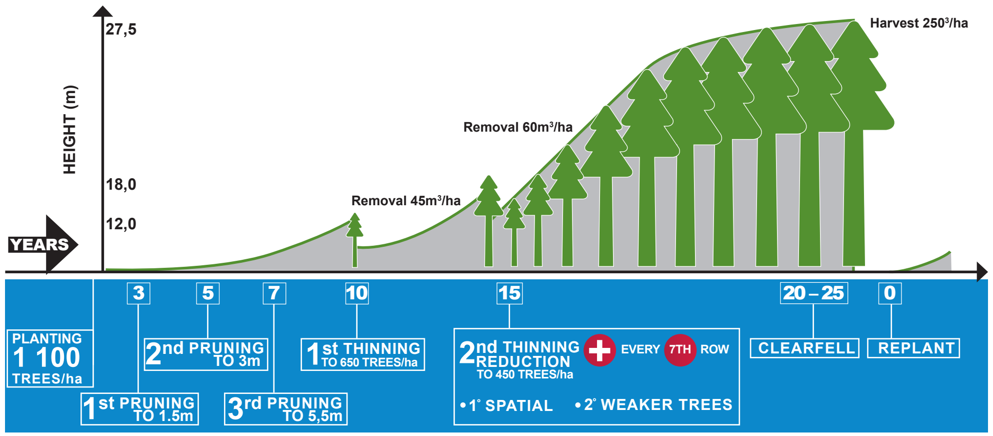
shortest possible time. Clearly the rate of growth afforded by the forest site impacts heavily on the time required to reach these optimal tree dimensions.

The growth potential of a site as well as the actual growth rate is referred to as the site index (SI), referenced to a specific base age (York uses a base age of 10 years for Eucalyptus and 20 for Pinus species). The SI in York for pine is typically in the range 20 to 35 metres high at age 20 years. This classification is at the higher end of suitability for the growth of commercial plantations.

The optimised recipe for growing trees is site/specie matching and that determines the number of trees planted per hectare, the timing and intensity of thinnings and the optimal age for clearfelling the forest stand. This practice is referred to as a regime. If pruning is conducted, the timing and height of pruning would also form part of this regime.

Pruning is done primarily to avoid the formation of loose knots, which lead to holes and weaknesses in the lumber products, but is also performed to give easy access to a forest stand and to reduce the fire risk by raising the tree crown from the ground. Loose knots are formed when the bole of a tree increases in diameter around a dead branch with the newly deposited wood of the bole not fusing with the branch.

Planning and management of typical compartment



The above diagram indicates the main events that make up a regime, whereas the growth curve shown was established through many years of growth trial measurement and statistical data analysis. The growth trial work is also responsible for providing the mathematical equation employed to calculate the volume of a tree and subsequently optimise the tree volumes into a variety of pre-defined log products.

Forestry companies require stand volume estimates for short-term annual plans, long-term yield regulation and forest valuation. Growth and yield models provide the necessary means to estimate these volumes.

In South Africa, most companies have adopted a stand-level growth and yield modelling approach because all our forests are planted, even-aged and single species stands. Stand-level growth is defined by three variables; dominant height, basal area and stems per hectare.

The life cycle of a sawlog regime is 1,5 to 2 times longer than that for pulp in order to yield logs suitable for solid wood processing. This is in contrast to pulp growers that plant more trees per hectare over a shorter rotation period. In order to optimise value of logs for solid wood processing, longer growth periods are required to transform trees into higher value logs. Log diameter translates into higher value logs, in that the greater the diameter, the better potential solid wood processors have in extracting value. York's processing plants extract optimal value from logs with diameters of 11cm – 33cm in sawmills, with the plywood plant being able to utilise logs with diameters between 33cm and 66cm.

Valuation principles

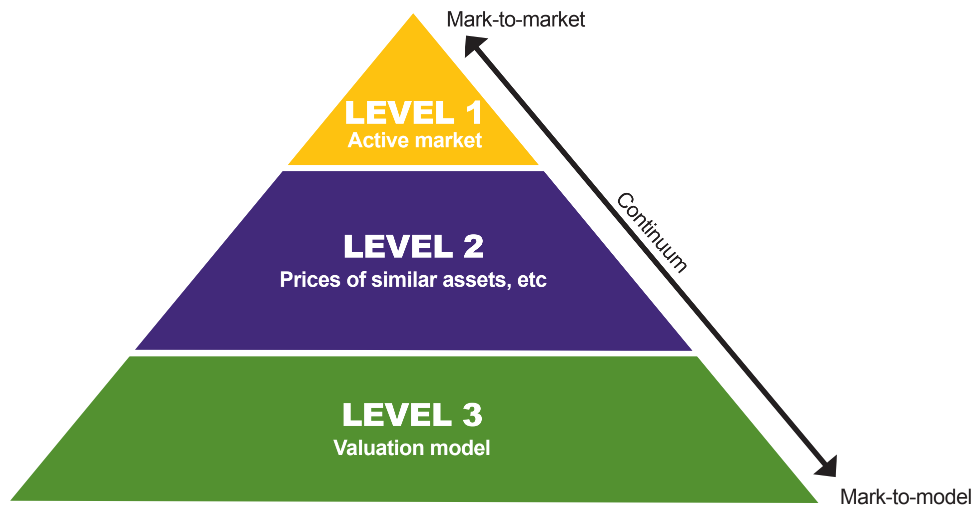
Valuation methods

International Financial Reporting Standards (IFRS) require a biological asset to be measured in accordance with International Accounting Standard (IAS) 41 Agriculture, and valued according to IFRS 13 Fair Value Measurement. A valuation model is used to determine the value of the biological asset. A discounted cash flow model is used based on the expected revenue and costs to sell the plantation forests. These values are then discounted into today's value using an appropriate discount rate.

Annually the assumptions included in the model are reconsidered for their appropriateness and application, given current and anticipated market conditions. Price assumptions, such as expected price movements and cost inflation over the 25 year valuation period, need careful scrutiny as a small percentage change in the assumptions could have a big impact. A discounted cash flow model most accurately results in fair value as required by accounting standards. It is a widely accepted approach, and provides consistent information about the true value of the plantation. York's Board approves the assumptions included in the model.

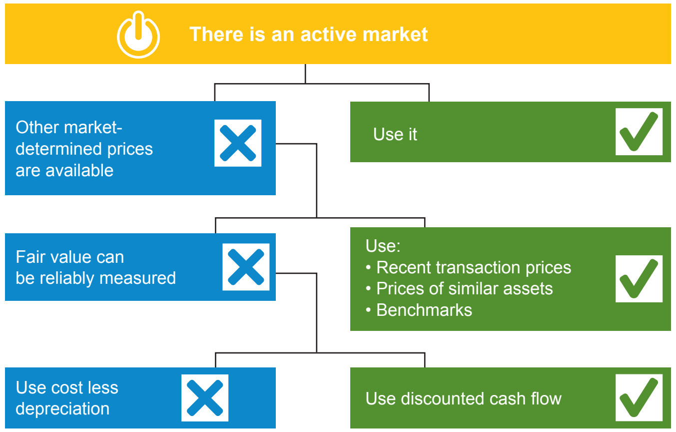
Biological assets are measured at fair value less costs to sell. IAS 41 defines fair value as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In measuring the fair value of biological assets, IAS 41 prescribes a hierarchy of methods with increasing levels of subjectivity.

Most preferable is the most recent market transaction price of the asset (mark-to-market). Secondly, prices of similar assets or sector benchmarks should be used. Thirdly, if market prices are not available, the standard prescribes the use of a discounted cash flow model (mark-to-model). The hierarchy is set out below. York has chosen the mark-to-model method on a discounted cash flow model as the best way of estimating the fair value of the forestry asset.



BIOLOGICAL ASSETS continued

The decision tree below assists in determining the most appropriate valuation basis:



Valuation approaches and techniques allowed are:

Market approach

If there is no active market, then an entity could measure fair value using techniques such as prices of recent market transactions, market prices for similar assets or section benchmarks. In using such prices, an entity makes adjustments to reflect differences in characteristics and/or stages of growth of the assets. These methods would be appropriate if there are recent transactions or if markets exist for similar assets.

The **MARKET APPROACH** values the asset at current market prices. The difficulty with this approach is that recent transactions and details are generally not public information. The ages of trees, regime planted, enumeration data, species and distance to market are all variables that impact value.

Income approach

The fair value of a biological asset is likely to include not only the asset's current harvest value, but also a value for potential additional future biological transformation that a market participant would include in the valuation. This requires a number of factors to be considered, such as:

- Risks associated with the asset – e.g. weather and disease;
- Estimated yields; and
- Estimated costs of bringing the asset to its intended condition.

These uncertainties related to future cash flows are reflected in either the discount rate and/or the estimate of expected cash flows.

In estimating future selling prices, the assumptions used should be consistent with those of market participants. These will depend on the characteristics of the biological assets, including their stage of development, the markets in which they are sold and the sources of possible pricing information. The assumptions that market participants would make about future selling prices will depend on a number of factors including: the expected time to sell the asset; events or conditions between measurement date and the expected date of sale; effects of seasonal changes in pricing.

The **INCOME APPROACH** represents the cash flow generation ability of the asset against an appropriate rate. This method represents the discounted future value of trees at maturity age.

The net standing value principle previously applied took a snapshot of the current volume and log class distribution of the trees at current roadside values. The advantage of this method is that the value is based on current information and assumptions are limited. The disadvantage of this approach is that the growth potential is not presented to the user of the financial statements. The value will also change from year-to-year as the asset matures.

A method to measure fair value requires a certain level of stability and consistency over time to create measurements that are comparable from year-to-year. To this end, long-term trends are carefully considered when applying assumptions.

Cost as an approximation of fair value

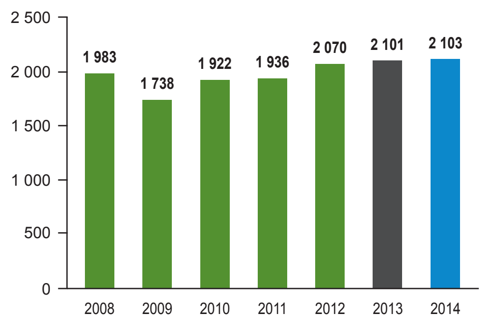
IAS 41 acknowledges that in some cases cost may approximate fair value, and provides the following examples:

- Little biological transformation has taken place since initial recognition; or
- The impact of biological transformation is not material – e.g. the initial growth in a 25 year pine plantation production cycle.

COST AS AN APPROXIMATION OF FAIR VALUE cannot be applied to value trees after the first three years due to the extent of biological transformation that occurs. The cost accrual basis used in the industry to determine value is not a recognised valuation method for accounting purposes. This method aims to attach value based on costs and the return on those costs expected by investors over the life of the asset.

BIOLOGICAL ASSETS GROWTH

R'million



REPORT TO STAKEHOLDERS

Operating environment

The general economic environment in which York operated during 2014 challenged management to continue unlocking growth opportunities.

A key economic measurement applied by York when considering the environment in which it trades is to consider the trend of manufacturing production of timber and comparing it with the trends in building plans passed. There is a correlation between the timber production and building plans passed, with the trend of timber products lagging that of building plans passed by approximately six months. The growth in manufacturing production of timber can be seen to be much less volatile than that of building plans passed, which is driven by the production of timber. This is geared towards a number of different industries whose business cycles vary. To the extent that timber production is correlated with building plans passed, the outlook for the balance of 2014 and 2015 seems promising. Production (in volume) of timber could expand by around 5% – 10% during 2015, given that residential building plans passed have been increasing at a rate of 20% (in Rand terms) and plans passed for non-residential developments have been growing at between 30% and 40% (in Rand terms).

Consolidation of the sawmilling industry remains a key consideration as there are too many sawmills in South Africa compared to the sawlog volumes available on an annual basis. Plantations in South Africa are a limited resource made even more so by the shift towards chemical cellulose production utilising Eucalyptus logs. Sawmills in South Africa are under severe pressure due to the fragmented nature of the industry, resulting in low margins being obtained. This is a disruptive trend and, in York management's view, an unsustainable market force which results in an industry where, although growth in volume sales is evident, price optimisation is limited. This is exacerbated by the transferral of purchasing power to wholesalers and retail customers, evidenced by ill-using the fragmented sawmilling industry and thereby realising margins which are deemed to be in excess of the value add in the supply chain. To address this uneven balance of supply, consolidation in the industry remains a reality. Without consolidation in the sawmilling industry, South Africa could well lose its ability to compete in international markets. It is important for capital-invested returns to enhance that industry so that consolidation is achieved. Fewer suppliers of a reduced finite resource will assist in the balancing of market forces, which will result in improved price and quality by the remaining sawmillers. This will lead to a more equitable share of value from the forest to the customer.

A significant logistical challenge remains in transporting timber. This continues to receive constant attention from management. Progress made with the implementation of the York LogTrace scanning technology in determining the inventory flow of logs from infield harvesting operations to the York processing plants, is now in place to address this risk. Continued rising input costs, also brought on by the increase in minimum wage impacting contractors, continue to be of concern.

Timber processing is a capital-intensive industry and requires constant investment to ensure optimal sawlog recovery remains in place. The increased cost of capital equipment as a result of the continued weakening of the Rand remains a challenge. The pressure is therefore even more on management to optimise currently invested operations to ensure adequate returns. York is confident that the capital investments made during the financial year 2014 will assist in lowering unit cost of production.

The need for York, and the South African sawmilling industry, to be able to compete on a global scale at a lower unit cost of production remains important. To this end, York will continue to invest in technology which can assist in achieving lower cost of production and thereby enhance overall competitiveness, both for the benefit of York stakeholders as well as for the overall competitiveness of the South African sawmilling industry.

Limited infrastructure maintenance and development in the local communities in which York operates, remains a challenge. York and local government continue to work together to address matters of combined interest.

Lack of skills and high levels of unemployment in the local economies are also of concern. York plays a leading role, working together with SETA, in developing skills in local communities

Unresolved land claims are another risk for any business operating in the agricultural environment in South Africa. York, as a responsible corporate citizen, continues to engage with Government in this regard. York is fortunate to have a structure in place to ensure current stakeholders' rights are protected in the event of any successful land claim. York continues to work with local communities to ensure productive co-existence.

Labour legislation and union militancy continue to disincentivise employers to grow direct employment opportunities. Investment in production processes, which result in increased labour productivity through mechanisation and modernisation of existing facilities, remains high on the agenda. Reskilling manual labour into roles where value is added is also a priority.

Funding strategy

During the financial year 2014 York continued to manage working capital requirements with due consideration to the current business cycle. Product demand cycles do result in increased levels of inventory at the York financial year end, which also translate into volumes ready at hand to sell when traditional peak demand increases during August to November. Outstanding balances from customers remain on track, with the average collection days ending on 37 days, much improved from the general economy where days outstanding averaged 49 days *(Source: BMI report)*. Terms with suppliers are negotiated to ensure all stakeholders are treated fairly as per agreed terms.

Continued repayment of the Land Bank loan remained in place during the financial year 2014 with the balance outstanding ending on R553 million (2013: R583 million). All debt covenants were met in full during the financial year. The Land Bank remains a key funding partner for York. A debt-to-equity ratio was maintained during the year, and is at a level which the Board considers sufficiently flexible to allow York to take on more senior debt for expansion and growth. Targeted debt-to-equity ratio is deemed appropriate given the relative balance sheet strength and investment opportunities available. Any further capital investment projects which extend York beyond this ratio may require raising additional equity.

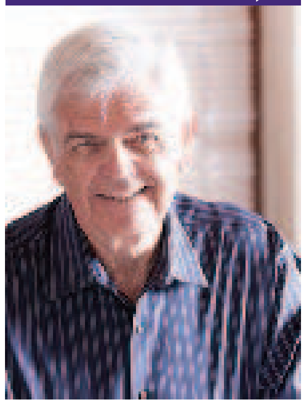
York does not make exhaustive use of its available asset-based finance facilities at RMB (Wesbank) opting to finance only R11,6 million on an available facility of R70 million as at financial year end. York utilised this facility to finance the replacement of moveable equipment. During the year management decided to fund capital investment totalling R69,3 million to a large extent with net cash inflow from operations, preserving the balance sheet's flexibility for future expansion opportunities.

York remained in a net positive cash position throughout the financial year, and continued to invest surplus funds at market competitive rates with RMB. Overdraft facilities with RMB remained in place during the financial year, allowing for the appropriate flexibility in the event required.

BOARD OF DIRECTORS

- Audit Committee
- Social and Ethics Committee
- Remuneration and Nomination Committee
- Risk and Innovation Committee
- Executive Committee
- Project Evaluation Committee

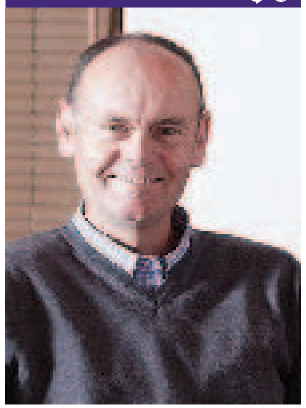
DR JIM MYERS



PIETER VAN ZYL

PIETER VAN BUUREN

PAUL BOTHA

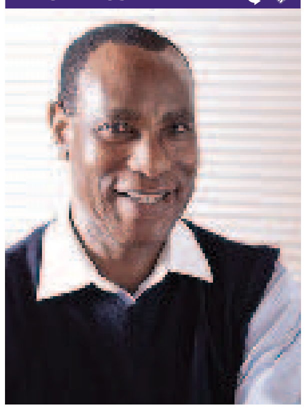


SHAKEEL MEER

GAVIN TIPPER

DR AZAR JAMMINE

DINGA MNCUBE



THABO MOKGATLHA

Dr Jim Myers (74) *US citizen*

Chairman
Appointed: 26 February 2007

Skills and experience

Jim has over 30 years' international business experience, specialising in the telecommunications industry. Jim's wide ranging experience includes the definition, development and implementation of management systems for the finance, engineering and production disciplines. He was the adviser to the successful empowerment shareholder in Second Network Operator and was the principal driver behind the establishment and promotion of the consortium that acquired the SBC/Telekom Malaysia equity stake in Telkom SA.

Qualifications

BA Mathematics (Texas A&M); MA Mathematical Physics (Arizona); PhD Industrial Engineering/Operations Research (Texas Tech)

Pieter van Zyl (51)

Chief Executive Officer
Appointed: 8 April 2009

Skills and experience

Pieter has considerable experience in the manufacturing and the solid wood processing industry. He has a successful track record in delivering complex change and returning companies to profitability. His leadership in cost optimisation and knowledge of market dynamics distinguishes him in the industry. His vision and ability to inspire teams are significant in executing growth strategies. This, coupled with his skill in identifying strategic investment opportunities, provides a solid platform for York's success.

Qualifications

BSc Agric (Pretoria); BSc Agric Economics Hons (Pretoria); MBL (Unisa)

Pieter van Buuren (44)

Chief Financial Officer
Appointed: 1 October 2013

Skills and experience

Pieter is qualified as a chartered accountant and chartered management accountant. He has more than 20 years' professional experience, with 14 years in senior financial management roles, mostly in the construction, manufacturing and related industries. He also has extensive regulatory compliance experience.

Qualifications

BCom and BCom Hons (RAU now known as UJ)

Paul Botha (51)

Non-executive director
Appointed: 4 September 2007

Skills and experience

Paul has an outstanding record in executing many transactions involving private-equity transactions, stock exchange related transactions, mergers and acquisitions and entrepreneurial multi-disciplinary transactions. He also carried out a substantial amount of cross-border mergers and acquisition work across a number of industries throughout Africa. Paul is a practising attorney and notary public.

Qualifications

BA LLB (Wits); HDip Company Law (Wits); HDip Tax (RAU now known as UJ)

Shakeel Meer (51)

Non-executive director
Appointed: 4 September 2007

Skills and experience

Shakeel is an executive at the Industrial Development Corporation (IDC) with overall responsibility for corporate strategy, management of listed equities, marketing and communications, assets and liabilities management, procurement, information technology and research. He has previous experience in investments in various sectors of the economy.

Qualifications

BSc Engineering (KwaZulu-Natal); Advance Management Programme (Insead); Developing Strategy for Value Creation (London Business School); Senior Management Development Programme (Euromoney); MBL (Unisa)

Gavin Tipper (49)

Independent non-executive director
Appointed: 12 May 2010

Skills and experience

Gavin is qualified as a chartered accountant and has been involved in the financial services industry for more than 21 years. He completed his articles with KPMG and went on to hold the position of Technical Partner. He holds directorships in a number of listed South African companies.

Qualifications

BCom (Wits); BAcc (Wits); MBA (UCT)

Dr Azar Jammine (67)

Independent non-executive director
Appointed: 5 October 2010

Skills and experience

Azar started his career as an investment analyst and has more than 30 years' experience in economics. He specialises in macroeconomics and financial markets and is co-author of the books *McGregor's Economic Alternatives*, *Trends Transforming South Africa* and *Mindset for the new generation on South Africa*.

Qualifications

BSc Hons Mathematical Statistics (Wits); BA Hons Economics cum laude (Wits); MSc Economics (London School of Economics); PhD Economics (London Business School); Post-Doctoral Fellowship Centre for Business Strategy (London Business School)

Dinga Mncube (54)

Independent non-executive director
Appointed: 6 March 2013

Skills and experience

Dinga has 20 years' executive experience in forestry, timber processing, paper and pulp businesses. He is a leading figure in the forestry transformation process. Amongst other achievements, Dinga played a prominent part in the revival of Project Grow, an award-winning enterprise development programme at Sappi. He played a key role in driving Sappi's R814 million black economic empowerment transaction in 2010.

Qualifications

BSc Forestry (Washington State); MSc Forestry Business (Idaho); MCom Business Management (Johannesburg)

Thabo Mokgatlha (40)

Independent non-executive director
Appointed: 6 March 2013

Skills and experience

Thabo has many years of experience and expertise in serving in board and leadership positions in various sectors such as mining, telecommunications, finance and manufacturing. He also has extensive experience in mergers and acquisitions and is qualified as a chartered accountant.

Qualifications

BCom Accounting (North-West); BCompt/CTA Honours (Unisa)

York Timbers **integrated annual report 2014** 21

OUR MANAGEMENT TEAM

From left to right:

Schalk Grobbelaar	*Group Engineer*
Gerald Stoltz	*Financial Manager: Corporate and Processing*
Kirsten Coetzee	*Chief Human Capital Officer*
Reinhard Mulder	*Strategic Development Manager*
Pieter van Zyl	*Chief Executive Officer*

From left to right:

Han-hsiu (Sue) Hsieh	*Corporate Legal Advisor and Company Secretary*
Pieter van Buuren	*Chief Financial Officer*
Pieter van der Merwe	*General Manager: Forestry*
Eric Droomer	*Corporate Advisor*
Deon Breytenbach	*General Manager: Processing*
Koot van der Walt	*Head of Wholesale division*

CHAIRMAN AND CEO'S REVIEW

Delivering in 2014

York increased revenue by 17%, with improved cash generation from operations of 42%. EBITDA margin during the year came under pressure due to unprecedented cost escalation compelled by legislation. The introduction of York's Wholesale division diluted margins but enhanced cash generation. York's market share has increased overall, while we focus on advancing elements of our supply chain to improve service offering and product range.

The Forestry division performed above expectations with strong prices for both hardwood and softwood products. The wage rate increase of May 2013 applicable to the forestry sector had an incremental labour cost increase of R10 million compared to the previous year. York continued to preserve its plantations by purchasing 34% of the required log volumes externally. The net standing volume growth in our plantations increased by 270 672m³ for the year. Over the lifespan to maturity, the volume increase is 949 980m³, as used in the biological asset valuation. The value of our biological asset increased by R2,2 million, which resulted in a 108% negative movement in the income statement compared to the prior year, largely as a consequence of an upward change in the discount rate. The large volume of external purchases with a total value of R182 million had a negative impact of R28,6 million on EBITDA.

The Processing division experienced unmatched cost escalations from Eskom (13,1%) and organised labour (9%) with a combined incremental increase of R32,4 million compared to prior year. York processing plants, specifically sawmills, are energy inefficient and labour intensive and we were not successful in recovering these costs from the market. This will be addressed through technology upgrades at the various operations. The price for wood residue products increased slightly and is kept low by the dominant fibre processors. York is in the process of finalising alternative usage for this raw material.

The price of lumber products increased marginally from 2013, mainly as a result of a weak supplier base. Retailers and timber merchants will have to consider the impact of taking advantage of a fragmented sawmilling industry as their mark-ups reflect an imbalance of profit distribution. York's Wholesale division was established to assist in exploring alternative market opportunities.

The acquisition of the wholesale business was approved in July 2013 by the Competition Authorities, with York taking control of the business in August 2013. This was previously a loss-making business and had to be restructured, with associated costs of R9,9 million in 2014. This division was brought to profitability over the last quarter of the 2014 financial year and the full benefit of this acquisition will emerge in 2015.

The market outlook for timber-related products in South Africa and Southern Africa remains strong, with South Africa already being a net importer of lumber, plywood and medium-density fibreboard (MDF) products and other specialised building materials. The solid wood processing industry in South Africa is not competitive and requires economies of scale to survive in the long run. The increasing volume of imports is an indication of how fast South African producers' competitive position is deteriorating.

It is essential to ensure that the forestry industry is able to supply sufficient material to meet the demand for solid wood processing with improvements in tree breeding, silvicultural techniques, plant survival and harvesting techniques – all likely to contribute to greater efficiency in forestry. Wood remains the largest biomass energy source to date, with forest and processing residues providing a prime source of biomass. The extraction of green energy from biomass is therefore an opportunity worth pursuing.

Driving growth across York

Consolidation within any given industry is a natural process and this must be considered a factor impacting the future of forestry and sawmilling in South Africa. Investment in appropriate technology is required in order to ensure international competitiveness. The development of a wider range of products for local and export markets using better technology is only within reach for organisations that are influential in market consolidation. York is one of these companies.

As part of York's acquisitive growth strategy various deliberations and feasibility studies were concluded during the year. Each opportunity was considered in terms of fair value and accretive nature to York. Some of these opportunities did not meet York's defined criteria and were not pursued.

York continues to engage in various discussions and believe that we can position ourselves as the predominant solid wood processor in Southern Africa and compete with international timber product suppliers.

HISTORY OF YORK TIMBERS

1916 York was incorporated

1946 Listed on the JSE

2006 Sold to Blackstar after being managed by the Tucker family

2007 York acquired Global Forest Products, making it the largest vertically integrated solidwood processor in Southern Africa

2009 Embarked on a comprehensive re-engineering of the business

CHAIRMAN AND CEO'S REVIEW continued

York has made progress in various aspects of the business but our results do not yet reflect the extent of these changes. We invested R66 million during the year to address process enhancements and efficiencies. The full extent of this investment will only be reflected during 2015.

Alternate applications for marginal operations are being deliberated and we will continue to drive efficiencies throughout the business.

The execution of our growth initiatives was held back by a year due to the delay in the granting of the environmental authorisation approval. The competent authority concerned regarded the environmental authorisation application for the Sabie integrated site development as complex which hampered the approval process. The application that has been submitted for approval is for infrastructural upgrade, log merchandising yard, expansion of the plywood plant, cogeneration facility, MDF plant, upgrade of sawmill and value adding facility.

York is committed to being legislatively compliant and is confident that we will obtain the environmental approval for the integrated site.

Approval was granted for the plywood expansion project of R280 million that will be implemented over the next 18 months. Funding has been secured and production output will increase by 75%. Existing plywood production will not be interrupted by this expansion and this project is the first phase of the Sabie integrated site development.

Once the final environmental authorisation has been granted by the relevant authorities, York will finalise the funding arrangements for the rest of the integrated site development. The integrated site will unlock the full potential of York's assets by optimising raw material utilisation combined with the ability to add value to standard products. The value will be unlocked over the next two to three years, rendering benefit for long-term shareholders.

York continues to invest in its people as well as in the communities within which we operate. Long-lasting and mutually beneficial relationships have been established with local communities as well as with local and provincial government. York supports various initiatives and contributes significantly to the vibrancy of these communities.

Training and development ensure the right skill set is available. York aims to develop a growth mind set within all our employees and is engaging with organised labour to find viable solutions to economic challenges we face together. With this approach we believe that all York employees will have a positive impact on our socio-economic environment, contributing towards a viable work-life-balance.

York has a strong management team which is capable of continually addressing the challenges we encounter, with a disciplined approach in driving our various growth initiatives to the advantage of all stakeholders.

Thank you to our staff for their dedication and hard work during 2014.

Finally, I would like to extend our condolences to our Chairman who experienced personal challenges during the year, including the sad loss of both his wife and his mother. In spite of these setbacks his vision and enthusiasm for York never faltered and is appreciated by the Board and the Company.

Dr Jim Myers
Chairman

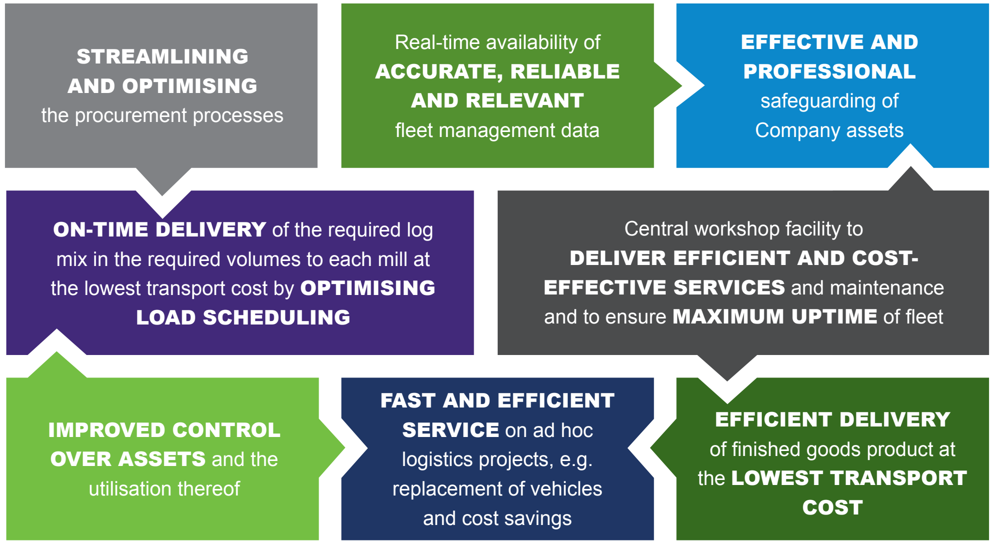
Pieter van Zyl
Chief Executive Officer

17 September 2014

OUR BUSINESS MODEL

LOGISTICS DIVISION

The objective of the division is to create and facilitate a dynamic supply chain that will enable York's business units to excel in terms of operational efficiency, cost efficiency and profitability through the following:



This division deals with the following:

Inbound transport

The division plans and monitors log deliveries and strives to achieve key cost drivers such as lead, average speed, loading and off-loading times. Transport models were designed to determine the transport rate.

The existing log tracking system will be extended to include log transport – all logs will be scanned onto trucks. This will give York access to reliable and timely information on stock levels, stock mix and locations to assist with transport planning and load scheduling.

Outbound transport

The division currently negotiates prices and facilitates the evaluation and appointment of new contractors. Transport costs are monitored on a R/m³ and R/m³/km basis.

Fleet management

Accurate and reliable fleet management data is used to monitor and manage York's fleet of vehicles and equipment more effectively.

The division is also responsible for the registration and licensing of York's fleet.

Central workshop

The central workshop is responsible for the daily and scheduled maintenance and repairs of all forestry vehicles as well as the Sabie site vehicles and yellow equipment.

The workshop administration also ensures proper planning systems and builds a reliable database to monitor and control vehicle maintenance costs.

Security

Security services include forestry guarding and static guarding at mills and forestry complexes.

Procurement

The division's focus is on the following:

- Centralising and coordinating the larger expenses to set standards and to capitalise on bulk ordering;
- Streamlining procurement processes, for example, determining and agreeing on needs and negotiating price agreements for six to 12 months to eliminate day-to-day requesting of quotes; and
- Co-ordinating vehicle and equipment procurement processes.

Tracking progress

Traditionally the forestry industry used a manual system of recording the harvested volumes by recording on paper the length, diameter and grade of the logs harvested. Some companies have introduced electronic capturing of the harvested logs on the same principle as the manual system. No other company has introduced a system where the log is recorded electronically and then tracked through the total supply chain from the forest to the mill.

Why York developed LogTrace in-house

At the time York started the project there was no system that could satisfy our requirements. What makes LogTrace unique is that we track the log through the supply chain, scanning it at every step of the way.

LogTrace is used in three main areas:

- Harvesting;
- Transport; and
- Stock take.

When the log is harvested, it is tagged with a barcoded tag. Each tag has a unique number and this number is associated with the log attributes such as length, diameter, volume, grade, harvesting team and compartment where harvested. This information is uploaded to a server, where it is available for management reporting and analysis. At the end of each day, the foresters have a volume of logs made during the day with all their attributes.

The tag is scanned again when the logs are transported and recorded as being loaded and in transit to a specific mill. The mill can then plan for the delivery of the load. Once the load is delivered at the mill, the logs are tagged as delivered at the mill. This also allows the mill to calculate its stock levels and determine infield stock in real-time.

During stock take, the tags are scanned and a variance report is generated between the theoretical stock and actual stock infield. The financial managers can view the volumes counted after each upload to the server. This enables them to manage the stock take more efficiently, redirect re-counts and track discrepancies.

Benefits of LogTrace

The LogTrace system provides York with the ability to manage the operations on a more real-time basis than was possible with the manual system. The manual system required a number of clerks who had to capture the information the next day. This information is now available at the end of the day, and planning for the next day can already be done. It also allows York to track the stock levels infield and logs delivered to the mills.

As the system is used, new specifications are being developed and implemented, allowing for better management information on which decisions can be based. With the amount of data captured in the system, it also allows York to detect trends and react timeously.

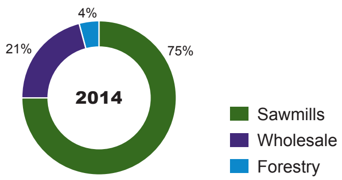
WHOLESALE DIVISION

WHOLESALE DIVISION
WITH WAREHOUSES BASED IN
ROODEKOP, **PRETORIA** and
EPPING (CAPE TOWN)

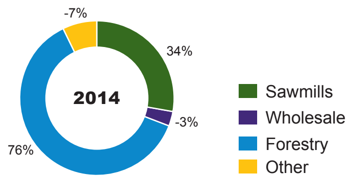
REMANUFACTURING PLANT: ROODEKOP

TREATING FACILITIES:
JESSIEVALE MILL, SABIE MILL AND EPPING

SEGMENTAL EXTERNAL SALES



SEGMENTAL EBITDA



Acquisition

York acquired the wholesale business of Iliad Africa Limited (Germiston-based Thorpe Timber Company and Timber Preservation Services in Cape Town) effective 1 August 2013.

- The rationale behind the acquisition included the following:
  - To create a new market channel for York's products;
  - York now has access to a whole new market that was previously difficult to service due to the distance from the market and the specific market needs (smaller volumes delivered when and to where they need it on short notice);
  - To strengthen York's market presence;
  - The Wholesale division now consists of two branches in Gauteng (Pretoria and Roodekop) and one in Cape Town (Epping);
  - Remanufacturing capability in Roodekop and treating facilities in Epping;
  - Improved customer service; and
  - York is now able to offer a better service to our customers by being able to deliver smaller volumes when and where they need it.
- As a result of the acquisition, York is now trading in a wider product range, resulting in a diversified and expanded market offering.
- The loss-making operations were restructured to align them with York's business model. This included bringing it in line with York's productivity standards and a focus on those products and market segments with higher margins.

- The operations turned profitable in the last quarter of 2014 and the new Wholesale division is expected to contribute significantly to the Group's earnings into the future.

Future strategy

The future strategy is based on the key drivers of success of the Wholesale business namely:

- Volume through put;
- Margins; and
- Fixed cost management.

Volume throughput will be increased via the following:

- The introduction of the full spectrum of timber products not yet sold by the Wholesale division, e.g. treated and untreated pine and gum poles, the full range of board products, e.g. medium-density fibreboard (MDF) and particle board;
- The demand for certain products exceeds the South African production capacity – the Wholesale division will supplement this demand by importing the necessary demand, e.g. flat boards;
- The development and manufacture of specialised engineered products for the construction and other industries;
- The full utilisation of the treating capacity at the Epping warehouse. The plant is currently working at less than half its capacity – the capacity will be increased through the introduction of treated gum and pine poles into the Western Cape market; and
- Volume will also be increased by expanding the Wholesale division's footprint into other major markets in South Africa and Southern Africa.

Margins will be increased through the following:

- Higher margin products through the optimisation of the remanufacturing facility in Roodekop:
  - The remanufacturing plant in Roodekop is geared to manufacture the whole range of moulding products. These are products like ceiling, flooring and other specialised mouldings that generally sell at higher margins than traditional structural lumber; and
  - It is also geared to manufacture a whole range of specialised products specific to each customer's need. These products include pallets, decks, boxes and crates as well as a diverse range of components;
- Increased presence in the higher margin market segments in which York currently operates:
  - The Wholesale division sells into a wide range of market segments from the smaller walk-in customer to construction companies and the large corporate retailers; and
  - Margins vary significantly and the focus is to increase the Wholesale division's exposure to those higher margin segments; and
- Focused procurement strategy;
  - The margin is determined by both selling price and cost – therefore the purchase price of raw material is as crucial as the selling price.

Cost containment is a key strategy of the Group and will be reviewed continuously in an effort to reduce fixed costs of the division.

PROCESSING AND FORESTRY

INTERNATIONAL SAWMILL AND LUMBER COST BENCHMARKING

SOUTH AFRICA RANKED:

2nd highest lumber prices due to poor technology

	BRAZIL US Dollar	SOUTH AFRICA US Dollar
Labour cost	14	49
Other direct costs	34	54
Overhead/Admin	5	27
Net wood costs	98	140
EBITDA	10	25

4th lowest pine chip prices due to customer purchasing power

	CANADA ONTARIO US Dollar per m³	SOUTH AFRICA US Dollar per m³
Residue revenue	155	24

Overview

Although Forestry and Processing are two separate divisions within York with their own operational and financial objectives, the relationship between Forestry and Processing is critical to ensuring that the appropriate mix of finished goods supplied to customers is in line with market demands and quality requirements.

York continues to implement resources, tools and technology that provide effective communication, quality information, improved efficiencies, control of the supply chain and optimised cost structures to enhance this relationship.

Supply chain objectives

- Improve own plantation fibre yield through:
  - Full utilisation of existing land;
  - Planting species with improved growth;
  - Planting species with improved wood properties and environmental tolerance;
  - Applying site-specific silviculture practices; and
  - Extracting the highest quality and volume yield of timber from harvesting operations.
- Acquire standing timber from third parties.
- Secure timber availability for Processing requirements through suitable land acquisition.
- Acquire timber by log category from third parties.
- Utilise accurate and reliable information on raw material availability, stock volumes, quality of yield and geographical location to improve the management and control of the supply chain.
- Maximise the throughput and processing recovery of logs by ensuring mills operate at full capacity and optimally utilise the available fibre in each log.
- Optimise the log-paying capability by extracting as much saleable value out of the raw material as possible.
- Provide a quality product in line with market requirements.

Progress

The development of the integrated site with its log merchandising yard will allow Forestry to modernise its harvesting and supply-chain approach by acquiring technologically advanced mechanised machinery to deliver full tree length timber to the processing facility.

Each tree will then be scanned and, according to its dimensional and other properties, be cross-sawn into suitable products of lumber, plywood, MDF or offcuts for the cogeneration (thermal and electrical energy) biomass facility. This advanced approach of centralising production type decision-making will maximise the plantation's timber fibre, improve efficiencies, reduce cost, optimise product decision-making, increase production capacity and maximise the processing recovery of the available fibre whilst delivering a high quality product.

York's log procurement team will assess and balance the annual geographical timber availability with the log products that can be derived from them and their respective ages so as to ensure that sufficient fibre can be obtained for the integrated site and with the view of meeting market demand. The procurement team will also determine the economic dynamics of supply and demand in various species' raw material markets as a commodity and its implications for the respective market pricing points.

York is conducting tests on various machinery in an effort to modernise its forestry operations. The outcome of this research will assist York in pursuing the project with acquisition of adequate and appropriate mechanised tools that will not only reduce cost in the long term but improve productivity and the ergonomics of its plantations. This modernised environment will allow York to employ skilled staff and reduce dependence on semi-skilled contracted labour.

Log-paying capability factor is a factor applied by York in determining the optimal volume which can be generated from logs. Log-paying capability reflects the ability of a sawmill to pay for the raw material (logs) based on the average value of the lumber produced. It is calculated as: average selling price (ASP) for lumber divided by delivered log price adjusted for recovery. If the mill recovery for example is 49,5% and the delivered log-cost is R678/m³, then the raw material cost would be R678/49,5% = R1 370/m³. If the average ASP per m³ is R2 382 then the log-paying capability factor would be R2 382/R1 370 = 1,74 times.

PROCESSING DIVISION

Unlocking full tree value…

York's processing strategy addresses the above international sawmill and lumber cost benchmarking.

York's Processing division continues to work on the business vision of finding optimal processing solutions for trees. Extracting the value from trees infield ensures that the best log products are produced for each of the processing plants…

Resource optimisation

Opportunities still exist to optimise the fibre resource even further. This will increase the value generated from the trees to the benefit of York, its shareholders and stakeholders. Once final environmental approval for the Sabie integrated site is obtained, this opportunity will realise its full potential.

Tree lengths and logs will then be processed in the integrated site log merchandising yard. It is here that advanced scanning and cutting technology will be used to unlock full tree value. York mills will benefit even further by receiving log products which are correctly matched for the production of specific product ranges. A decision was also taken in the reporting period to recommission the previously mothballed Golden Rhino sawmill as an alternate customer for York's Forestry division. This means log products with a limited market will be processed at the mill, and timber products will be delivered to York remanufacturing at Roodekop in line with getting the most out of its trees.

From timber to user

With a vision to provide timber solutions to end-users, York's Processing division offers a basket of timber products that service its customers' requirements.

PROCESSING DIVISION continued

Products

York's product basket:

Kiln-dried, to wet saw products → Structural dimension timber → Appearance graded timber → Packaging timber → Plywood → Mouldings → Decks, crates and pallets

- York products can be further treated with timber preservatives for external applications.
- Structural or load-bearing products carry the necessary certification marks.
- Stringent quality and process controls are in place and audited by external certification bodies to ensure products comply consistently.
- Products are branded to ensure traceability, particularly for the end-user.

Footprint on the environment: York mills sell residue streams, generated from the manufacturing process and not utilised in the mill process, to board mills, pulp mills and the composting and agricultural sectors.

Historically, these residue streams were discarded, potentially resulting in environmental challenges.

York continues to take a proactive approach with regard to the environment, eradicating the need for dump sites.

Cost leader

The Processing division continues the drive towards being a cost leader in the timber processing industry. Various efficiency programmes are in place and delivering results that allow mills to produce fair financial results in turbulent market conditions. Management's energy is constantly channelled into a cost control environment, and current leadership has ensured that mill constraints are understood and cost is balanced or allocated accordingly. In the period under review, mills have benefited from an extensive mill vehicle replacement programme, reducing running costs to operations.

York mills have benefited from the technology investments made in financial year 2013

X-ray scanning and acoustic strength determining technology is being applied in the production of structural timber.

Mills are benefiting from improved grade recovery and the end-user is receiving a superior graded structural product

Mills have further benefited from new boiler installations as well as new kiln-drying technology.

Plywood capacity was increased to service customer demand

Increased capacity was achieved through improvements made in technology. Paybacks on the plywood investment made in less than a year are realising value for York, its shareholders and stakeholders. A further expansion project is being considered.

Technology

Payback on the plywood investment made in the 2013 financial year

The capital expenditure undertaken at the Sabie site has been completed and commissioned during the 2014 financial year. The project included the installation of a John Thompson Firetube Boiler to increase the steam efficiency and production capacity for supply of thermal energy to the Sabie mill kilns and plywood dryers. The second phase of the capital expenditure focused on upgrading the Babcock Dryer by designing and installing new heat exchangers and other thermal efficiency improvements. The total capital expenditure was R13,7 million. The objective was to increase intake of plywood by 39m^3 per day and production by 21m^3 per day. The project achieved the desired results from February 2014 with the average intake increasing by 46,5m^3 per day up to June 2014 and production increasing by the budgeted 21m^3 per day. The incremental income generated since the completion of the project has been R3,5 million for the period February 2014 to June 2014.

Credible compliance

The Processing division has invested to improve overall compliance and reduce the social and environmental impact of its manufacturing facilities. York has demonstrated its commitment towards minimising emissions, controlling water usage, recycling waste and ensuring other waste is disposed of in accordance with legislation.

- York structural and load-bearing products comply with required South African National Standards and are regulated by South African Technical Auditing Services.
- Its mills carry Forestry Stewardship Council (FSC) accreditation for chain of custody and are regulated by SGS – an accreditation body.
- The mills also carry a NOSA star-grading to measure safety and health performance at an operational level. This supports York's commitment towards its employees and stakeholders in making sure that the work environment is safe.

Changing processing technology and product development

The Processing division is a dynamic division that has continued to respond to a range of changing conditions involving environmental, economic and market concerns, and changes in technology.

PROCESSING DIVISION continued

The industry has made significant advances in the past few years in developing more environmentally friendly processing technologies, achieving higher recovery rates, improving product quality and diversifying the use of raw materials.

The industry is adjusting to changes in the supply of wood size, species and quality. Changes in the supply, characteristics and sources of raw materials, and in the processed products themselves, have created new markets and resulted in new marketing strategies.

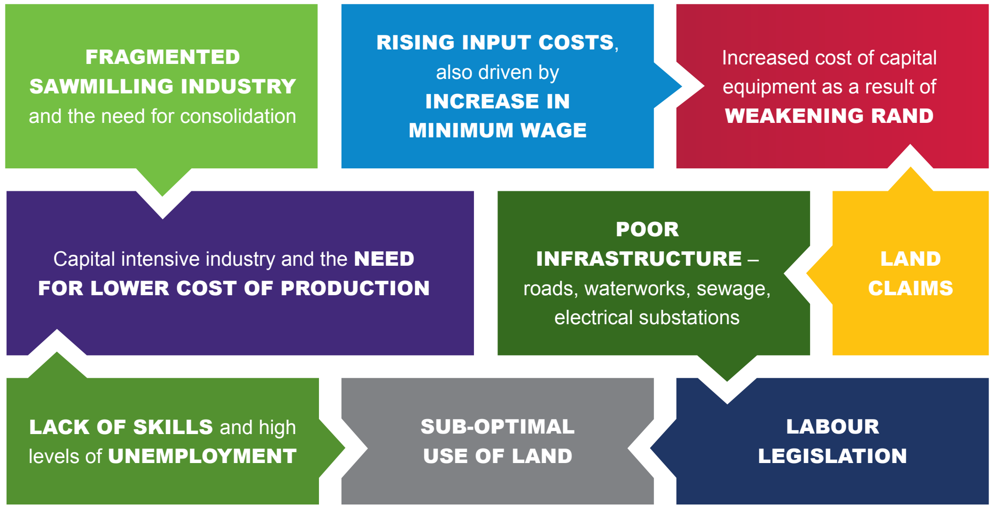
Highlights

- Processing production volume increase of 2,7% on previous year.
- Sales volume dispatched 5,6% higher than previous year.
- Lumber product mix produced improvement on previous years' product mix.
- Plywood production volume increased 3,3% from previous year.
- Capital expenditure on plywood to increase drying capacity, delivering 25% capacity improvement.
- Capital expenditure at Jessievale sawmill, installing finger joint capacity and increasing drying capacity.
- Golden Rhino sawmill recommissioned as part of York's fibre optimisation strategy.

Challenges

- Processing cost increases of 7,5% were not absorbed by efficiency improvements.
- Lumber selling prices are under pressure, being 2,3% lower than previous year.

Economic challenges faced by York:



These challenges are managed on a daily basis and provide the framework within which York is developing its growth strategy.

FORESTRY DIVISION

Introduction

The long-term nature of a forestry operation requires a thorough knowledge of all the elements impacting the business, combined with careful planning and cutting-edge forestry practices. York is positioning itself as the leading plywood and saw timber producer in the country. Great strides are being made in the detailed process of matching different growing conditions with the correct variety of seedlings, including development of York's own hybrid species. Silviculture practices and controls are constantly being refined, which is paying off in a tight operational discipline that has become entrenched throughout the value chain. Seedling survival has improved and is being maintained at optimal levels. Weed infestations are at historically low levels. Strict controls have ensured that the quality aspects in all operations are fully maintained; and these have resulted in healthier plantations growing with increased vigour.

Exciting developments are beginning to yield dividends in the field of tree improvement, where the York Research department has made significant progress in its pine hybrid programme. The output of this research and development programme is trees that are better adapted to York site-specific conditions, more tolerant to climatic impacts, pests and diseases; as well as yielding significantly better growth and improved timber quality. This is an important strategic achievement in our competitiveness and sustainability.

Sustainable yields

York has initiated a site classification study to enhance the future value and volumes of its biological asset. This involves improving the understanding of York's growth sites and optimising species/site matching. York's pine and hybrid breeding programme complements this programme by providing more suitable planting material for the various sites.

This study involves understanding the interaction of tree growth response to various sites. Site types are defined primarily by soil type and depth, rainfall, temperature and topography. Uniform sites have been mapped with their attributes, allowing for optimum site/specie matching on a commercial scale. The study for the Eastern Escarpment landholdings

FORESTRY DIVISION continued

has been completed and that of the Highveld is in the final stages.

This study has allowed York to quantify the value gain that can be expected with better site/specie matching. This will also enable York to identify the site types and area involved for which no optimum match is available, which will be addressed in the future through the tree breeding programme. It is anticipated that, with the deployment of the knowledge gained from the above work, a substantial volume increase can be anticipated.

The improved updated Forest Site Data Base (FSDB) will provide the following applications:

- A strategic spatial overview of yield potentials and qualities of the different site types;
- Optimisation of integrated markets and timber product options;
- Site-specific forest management;
- Timber yield optimisation; and
- It will also assist the research programme in identifying major site types for proportional distribution of trials, tree breeding and land improvement.

Many sites across the landholdings experience frost annually, with severity changing from year-to-year. It is therefore essential that some degree of frost-tolerance be incorporated into the tree breeding programme for all genotypes. York will develop a frost rating map across all sites in the new financial year.

Forestry sectoral determination: minimum wage

All York's forestry employees are paid above the minimum wage and the implementation of this legislation impacted York's contractors rather than York's own employees. All York's forestry contractors are compliant with the minimum wage requirements. The minimum wage increase had a significant impact on the Forestry division's results (R8,2 million).

As wages are expected to increase substantially in the future, it is an imperative that new innovative solutions be introduced to manage and absorb future wage increases.

In order to mitigate all of the above, York will embark on a modernisation project in the new financial year. The project will include a review of all current systems and the introduction of new technology in the forestry operations.

The objective of this project is to improve the quality of operations and to be more cost effective. It will also position York better for future cost escalations.

Typical operations taking place on a plantation in normal practical sequence are as follows:

Silviculture	Harvesting	General management	Environmental activities
Land preparation	Felling trees	Roads	Non-timber area maintenance
Planting	Extract to roadside	Fire protection	Safety
Weeding	Shorthaul to depot	Security	Fauna and flora
Maintenance	Delivery to mills	Infrastructure maintenance	New developments
Pest control		Human resources	Forestry Stewardship Council
Pruning (1m, 3m, 5m, 7m)		Vehicle management	
Thinning			

The pine hybrid programme

Increasing volumes…

Significant effort is being invested to develop pine hybrids that display superior growth and disease tolerance in comparison to York's pure species, without compromising on wood quality.

To achieve this for Pinus (P.) species:

40 HYBRID COMBINATIONS

Several hybrid trials have been planted over the last five years – testing in excess of 40 hybrid combinations.

These trials have been stratified across York's landholdings. They represent different climatic regions with the objective of identifying the most suitable within each climate class.

30% OR MORE

A large number of hybrids have the potential to increase volume by 30% or more.

The results emanating from these trials indicate that there are a large number of potential hybrids that can outperform **P. elliottii** and **P. patula** on York's warm sites.

WARM SITES

Positive results: Potential hybrids that can outperform York's pure species. These are:

- P. elliottii x P. caribaea
- P. elliottii x P. maximinoi
- P. greggii var australus x P. caribaea
- P. greggii var australus x P. tecunumanii (low elevation pollen source)
- P. greggii var australus x P. herrerae
- P. patula x P. tecunumanii (low elevation pollen source)
- P. patula x P. oocarpa

COLD SITES

Positive results: Unfortunately, fewer hybrids display growth equivalent to, or better than, **P. patula**. These are:

- P. patula x P. tecunumanii (high elevation pollen source)
- P. patula x P. greggii
- P. greggii var australus x P. herrerae

Cold facts

In many cases, hybrids between two parent species outperform both parents on the same site. This is known as hybrid vigour or heterosis, and is true for the abovementioned cold site hybrids. The gains that can be achieved by planting them are simply due to this phenomenon. However, growth can be further improved by identifying specific families within the hybrid which display growth better than the mean performance.

Elite families

York has, over the last number of years, invested much time in control-pollinating specific parents between **P. elliottii** and **P. caribaea**, and **P. patula** and **P. tecunumanii**, in order to identify elite family combinations. Some trials testing a limited number of specific families of these two hybrids have been planted. During the next few years, trials testing a larger number of specific family combinations will be planted.

FORESTRY DIVISION continued

Future forward

The commercial deployment of pine hybrids will ultimately be limited to specific families.

There is no doubt that, although time-consuming and expensive, the production and deployment of specific hybrid family crosses can offer the greatest gains in terms of increased plantation yield, provided good silviculture practices are adhered to.

Furthermore, hybrids, particularly those between sub-temperate and tropical species (like **P. patula** and **P. oocarpa** respectively), will allow us to extend the planting range of each, making them adapt more readily to climate change. Some species, like **P. leiophylla**, offer excellent fire tolerance. Hybridising a species with good growth but poor fire tolerance, like **P. patula**, with a species like **P. leiophylla**, will reduce the risk of mortality after a fire event.

DNA fingerprinting

Genetically the best…

Seed orchards are a valuable source of genetically improved seed for York's commercial nursery and ultimately its plantations. It is therefore important that the clonal identity of selected trees in York's breeding programme is correct. This is achieved through DNA fingerprinting, which generates a genetic profile for each clone in the orchards. In turn, seed harvesting and controlled pollination operations can then be accurately planned.

The process

Pine needles are collected from the trees in York's orchards. These are individually labelled, packaged and sent to the Forest Molecular Genetics (FMG) laboratory at the University of Pretoria. Here, DNA is extracted from the needles and a short sequence repeat (SSR) profile is generated for each sample. The number of times the SSR is repeated varies, and this can then be used to distinguish between clones. There are many different areas (loci) in the genome in which these SSRs appear. The FMG uses 11 markers (or 11 different SSR loci) to improve the power of the genetic profile.

A consensus sequence, or profile for a specific clone, is generated from a sample of which York can be sure of the identity. All subsequent samples submitted under this clone number are then compared to the consensus sequence to see if it matches or not. Alternatively, if the integrity of a specific sample is uncertain, several samples under this clone number are submitted. Once three of them match, a consensus sequence is generated to which subsequent samples are compared.

To date, 213 samples from York's **P. patula** orchards and trials have been submitted from which 81 consensus sequences have been generated.

Future forward

Eventually the Group aims to submit samples for all the clones in its orchards, to ensure the integrity of its breeding programme.

Clone ID	Marker 1		Marker 2		Marker 3		Marker 4		Marker 5		Match?
BP110	212	216	326	326	200	200	314	319	423	425	REF
BP110	212	216	326	326	200	200	314	319	423	425	Match
BP117	212	218	326	326	216	220	294	294	425	425	REF
BP117	220	230	317	326	214	233	294	319	423	425	Mismatch

Figure 1: Example of an SSR profile. Only five markers are shown for simplicity. Yellow rows indicate reference profiles and purple rows indicate sample profiles. The sample submitted for BP110 matched the reference profile. The sample submitted for BP117 did not match the reference profile, indicating that this is a different tree.

ELECTRICAL CONDUCTIVITY (EC)

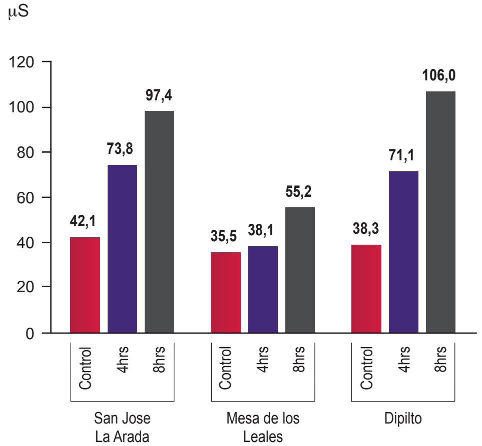


*Chart 1: Results of a pilot study testing the frost tolerance of three **P. oocarpa** provenances. The figure shows the EC reading after freezing needles at -5°C for either four or eight hours against a control where the needles were left at room temperature. From the results, provenance **Mesa de los Leales** shows greater tolerance to freezing temperatures than the other two.*

FORESTRY DIVISION continued

Reducing frost risk

York's hybrid programme is becoming increasingly important, with frost risk reduction ranked as an important criterion in its breeding programme. The fungal plant pathogen **Fusarium circinatum** also continues to pose challenges for **P. patula** pine trees as a pure species.

Cold tolerance studies

Much of the forest on York's Escarpment and Highveld sites is subject to sub-zero temperatures in winter. This makes it important to find quick and reliable methods to identify provenances or families within **P. oocarpa** and **P. tecunumanii** that are able to withstand cold temperatures.

There are two pollen parents currently used to produce **Fusarium**-resistant hybrids with **P. patula** for commercial deployment – **P. tecunumanii** and **P. oocarpa**. However, both of these species originate in tropical regions of Mexico and Central America and are naturally more susceptible to frost.

Three method momentum

York is currently evaluating three methods using seedling material of 165 **P. oocarpa** families (representing 16 provenances or locations from their native range in Mexico and Central America). This evaluation will reveal the best method to use for future studies.

Ultimately York aims to determine the relative frost tolerance, not only of families of its important tropical species like **P. tecunumanii** and **P. oocarpa**, but of each of its pine hybrid families before they are commercially deployed. This will ensure that the risk of crop failure due to a severe frost event is reduced.

METHOD 1

Electrolyte leakage test

- Commonly used
- Measures the amount of electrolytes (or salts) that leak out of cells in needles after freezing
- Electrolytes are placed in the solution, and produce EC
- A family with a lower EC reading is more cold tolerant than one with a higher reading
- Needles are harvested from representatives of each family and placed in a test tube
- These are placed in a freezer at -3°C and -5°C for a specific period
- Once removed, de-ionised water is added to the test tubes and the EC of each family is measured

METHOD 2

Freezing the whole plant

- Plants are placed in a freezer room with a temperature varying between -3°C and -5°C for two hours
- Plants are removed, well watered, and placed outside in the nursery under plastic roofing
- After three days, a frost damage scoring is done for each plant to determine the relative cold tolerance of the families
- A later scoring may be necessary, as some that appear dead may re-sprout

METHOD 3

Leaving plants in an exposed area

- Areas where frost is known to occur during winter are used
- Frost damage will be scored on a weekly basis
- This method simulates natural conditions without having to establish expensive field trials

Q How do you create a hybrid?

A A hybrid is created by pollinating a female flower (which later develops into a cone) with pollen from a different species. In most cases, the development of female flowers occurs at the top of the tree, making these difficult to reach when carrying out controlled pollination. In order to produce pine hybrid seed, the female flower is enclosed in a paper bag and pollen applied through a hypodermic needle, which is inserted into the bag. The bag prevents any outside pollen from pollinating the female flower.

The paper bag is placed over the female flower just before it emerges from the bud. The paper bags (packets) have a window allowing for observation of the development of the flower without the bag being removed. Flowers become receptive one to two weeks later, at which point pollen is applied to the flower by means of a hypodermic needle, which is inserted into the bag. This process will be repeated two to three times over a period of two weeks. Bags will be removed approximately three weeks later. After pollination, the female flowers (cones) take two years to develop before the hybrid seed can be harvested.

Q What are the selection criteria in the parent specie when creating a hybrid?

A Trees used in a hybrid programme are selected based on characteristics such as good growth, a straight stem and light branching. Other characteristics such as cold or disease tolerance may also be included.

FORESTRY DIVISION continued

Q How long does it take before the results of the hybrid's offering are seen?

A From the time of pollination, it takes two years for hybrid seed to reach maturity before it can be sown in the nursery. Due to the limited amount of seed available, rooted cuttings are produced from the seedlings in the nursery. This takes a further two years. The rooted cuttings are then established in field trials. Once the field trials are five years old, hybrids showing the most potential for commercial deployment can be identified. This needs to be verified and when the field trials are eight years of age, final conclusions can be drawn. Considering all of the above steps, a total period required to identify new hybrids is approximately 12 years. Once this is known, the hybrid has to be reproduced and deployed commercially as rooted cuttings. This takes a further five years.

Competitive advantage

- The benefits of pine hybrid forestry have long been known in South Africa and those showing the most potential, as an alternative to planting pure species, have been well published. As a result, all companies in South Africa are developing pine hybrids. This has been facilitated largely as a result of the collaborative efforts within the Camcore programme. Through our membership, York has been able to access these hybrids and has established several trials testing this material. In addition to this, Mondi collaborated with Global Forest Products (GFP), now York, several years ago to produce a number of additional hybrids in the Mondi seed orchards in the Sabie region. Through the Mondi/GFP collaboration, York has been able to test many more hybrids not necessarily obtained through Camcore. Hybrid material was also obtained through the CSIR at that stage. Through our own efforts, and the collaborative efforts with the various outside parties mentioned, York is now testing over 40 hybrid combinations. Although these trials are still young (most less than five years of age), we have been able to identify several additional hybrids that show potential.
- York's competitive advantage lies in the fact that we have made a significant number of family crosses within those that are either being commercially deployed, or show good potential. It is quite possible that we have produced more family crosses than most other companies in South Africa. Although some of the same genetic material is co-owned by Mondi or other Camcore members, neither has access to the large number of specific family crosses that York has made. Although we still need to establish field trials testing this material, we will be able to reproduce the best performing hybrid families with the trees that have been established on our landholdings. York is also participating in a collaborative project where approximately 300 **P. patula x P. tecunumanii** families are being produced by Sappi using Camcore material. We have made good progress in grafting the trees used to make these crosses, which will put us in a position to reproduce these families on our own land without delay.

Forestry highlights and challenges 2013/14

Highlights

- Planted 3 482 hectares during the year and reduced temporary unplanted areas (TUP) to 2 739 hectares, which is the lowest TUP in seven years.
- Planted 856 hectares of pine hybrids that will yield 20% to 30% more growth than pure pine species planted.
- Increase in gum pulp prices, especially in the Highveld, led to higher gum pulp sales, which had a positive impact on EBITDA.
- Delivery of three new 4 500 litre fire trucks during June 2014 improved fire-fighting capacity.
- Introduction of two Air Tractor 802 aircraft in Mpumalanga Fire Protection Association's fleet during June. These aircraft are regarded as the best initial air attack aircraft available in the world, due to their superior cruising speed of 320km/h and their 3 000 litre payload of water carried, compared with much lower flying speeds of other types and payloads of only 1 500 litres to 2 000 litres of water. It uses an advanced patented computer-controlled fire gate to deliver optimum coverage levels with extreme accuracy.
- Maintained FSC accreditation during November 2013 with only seven minor corrective action requests.
- Improved planning and efficiencies in weed control of especially young plantings led to better stocking and growth and reduced weed infestation of the plantations.
- Safety in our workplace and safety measures have improved and the Forestry department has achieved a zero disabling injury frequency rate (DIFR) during June for a 12-month rolling period – the lowest DIFR in the Group.

Challenges

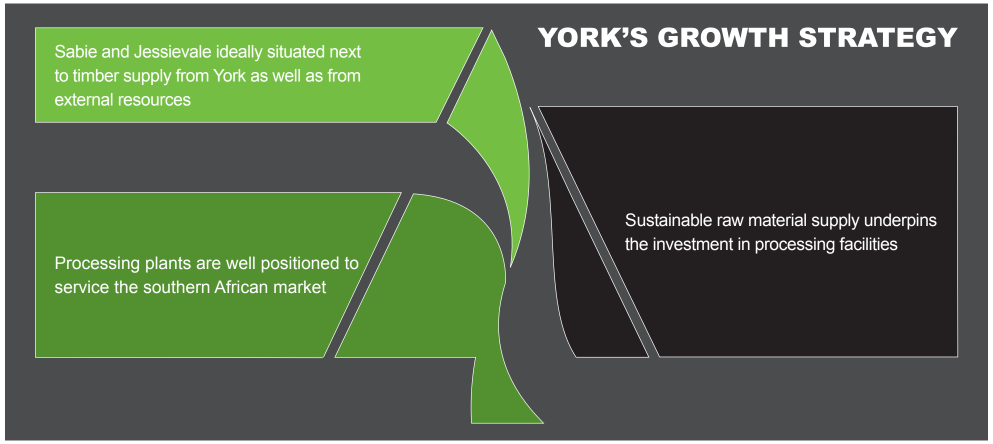
- Low pine pulp prices and an oversupply of pine pulp in the market led to increased pine pulp stock levels. Alternative markets for pine pulp are being explored. Harvesting of saw timber generates up to 10% pulp logs as a by-product. Both KLF and York generate large quantities of pine pulp on an annual basis, that was sold to Sappi Ngodwana in the past. Sappi has changed its processes at its Ngodwana mill and is self-sufficient in the supply of pine pulp to the Ngodwana mill. An oversupply of pulpwood in Mpumalanga is thus available in the market. Supply and demand dictates the price of pine pulp. York is exploring alternative markets for the pine pulp that includes use as shavings, sell to small saw millers for mainly wet saw and pallet market and to particle board and thermal energy producers.
- Although all the necessary fire precautionary measures are taken, York had 95 fires over the reporting period with 957 hectares of planted area burnt. Two big fires accounted for most of the area burnt: the London plantation fire in July 2013 burnt 260 hectares and the In De Diepte fire on 18 June 2014 burnt 603 hectares of commercially planted areas. The London fire was caused by a fire that started on an adjoining land claims farm of 19 000 hectares. Under severe fire weather conditions, the fire threatened both York and KLF plantations over a wide fire front and spotted into York's London plantation. The In De Diepte fire was caused by a spot fire during own firebreak burning operations. The spot fire was brought under control but stood up when strong gusty north westerly winds were experienced in the area.
- Incidences of theft of especially diesel, chainsaws and batteries/hydraulic pipes of equipment have shown a rising trend in all the forestry areas. York is participating in the Mpumalanga timber theft forum where land owners, the SAPS and security companies are working together to reduce incidences of theft in the timber industry. York has also secured the services of a security company with mobile units and foot patrols deployed in the plantations to reduce impacts of theft and illegal trespassing.

FORESTRY DIVISION continued

Systems thinking

York can be seen as an integrated system in which all the divisions serve a common goal (sustainable growth). This system starts at the nursery, where the trees are developed, and ends once the product is used by the customer. In order to realise the full potential value from the system, a systems-thinking approach should be taken. In a systems-thinking approach the interactions of the parts are more important than the sum of them. This means that any change on any one of the components within the system should be considered in terms of what the impact will be on the whole system.

York aims to implement this thinking approach across the business. The thinking approach has already been successfully implemented in the processing facilities within York through bottleneck theory. The plan is, however, not only to focus on the capacity constrained resources (processing bottlenecks) but to continuously improve the whole system through the application of the theory of constraints from the nursery to the customer. By implementing this thinking approach, throughput (value creation per unit time) should be increased, which should lead to sustainable growth.



ENGINEERING DIVISION

The purpose of York's Engineering division is to assist with ensuring sustainability and also to drive growth. In terms of sustainability the division provides the following services:

Production performance measurement and analyses

Production performance is measured in terms of overall equipment efficiency (OEE) which is a function of: downtime, production speed and quality.

The results of these measurements are then used in analyses, for example root cause analyses (RCA), to determine the causes of below standard performance and to identify possible areas of improvement. One of the causes that is repeatedly identified as a cause for low performance is the process flow of the respective plants and also the use of relatively old technology. Based on these findings, projects are implemented to improve the performance of the respective production units.

Energy efficiency measurement and analyses

The energy efficiency of the respective plants is continuously monitored and specific attention is given to electrical efficiency. Areas of improvement are identified and subsequently projects are considered which will lead to an increase in electrical efficiency.

Environmental monitoring and analyses

A wide range of potential environmental impacts, on for example water and air, are monitored at regular intervals. The results of these measurements are then used to identify areas requiring improvement.

In terms of growth the division is responsible for performing feasibilities and managing the projects which are deemed to be viable. The viability of a project is evaluated in terms of the initial capital expenditure, the throughput (money per time unit) it will generate, the sustainability of the project (this is measured in terms of OEE to be achieved, energy efficiency and environmental impact) and the operating expense. Based on this methodology, various projects were commenced and completed during this financial year.

ENGINEERING DIVISION continued

- **Golden Rhino sawmill:** The start-up of this mill brought about increased production capacity as well as effective utilisation of small logs from York's Highveld plantations. The materials handling equipment at Golden Rhino was specifically designed for short logs and the log breakdown technology is highly suitable to recover a large percentage, volume-wise, from small diameter logs. By executing this project, the value chain for the Highveld forests was extended, increasing the value recovered from the available fibre.
- **Driekop sawmill:** A planer acquired during the acquisition of the Roodekop remanufacturing facility was installed, which increased labour productivity (number of units produced per employee) within that section of the mill.
- **Plywood plant:** Production capacity was increased by installing a boiler and new heat exchangers in one of the veneer dryers, as well as converting the log conditioning chambers from hot water to steam. The boiler increased the available thermal energy of the plant and the heat exchangers increased the thermal energy transfer of the dryer. The conversion of the log conditioning chambers meant that the logs were no longer boiled in hot water, but rather steamed until the required core temperature was reached. This reduced the initial moisture content of the veneer and subsequently the amount of moisture that has to be removed during the drying process. Thus, the available thermal energy was increased, the effective transfer was increased and the amount of energy required to dry the veneer was reduced, which ultimately led to increased production capacity.
- **Jessievale sawmill:** A new lumber drying kiln was installed to increase production capacity and a finger joint machine was commissioned to increase fibre utilisation at the mill. The bulk of electricity at Jessievale is used either by electrical motors or lighting. In order to achieve the best cost versus benefit it was decided to replace low-efficiency lights with light emitting diodes (LED) lights. Subsequently several lights were given LED replacements to increase the mill's electrical efficiency.

A South African first

Apart from these projects, the Sabie integrated site's development is expected to significantly improve the use of available fibre, and subsequently York's value creation. This facility will be the first of its kind in South Africa and comparable to international wood fibre processing facilities.

In terms of technological advancements, the site will include:

- Central log merchandising yard, which includes the following:
  - Tree length bucking optimisation in order to optimise value recovery from the available fibre; and
  - 3D laser and X-ray log scanning in order to optimise each tree into logs best suited for the different processing facilities.
- Sawmill
  - 3D laser logs scanning in order to determine the exact log shape, which is then optimised in terms of the mechanical capabilities of the sawmill, which will include the following features:
    - Optimal cutting pattern;
    - Optimal log rotation and positioning;
    - Curve sawing; and
    - Diagonal board sawing;
  - Automatic grading of boards before drying. Each board will be scanned individually and separated into board grades according to the quality characteristics of the board; and
  - Automatic grading of boards after drying. Each board will be scanned individually and graded according to customer requirements and separated into groups which are remanufactured or sold as finished products.
- Plywood plant
  - A new dryer with the latest drying technology and control systems will be installed;
  - The dry veneer will be graded and stacked automatically using grading scanners; and
  - The plywood boards will be constructed with a semi-automatic lay-up line which will use glue spraying technology, which is much more efficient than the existing glue rollers being used.
- MDF plant
  - Since this plant will be closer to a greenfields project, the latest technology in terms of MDF production will be implemented across the plant over the medium to long term.

Sabie integrated site

The purpose of the Sabie integrated site is to extract maximum value from the available fibre in the Escarpment area while increasing productivity. This will be achieved by integrating the following processing facilities into one:

South Africa is a net importer of lumber, plywood and MDF. In addition, South Africa has major electrical energy constraints. The Sabie integrated site addresses both issues.

ENGINEERING DIVISION continued

The purpose of the Sabie integrated site can therefore be summarised as follows:

- Increase throughput:
  - Increase production capacity;
  - Increase market adaptability; and
  - Increase product offering.
- Increase value recovery:
  - Utilise technology to extract the optimal value from the available raw material; and
  - Centralised decision making on the optimal product that can be produced from the available raw material.
- Increase labour productivity.
- Increase cost absorption.
- Optimise process flow in order to simplify materials handling and to subsequently increase OEE.
- Simplify the internal logistics by sending all the raw material to one central plant which will lead to improved decision making and transport efficiencies.
- Optimise operating expenses by increasing the OEE of the equipment. This is achieved by considering reliability, maintainability and standardisation during the equipment selection process.
- Increase energy efficiency by implementing the latest technologies and methodologies, for example LED lighting and thermal energy conversion processes.

The first phase of the Sabie integrated site will include the expansion of the plywood plant. The plywood expansion project (project) was approved by the Board of Directors during the 2014 financial year. During the development of this project, specific care was taken to achieve the purpose of the Sabie integrated site. This was realised by implementing a continuous improvement model to the project development and feasibility stage of the project. The process flow and technologies were continuously evaluated in terms of the whole project and improved on as required. This ensured that the final project proposal achieved all the requirements in order to realise the goal of the Sabie integrated site. The next phase of the project will entail implementation, during which the Engineering division will be responsible for project management, project engineering and integration with the Sabie integrated site.

The purpose of each plant within the integrated site:

Once the logs have been sawn into boards, they will be graded and stacked onto kiln trolleys

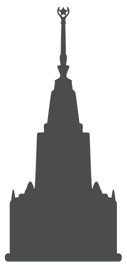
The lumber will be dried in kilns using warm water from the cogeneration plant

Once the boards have been dried, they will be destacked, scanned, graded, sorted and stacked again

The boards that did not qualify for structural timber will be cross-sawn to remove structural defects, then finger jointed and finally planed

The chips from the wetmill will be sent to the MDF plant and the saw dust, offcuts and shavings will be transported to the cogeneration plant

APPROXIMATELY
1,5 million m³
OF LOGS WILL BE PROCESSED PER ANNUM AT THE LOG MERCHANDISING YARD



THE VOLUME OF THE EMPIRE STATE BUILDING IS APPROXIMATELY
1,04 million m³

Integration

By integrating the various processing facilities, fibre from the plantations will be utilised to produce the optimal final product, while the energy efficiency of the plant will be significantly improved. Since various functions will be integrated, the production costs for the various processing facilities will also be reduced considerably.

The integration will subsequently not only maximise the value extraction from the available fibre, but also increase energy efficiency and cost competitiveness. The integration of the various processes will also, from a systems-thinking point of view, be optimised in such a way that the whole system is geared to ensure optimal value creation. This process will start in the log merchandising yard, where logs will be optimised, taking into consideration the potential value that can be created at the various processing facilities.

Environmental impact

The project is developed in such a manner as to ensure environmental sustainability. The various potential impacts on the environment were determined during the environmental impact assessment (EIA) and, with the assistance of environmental specialists, an environmental management plan (EMP) was developed. Implementation of this plan will ensure sustainability. During this process the community was also involved and their concerns were considered during the development of the EMP.

Apart from the management plan, new technologies, for example, air emission abatement equipment, will be installed, which will ensure compliance to environmental regulations. Some of the main aspects that were considered during the EIA are indicated below.

AIR EMISSIONS

York's new facility will comply with minimum national standards, and in many cases, minimum international standards.

WATER EFFICIENCY

The plant will remain within the limits of its water use licence. Processes have been designed to increase water use efficiency. An upgrade of the effluent system is planned.

ELECTRICITY USAGE

Although usage will significantly increase, the latest technology in lighting and motor controls will be used to increase efficiency. Considering that a cogeneration plant will also be installed on-site, the net electricity usage from the national grid will actually reduce.

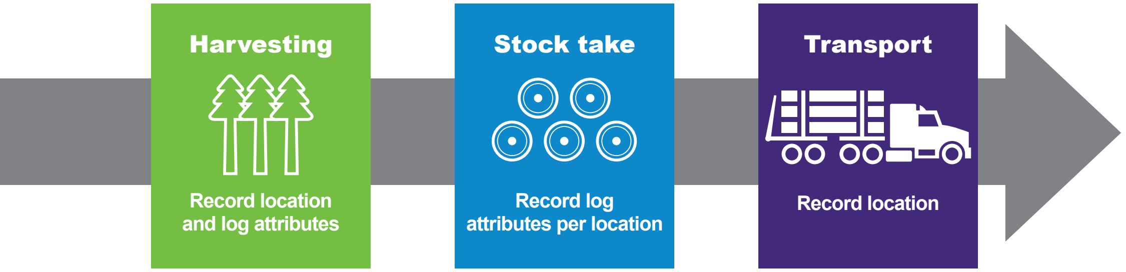
LIQUID FUEL USAGE

Use of mobile vehicles should improve due to the integrated log yard, and because the process flow was a critical consideration during the layout planning of the plant.

NOISE REDUCTION

The plant layout has been developed to reduce noise experienced in the vicinity of the plant.

INFORMATION TECHNOLOGY PROGRESS



In pursuit of extracting maximum value from available fibre resources, York's strategy is to employ the appropriate technology to enable the Company to reach its goal. The IT strategy's aim is to provide a framework that will provide information to decision makers to optimise variables in real time. This information gathering started many years ago and is mined on a daily basis in order to make the best possible decision with the information available. This information includes:

- The rainfall and minimum and maximum temperature per area;
- Soil type and slope of the compartments; and
- Yields of previous crops per compartment.

This information is used in the decision of the site/specie matching. From there each operation is recorded for the compartment that finally culminates in a yield prediction per compartment. This is correlated with the actual values in order to refine the model and improve our knowledge. Each log is tracked through supply chain from where it is harvested, where it is measured and graded and tagged. The information of the log is associated with this number and tracked to the mill where it is delivered. This allows York to manage the supply of logs to the mills in terms of quality, dimensions and age.

Integrating information

York previously reported on the establishment of a project to scrutinise its current business processes including the enterprise resource planning (ERP) system. The aim was to improve efficiencies across the Company and to either upgrade or replace the current systems, depending on its effectiveness and how applicable the system was to current requirements. The first phase of the study is now complete, and York will issue its system requirements in the coming financial year in order to start evaluating the available best of breed systems in the market. York plans to complete the project before the new integrated site at Sabie comes online.

Enhanced communication

Due to the poor communication infrastructure in the rural areas in which York operates, a process has been started to implement "own communication" system capabilities between sites. This will involve using the latest stable technology, including implementing Voice-over-Internet Protocol (VOIP). York is also actively working with the cellular service provider to improve the mobile communication in the area. This infrastructure is key to implementing a real-time log tracking and logistics supply chain system.

Going forward

Further enhancements to the supply chain system are being planned for the new financial year. This will provide York with the capability to monitor and manage the inbound logistics (delivering logs to the mill) in real time, reducing truck standing times and enabling better road utilisation. York is also continuously monitoring the developments in the Radio-frequency Identification (RFID or smart tags) technologies.

Currently the available tags are still prohibitively expensive but as the technology is more widely adopted, the tags should become more affordable. Implementing RFID tags will address some of the challenges experienced with the barcoded tags, as well as providing a further efficiency booster.

ENVIRONMENTAL PROGRESS

CONSERVATION

Commitment = 33% of York landholdings are reserved for biodiversity

York promotes conservation by setting aside representative areas of biodiversity and managing them appropriately for the indigenous fauna and flora that occur there. Many of these areas contain rare or endangered species, and annual monitoring programmes are in place to support management decisions.

Conservation plans integrate with those of the provincial conservation authority and the Mpumalanga Tourism and Parks Agency, thereby adding value and co-operation on a regional basis.

York has a total of 1 100 hectares of indigenous forest within protected areas. Grasslands have an important ecological value and are found throughout the landholdings. Their management is integrated into York's fire management plans.

Points of interest with important historical, archaeological, cultural, aesthetic, or ecological value are recorded into an Areas of Special Interest register on each forestry estate. Each site has management recommendation, and their inclusion into York's Geographic Information System further assists to protect them during normal forestry operations.

Each forestry estate has an integrated weed management plan relevant for commercial and conserved areas. This plan is updated annually. An important guiding principle is to achieve long-term reduction in the use of chemicals. All chemicals and pesticides used must comply with an approved list of chemicals issued by the Forestry Stewardship Council.

At York cognisance is taken of concern for the environment and the impact of human actions on the environment through all aspects of planning and decisions taken in the business. This is no easy task, since the sum total of legislation in the framework for environmental compliance in the country stands at 38 Acts. Notwithstanding the fact that there are Rationalisation Acts, Repeal Acts and Amendments to Acts, this plethora of Acts governing the protection of the environment is taken seriously at all levels in the Company.

Legislation to regulate environmental deterioration has been in existence for over 300 years. In earlier times, the focus was on air and water pollution, particularly after the Industrial Revolution, as well as the protection of tracts of land for the recreational benefit (hunting) of privileged groups. Accountability of the public at large for the conservation of natural areas arose in the mid-1800s, and in South Africa the first game reserve was proclaimed in 1894 in Pongola. The National Parks Act, 56 of 1926, was soon followed by a host of comprehensive provincial nature conservation ordinances, including most recently for Natal in 1974. A global turning point for the relationship between humans and the environment, occurred on 1 January 1970 when the United States' National Environmental Policy Act became law.

What then of the position of York within this framework and the prognosis for the future?

Joseph Shires planted the first commercial trees in Sabie in 1876 and today the town is surrounded by the largest manmade forestry area in the world. York was incorporated in 1916, listed on the JSE in 1946 and acquired GFP and the Sabie mill in 2007 (which first went into operation in 1949). Clearly, prior to the 1970s, there was little or no legislation, in comparison to the present, that governed the operations of commercial forestry.

It is against this background and context that consideration must be given to the significant contribution being made today by York with regard to its environmental and resource sustainability objectives through sustainable forestry practices, protection of biodiversity, preservation of natural heritage sites and sponsorship of several environmental education initiatives. York takes pride in its membership of the FSC and wholly supports its principles of environmentally appropriate, socially beneficial and economically viable forestry management. York promotes biodiversity by setting aside and managing areas with indigenous vegetation to provide suitable habitat for biota and corridors of connectivity across the landscape.

Over 60 conservation important species of plants and animals have been identified and are closely monitored on the 24 000 hectares of land that the Company has set aside specifically for this purpose. In addition, at least 25% of the total landholdings will never be planted to alien trees for the same purpose, also allowing these renewable resources to be shared with employees and rural neighbours in a sustainable way.

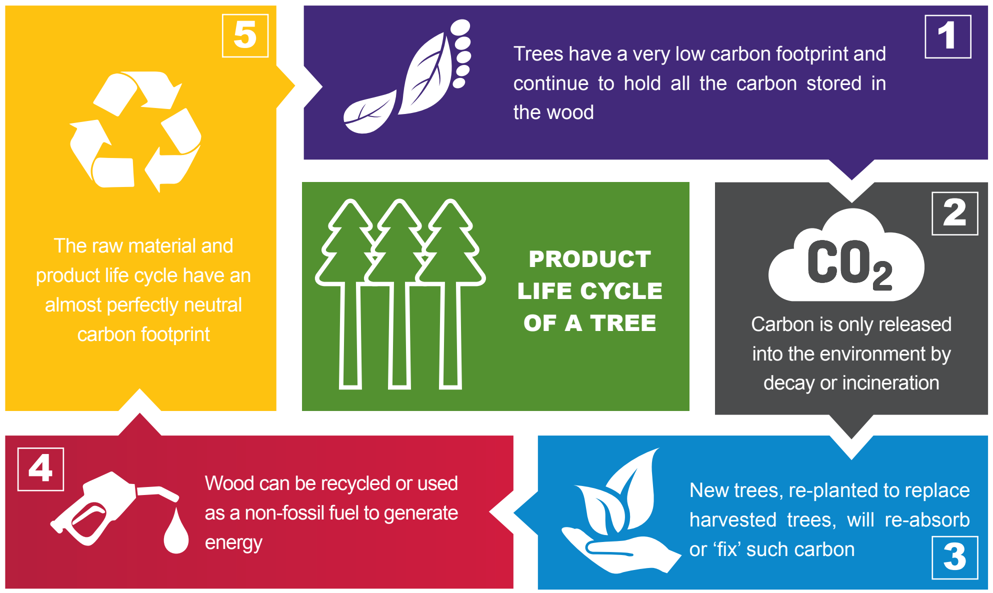
ENVIRONMENTAL PROGRESS continued

York also protects and manages seven natural heritage sites – areas designated by the South African Government as having environmental or national significance. The sites include a tree fern reserve, caves as well as rock art paintings. The natural heritage sites provide environmental educational opportunities for organisations such as schools, bird watching clubs and lepidopterist societies. York is ensuring that these national treasures will be in existence for the enjoyment of future generations.

Embodied in the mission, strategy and core values of the Company is a desire to operate an efficient, vertically integrated forest products company, underpinned by sustainable resources, to manage plantation resources on a sustainable basis and supply optimal raw materials to each processing unit, become an industry leader in environmental compliance, apply superior environmental and safety standards to the operations and empower people. If the National Framework for Sustainable Development is considered in which the substantive principles are the efficient and sustainable use of natural resources and in which the socio-economic systems are embedded within, and dependent upon, ecosystems, then clearly York achieves its objectives today.

The newly planned integrated site with its log merchandising yard that will optimise full tree length use in the form of logs, pulp and fuel, the sawmill that will employ cutting-edge technology, the plywood plant that will implement automatic grading and product repair, the cogeneration plant that will result in York becoming a net producer of electricity and the MDF plant that will produce high value boards from pulp and other value-add products, all attest to the progressive mindset of the Company.

Any silviculturist who is able to utilise over 90% of each tree, increase efficiency and optimise the production of a diverse basket of products with waste generation and environmental impact significantly curtailed and provide social inputs into the regional socio-economic environment is a market leader in every way. This is where York sees itself today and in the future.



Fire prevention and protection

Working together with the community…

In forested areas where the landscape envelops the way of life for direct and neighbouring communities, a fine balance of education, awareness and relationship building is of mutual importance to both York and surrounding communities.

In addition to becoming involved in community education, York builds relationships by assisting local communities on its borders with fire-fighting operations. Most of these communities are poverty stricken and cannot afford to lose their homes to fire. In turn, they will often respond to fires on our land close to their homes and help to contain them until the fire crews arrive.

Annual fire training is vital and fire drills are held regularly. A fire-readiness competition is held annually for neighbours and private landowners and is co-sponsored by York, which has close relationships with its local municipalities.

Fire risk management

Being prepared…

Uncontrolled wildfires in a scenario of climate change and unstable weather conditions, remain the biggest risk to the sustainability of plantations for the whole of the South African forestry industry.

Fire risk planning is an ongoing process throughout the year and not limited to the fire season. A multi-disciplinary integrated approach is used, which optimises resources, costs and planning processes.

Fire risk management system

Technology for focus…

New technologies are rapidly becoming available and more affordable. Mechanisation of certain aspects is developing rapidly and presents us with opportunities to create new efficiencies and make fire control a safer operation. The latest batch of fire tenders that have been bought include a number of innovations incorporated into their design, including some industry 'firsts'. Another large step in technology is the procurement of sophisticated purpose-built fire-fighting water-bomber aircraft by the service provider of aircraft to the industry. York played an instrumental role in the procurement of these machines that entered into service during July 2014.

Reducing risk

There are a number of approaches to engage with local stakeholders. The fundamental community awareness programmes are the Mlilo and Fire Wise initiatives, and these provide valuable contact and education with local communities, local municipalities, and neighbours. Government job creation initiatives such as *Working for Water* and *Working on Fire* are extensively supported and utilised by York.

- Contractors are an integral part of York's fire-fighting capacity. Some contractors are specifically employed to provide labour and resources for fire protection and fire-fighting work. All York contractors are obliged to take out a dedicated "spread of fire" liability policy.
- The boundaries of York's plantations are carefully monitored, and part of the risk management is to

ENVIRONMENTAL PROGRESS continued

interact regularly with adjoining landowners. This is done through personal visits, direct communication and via the Fire Protection Association (FPA). To accommodate small farmers from previously disadvantaged groups, cattle are permitted to graze where it can be controlled. This is beneficial as it reduces grass fuel loads in certain areas.

- York has strong relationships with the larger forestry companies in the region and is actively involved in a number of joint initiatives.

Fire Protection Associations

York is an active member of the two FPAs serving its plantation areas: in the south, uMpuluzi FPA; and in the north, the Lowveld and Escarpment FPA.

The FPAs, which were created by the National Veld and Forest Fire Act, 101 of 1998, are a statutory body and can levy fees, compliance instructions and fines upon landowners. Under the membership levy structures, further services such as communications, fire detection, training and ground and aerial fire-fighting resources are provided. Further essential services, such as sophisticated weather monitoring and weather forecasting, planned burning permits, regional fire statistics and regional incident control centres are provided.

International best practices are promoted by the FPAs to minimise fire losses at lower costs, through co-operation, streamlined decision making, uniform standards and policies, and the involvement of all landowners in fire-fighting. The FPAs also facilitate other stakeholder groups, such as the Mpumalanga Forestry Wildfire Committee, as well as the steering committee for the fire detection system.

FPA regional bases in Mpumalanga are permanently staffed operation centres with aircraft on standby throughout the fire alert season. In partnership with private suppliers and *Working on Fire*, York has contractual access to aircraft that act as spotters, fixed-wing water bombers, and helicopter water bombers. The FPAs are the conduit and dispatch centre to further fire resources, and further assistance from organisations such as *Working on Fire* and National Disaster Management.

Fire detection

World class remote camera system…

York, other large forestry corporates and private farmers have contracted Enviro Vision Services (EVS) to provide a 24-hour, 365-day digital camera surveillance of their afforested and unplanted areas. Through a network of 66 strategically placed cameras across Mpumalanga, York enjoys coverage of more than 38 600 hectares in the Escarpment and over 25 000 hectares in the Highveld.

The cameras are situated on high sites and linked by microwave transmission to the monitoring centres near Sabie and Nelspruit, and at Warburton on the Highveld. Any sign of smoke detection or a glow at night will signal an alarm, whereupon the operator will alert York. The system also provides visual digital records of fire occurrences – a valuable tool during fire investigations.

This very reliable, accurate system reduces the element of human error. Continued software upgrades enhance the system and provide additional functionality.

Fire breaks

Around all York landholdings…

In addition to the boundary fire breaks, additional internal breaks are constructed where required. In order to mitigate the environmental impact of fire break construction, natural features are incorporated into breaks where possible, and fire break size is limited to the risk profile of the particular external hazard.

Fire-fighting resources

Classified into four categories:

- **Ground teams**
  – Annual training is undertaken to ensure standards and safety rules are entrenched. Equipped with hand tools and South African Bureau of Standard (SABS)-approved clothing, trained teams are placed on standby after hours and are moved to strategic points at all hours if the fire danger index is very high.
- **Vehicles**
  – Management vehicles are equipped with personal equipment required for fire management, as well as a fire-fighting unit (referred to as a *bakkie sakkie*).
  – Strike units are the first ground rapid response to a fire report and are equipped with a 500 litre fire-fighting unit.
  – The fire tender fleet consists of vehicles of different sizes and capacities, carrying loads of water up to 12 000 litres, and equipped with additional hand tools.
  – Some of the strike units and fire tenders are owned by York and others by contractors.
- **Aerial resources**
  – Spotter planes, helicopters and fixed-wing bombers are contracted each season, via the local FPAs. These resources are spread out and located at Graskop, Nelspruit and Warburton. They provide a valuable rapid response role and are instrumental in keeping fires small. The aircraft pool is 'shared' between the member companies. Whilst they are available on a first-come-first-served basis, we will always be entitled to our pro-rated share in case of simultaneous fires.
- **Communications**
  – All staff and contractors are equipped with radios and cellular phones. The fire detection centre and the FPAs are also in radio contact with all parties. FPA member radio channels are loaded onto York's radios to enhance communications. Shared industry incident command centres are operational in Warburton, Nelspruit and Sabie to manage and co-ordinate fire suppression activities. York has its own operational incident command post situated at its Sabie and Jessievale offices. These posts are equipped with a telephone, radio and the internet. The facility in Sabie is able to view live fire footage from the fire detection cameras.

Joint fire-fighting reciprocity agreements with neighbours provide for spontaneous response to fires and assistance with further resources from them.

York works closely with all available organisations in the preparation for and during the fire season. The aim is not only to participate, but also to provide guidance and leadership, and to train fire-fighters to safeguard Company and neighbouring forestry assets.

SOCIAL PROGRESS

The sustainability of York is dependent on our ability to fulfil our core purpose of maximising the value of our fibre resource through our processing facilities in a sustainable and responsible way.

To secure access to the capital resources, we are required to continue investing in technology to improve processing efficiencies together with new ways to unlock more value from our fibre resource.

We need to maintain the trust of our stakeholders and to conduct our operations in an ethical way, while minimising our negative impact on the societies and the natural environment within which we operate.

The ability to apply the appropriate resources to achieve all of these objectives enable us to remain sustainably profitable.

Our employees

York is built on our values of integrity, respect, accountability and commitment, and we expect our people to live these values every day. We are committed to respecting human rights and providing a safe and healthy working environment free of discrimination and where employees have the right to freedom of association. At financial year 2014, York had a total of 4 691 direct and indirect employees.

The capacity and capability of our employees is a cornerstone of York's sustainability. The delivery of quality timber and highly productive plantation assets, as well as York's very competitive wood growing and production costs, is a reflection of the capability of its diverse and experienced workforce.

York conducts recruitment based on fair and objective criteria to create equal opportunity for all candidates within a diverse employment pool. Remuneration of employees is fair, competitive and appropriately structured. An integrated performance management drives business results and ensures that the right work is being done to achieve the desired business objectives.

SOCIAL PERFORMANCE FINANCIAL YEAR 2014

HEALTH	Voluntary HIV/Aids tests	227
	HIV/Aids prevalence of employees tested	40
	New cases of tuberculosis	4
	Noise-induced hearing loss (NIHL) claims	7
SAFETY	Injuries – lost time injury frequency rate (LTIFR)	1,22
EMPLOYEES	Spend on formal employee training and development (R'm)	R4,9 million
	Skills development of black employees as a percentage	91
	Leadership Development Programme percentage of black participants	47
CSI	BBBEE rating in terms of the Generic Charter	Level 4
	Percentage bursaries awarded to black matriculants (%)	100
	Percentage preferential procurement spend	70,23
	Enterprise development contribution (R'm)	R6,1 million
	Percentage of employees who are black	91
	Corporate social investment in community programmes (R'm)	R3,4 million

York supports its employees' right to freedom of association, and 72% of our South African workforce is unionised. While the year under review has seen a rise in industrial action, this has not caused any disruptions to York's business. While there has been inter-union rivalry and York has felt the pressure of national social political issues, this has not interfered with business.

York complies with the requirements of the Employment Equity Act, 55 of 1998, and has Employment Equity Committees and plans in place. This year we will strive to improve our transformation at the professionally qualified and mid-management levels.

Talent management

Employer of choice…

Investing in future talent is important to York. We are striving to become an employer of choice for young graduates and, in order to realise this goal, have geared up our involvement with tertiary institutions. The aim is to open up students' minds to a career in the timber industry and, more specifically, a career at York.

Association with a host of different institutions provides students with a glimpse of what they can expect at the workplace of a reputable employer.

Tshwane University of Technology (TUT): York was represented at both the TUT open and career days. Prospective and current students visited university departmental and industry exhibitions where they were able to receive more information on York as a future employer, and about careers the Company has to offer.

Fort Cox College of Agriculture and Forestry: York is now represented on this institution's Training Advisory Committee. The main role will be to provide guidance about student training; this will ensure that the curriculums developed are aligned with what the industry realistically requires.

SOCIAL PROGRESS continued

CTU Training Solutions: A field trip for ITC students was hosted by York, with the objective of introducing York as a potential employer and to provide a glimpse of what can be expected in the workplace.

Students found the field trip very exciting, and when an opportunity was extended to CTU to appoint two trainees, it was no surprise that two of the students that had visited York were appointed as Trainee IT Technicians.

University of Mpumalanga: York, together with the Department of Agriculture, Forestry and Fisheries, has begun talks to develop curriculums in Forestry and Wood Technology at the university. Bringing these courses to the local university will ensure that York has a steady supply of locally qualified individuals to employ in the future.

During career days, students receive handouts in which they can find further interesting information about York, the careers the Company offers and our contact details.

Employee development

Management development: Great commitment was demonstrated by a group of high-potential employees who took part in a successful management development programme. It presented an opportunity for these junior managers not only to develop their management skills, but also to experience a journey of self-discovery and progress.

Apprentice programme: Quality artisans are critical for York's processing facilities to function effectively. For this reason, emphasis has been placed on the development of semi-skilled labour. Employees who did not have access to education in the past are given the opportunity to qualify as artisans through recognition of prior learning. This programme aims to encourage personal development and aligns with York's commitment to develop employees at all levels of the Company.

A focus on employment equity

York is committed to fair practice and has placed even greater focus on the implementation of affirmative action measures in the past financial year. With this focus, the Company is confident that the numerical targets and goals set out in the Employment Equity Plan can be achieved. To facilitate the implementation and achievement of the plan, an Employment Equity Committee has been established for each site. These committees will further contribute to the realisation of equitable representation within York.

Growing talent

Working within a high performance organisational culture, York employees are extremely competitive and strive to be the best at what they do. In line with this, York has a reputation for employing some of the forestry and timber processing industry's top specialists and professionals. Both management and employees recognise that the collective performance culture of the Group is a contributing factor to its success.

Performance culture

On an individual level, capability and fit with the culture at York as well as a focus on deliverables, drives success in any position. There are critical

roles that are key to the functioning of the business units, and by identifying these roles and associated skills, York is in a position to ensure that employees are functioning to the best of their ability within their current positions. This process is also vital in providing a clear guide for the preparation of potential successors.

Succession

Identifying high potential individuals and talented employees is an essential process. York assesses the aspirations, capabilities, engagement and current work performance of those that have been earmarked in the talent pools. In order to ensure that these individuals have the necessary capability and personality traits to be successful in their roles, psychometric assessments are conducted. The identified individuals then go through a career development process, which integrates the information gathered from career discussions, assessments and a skills matrix. This information is transformed into individual development plans.

Skills matrices for critical roles provide a visual representation of the current behavioural and technical skills levels. Through these, skills gaps are identified and addressed timeously and potential successors can be measured against the skills requirements of the future position.

The bottom line

York values and rewards its employees for the contribution each individual makes to the realisation of Group objectives. By ensuring individuals take ownership of their development, are engaged and neither underutilised nor over-extended, talent can be successfully nurtured to enhance York's performance culture of success.

CASE STUDY

FORESTRY LEARNERSHIP

57 are training up for timber…

The objective of York's Learnership Programme is to provide a national certificate to unemployed community members. In terms of the qualification, the course details a General Education and Training Certificate; General Forestry NQF Level One totalling 120 credits. Skills will include the use of maps to access and communicate information concerning routes, location and direction, and mathematics and communication are key unit standards for the learnership.

To date, 57 students have been deemed competent this year, in terms of this learnership. A further measure of success is that some students have been absorbed into current vacancies – precisely the kind of result York would strive for.

One student is so motivated that he works at the nursery over the weekends for additional experience.

SOCIAL PROGRESS continued

Community development

Anchoring the people; providing opportunity

Commendation by the Forestry Stewardship Council for excellent CSI projects 2013

INVOLVEMENT WITH LOCAL COMMUNITY

+7 500
LOCAL COMMUNITY MEMBERS
living in plantations and villages

YORK ENSURES
UPKEEP
OF THE LOCAL ROADS AND CRITICAL INFRASTRUCTURE

YORK PROVIDES ADDITIONAL
BENEFITS
FOR EMPLOYEES INCLUDING:

- Primary healthcare services
- Maintain and provide services to pre-schools
- Unemployment retraining programmes
- Women in Work programmes
- Adult literacy programmes

MORE THAN **1/3** OF **LEARNERS** IN THE LOCAL SCHOOLS ARE FAMILY MEMBERS OF YORK EMPLOYEES

DEVELOPMENT OF THE YORK ADVENTURE CLUB IN SABIE – EMPLOYEE ENGAGEMENT TOP PRIORITY

COMMUNITY EMPOWERMENT INITIATIVES

LEARNERSHIP PROGRAMME
Facilitate NQF level one course in general education and training certificate

MEMEZILE HIGH SCHOOL
Performance booster personal development programme

SASOL OIL COMMUNITY DEVELOPMENT PARTNERSHIP

WARBURTON COMBINED SCHOOL SHOE DRIVE
17 children received shoes

GLORY HILL PRIMARY SCHOOL
Painting of offices, classrooms and ablutions
Erection of fencing surrounding Grade R classrooms

GRASKOP PRIMARY SCHOOL
Repairs of floors in classrooms

ECO SCHOOLS
10 schools in the Lowveld being supported

HAWKERS' MARKET
Permanent empowerment for local entrepreneurs

WARBURTON COMBINED SCHOOL LEADERSHIP PROGRAMME
Developing young leaders

WOOD DONATION FOR WARBURTON COMBINED SCHOOL
Warmth during winter and cooking fires

York is passionate about its role as a social supporter and promoter of various communities and family values in both the Lowveld and the Highveld. In its role as a good neighbour, true participation and involvement is intrinsic to the way York sees corporate social investment (CSI).

CSI strategy

The principles of York's CSI programmes are aimed at delivering an internal, economic and social benefit aligned with the human capital strategies of continually:

- Leading and developing;
- Attracting and engaging; and
- Reinventing and improving.

York's social upliftment activities are aimed at redressing past inequalities by empowering previously disadvantaged individuals and being involved with projects aimed at alleviating poverty. These efforts are focused on ensuring the growth and social development of the communities in which York operates.

Enterprise development

Progress over time

An overarching goal of York's enterprise development (ED) initiatives is to provide continual development to the organisations that the Group champions. These initiatives include such projects as supporting Thaba Chweu Municipality with the financial skills required to repair sewerage and domestic water systems.

Another one of the major ED investments concerns the development of the women at Sabie Hawkers' Market. York sponsored business and financial training for these women to gain essential skills as merchandise business owners. In addition, York's ED focus strengthened the small micro businesses belonging to York's contractors. This was achieved by providing accommodation, offices and facilities to these contractors, as well as developing contractor employees through accredited relevant training.

Youth development

A primary objective of community development is to empower the youth in the York communities. This service is essential to counter past inequalities and to confirm the Group's commitment to broad-based black economic empowerment (BBBEE). Consequently, school groups have been sent on leadership and developmental camps; received specific school leadership training; and attended motivational and performance-based courses. York firmly believes in entrenching lifelong core values for sustainability, self-awareness and motivation. In this way, the youngsters it assists are able to make better use of all the opportunities presented to them.

- York also invests in projects aimed at job creation for the unemployed by upgrading villages and schools.
- It encourages entrepreneurship through business skills development and funding infrastructure.
- Social responsibility drives are hosted to focus on promoting overall health and wellness, and even blood donations.
- Finally, York realises the value of working with outside stakeholders to guarantee the community the support it deserves.

Further initiatives are aimed at enhancing environmental awareness to the benefit of the country and the Group as well as supporting communities in attaining basic needs such as clean drinking water.

SOCIAL PROGRESS continued

CASE STUDY

SCHOOL AND COMMUNITY-BASED INITIATIVES

Positively affecting people's lives daily…

Memezile High School, Glory Hill Primary School, Graskop Primary School and the Eco-school programme form part of these initiatives. The Sabie Hawkers' Market project continued from the previous financial year with a focus on closing the gable sides of the stalls. This resulted in fresh produce being better protected from rain and sun – elements which had previously been the cause of damage. In addition to assisting small business owners, the schools received welcome financial assistance to renovate various facilities. Infrastructure was renovated, restored and built, which is crucial to successful learning, teaching and development. In continuing York's commitment to the environment, the Eco-schools programme is being initiated in local schools this financial year. Environmentally-aimed activities such as recycling and environmental training typify the programme. Education on the value of biodiversity and the broad benefits of conserving the ecosystem is provided.

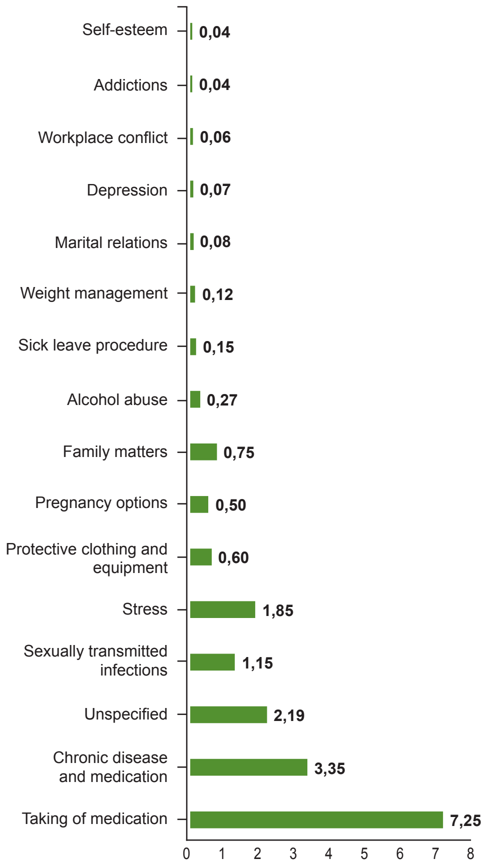
Budget expenditure

York dedicates its annual CSI budget to projects invested in enterprise and community development. The total budget for the 2014 financial year was R9,5 million (2013: R7,3 million). A total of R6,1 million of this budget was allocated to enterprise development and the remaining R3,4 million went to community development initiatives.

Another measure of York's commitment to the community is our assistance regarding overall wellness. During the past financial year a total of 14 687 patients were treated in the clinics and 32% of these patients received counselling.

PATIENTS RECEIVING COUNSELLING

Percentage of total patient count



Highest award by Sector Education Training Authority in discretionary funding in Forestry/Sawmilling sector 2012 and 2013

Training and development

Laying foundations for growth and sustainability…

Internal and external training endeavours are crucial to each employee's growth and development as future leaders within varying spheres of York. The Group has full Training Provider Accreditation with the Fibre, Processing and Manufacturing SETA and upholds the standards of the South African Qualifications Authority in order to deliver the highest standards of excellence during training.

National alignment

York is fully committed to the objectives of the National Skills Development Strategy (NSDS), which are to:

- Increase access to training and skills development opportunities;
- Transform inequities linked to class, race, gender, age and disability;
- Address the challenges of skills shortages and mismatches;
- Improve productivity in the economy; and
- Increase the focus on skills development linked to rural development.

We are also cognisant of continuous evolution within the industry and committed to matching the training needs required to meet these changes.

Training highlights

The Group's aim is for training to impact the business positively.

Training included:

- Statutory training such as mobile equipment and first aid;
- Non-statutory training such as mill processing, ethics and fire-fighting;
- External training such as management development and technical training; and
- CSI training such as learnership and leadership development at schools.

Training is critical to York's growth and development…

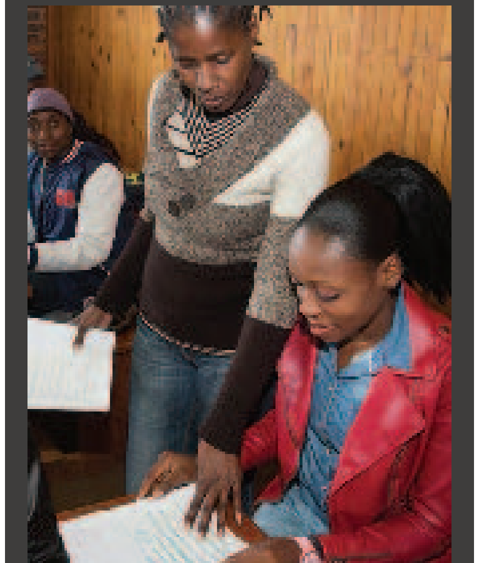
- A programme was developed to address ethical behaviour as well as to provide a reinforcement of fundamental business principles. This was aimed at salaried and wage earning staff as well as contractors. The training was well received

SOCIAL PROGRESS continued

CASE STUDY

RURAL DEVELOPMENT

A cutting-edge initiative…



Twenty young black South Africans were given the opportunity to study towards being internationally recognised fashion designers in the 2014 financial year. This rural development project was made possible through a partnership between York and the Fibre, Processing and Manufacturing SETA. The objective was to support the National Skills Strategy with economic and social benefits showcased through the upskilling of these students. This, in turn, enhances their chances of employment as well as owning their own businesses in the future. Not only did this initiative support York's commitment to BBBEE but it consolidated a firm and ongoing relationship with the SETA. The support (both financial and emotional) offered by York to the students was positively received. Moreover, all 20 students remain dedicated to completing this course.

and included role playing as well as discussions of 'dilemmas' to ensure that the knowledge could be given a practical application. This course gives the Company the opportunity to discuss business performance and values in an ongoing forum with employees.

- In partnership with the Fibre, Processing and Manufacturing SETA, six high-potential black employees were targeted to undergo an interactive management development programme. This forms part of the Group's affirmative action and BBBEE measures to address the barriers to employment equity. The end result is aimed at ensuring future leaders are developed within York.
- A current obstacle faced by many semi-skilled artisans is their inability to further develop their careers when they do not have formal trade qualifications. A recognition of prior learning programme was initiated to enable these employees to compete for vacant artisan positions. Eleven apprentices from Driekop Mill, Sabie Mill, Plywood as well as Jessievale were selected as part of a training initiative to address this challenge. This ensures that semi-skilled artisans are afforded the opportunity to successfully realise theoretical and practical components for trade tests.

Apprenticeships are crucial to enabling and creating future opportunities for employees…

- Leadership development opportunities in the 2014 financial year included hourly presentations by psychologists and other subject matter experts. Topics included: "Leadership the Ernest Shackleton style", and "Becoming unstuck and taking control of your thoughts", as well as other issues such as "Forging an architecture of happiness" and "Unpacking healing and harming thoughts". A positive impact has been made as employees have since reported that they learned new leadership skills and enjoyed the thinking-out-of-the-box approach.
- Personal development and promoting leadership skills as a core value within York is attained through the leadership coaching programme. The process is aimed at unlocking the true potential of the people of York and improving their personal and professional performance through achieving customised goals. Some of the goals include personal growth, life planning and management and competency development as well as problem-solving management.
- A total of 36 employees situated at Nicholson and Mullin as well as Driekop Mill celebrated obtaining an Adult Basic Education and Training (ABET) Level 3 qualification. These employees have now commenced Level 4 training and the expected date of completion is December 2014.
- In addition, York trained the employees of Massbuild on the care of timber as poor storage can potentially warp and damage timber. A training course was developed and presented to the stores located in and around Gauteng. Elements of the course included grading specifications and the effect of moisture as well as the handling and care of timber.
- Sales training included elements such as identifying the personality type of potential clients and building a relationship with the client based on the sales representative's knowledge. The course included exploring the skills necessary to guarantee a successful sales team. Negotiation skills were included in the training as well as communication styles and conflict management.
- Various types of internal training were consolidated and successfully implemented at all sites. Such training (both statutory and non-statutory) includes:
  - Mill processing;
  - Mobile equipment;
  - Safety training;
  - Fire-fighting;
  - Personal development;
  - Management training;
  - Forestry-related training; and
  - Community development.

Discretionary grants for the year were approved for a total of R2,1 million for allocated projects that meet the NSDS.

CASE STUDY

MEMEZILE HIGH SCHOOL LEADERSHIP DEVELOPMENT CAMP

During October 2013, matriculants were preparing for their final examinations. York arranged a study camp for the matric students from Memezile at the Environmental centre within Graskop from 21 – 25 October 2013. The aim of the camp was to provide the students with necessary support to be fully prepared for their final examinations. During this week, the students gave their undivided attention and worked through all the examination subjects. The teachers provided full time assistance, working through previous examination papers as well as supporting the study groups. Cell phones had to be switched off throughout the duration of the study camp and the students focused on their studies for the entire time, with no interruptions. The camp had a great impact on the students as they felt that they were fully prepared for the examinations. One student expressed his gratitude for the camp as it helped him focus on his studies because "there is a lot of bad stuff that happens at home".

Overall the camp achieved its objective and a pass rate of 72% was achieved compared to 47% the previous year at Memezile High.

SOCIAL PROGRESS continued

These projects included:

Training intervention	Number of approved beneficiaries	Unit cost R	Total cost R
Internships	5	15 000	75 000
Work experience	8	15 000	120 000
ABET Level 1	28	3 000	84 000
Unemployed section 13 fitter apprenticeship	3	25 000	75 000
Recognition of prior learning fitter, electrician and mechanic, boilermaker	16	5 000	80 000
Wood technology and forestry bursaries	2	35 000	70 000
Skills programme	16	7 200	115 200
Unemployed skills programme	15	7 200	108 000
ABET Level 4	36	3 000	108 000
Learnership	30	24 000	720 000
Rural development project	20	30 000	600 000

Health and wellness

Creating a healthy workplace…

An employee wellness programme needs to have the approach of a professional rock climber – every little item needs to be carefully considered and tried to ensure the right choice of grips and footholds is made on the way up. Guidance and an understanding of the conditions is important; at York that practical guidance comes from its competent, dedicated and skilled medical team.

During the reporting period, we have been aiming to improve the health of employees by monitoring sickness absenteeism rates. Every industry and organisation around the world remains concerned about chronic lifestyle diseases and their impact. Effectively monitoring the sickness absenteeism rate gives organisations a good indicator of the general wellness and productivity of employees in the workplace.

Encouraging employee wellness

York has four dedicated clinics at its main timber processing business units. These are equipped with a range of facilities and services to assist employees with their wellness needs. In the interest of providing excellent service and advice, the medical staff at these centres frequently liaise with a network of other wellness and health organisations to assist with various health requirements.

York's Jessievale site recently combined forces with AgriAids to launch a very successful health awareness day where 200 employees were monitored for chronic lifestyle diseases.

Tracking the sickness absenteeism rate

The medical staff at the clinics consult with employees on an individual basis to ensure privacy and one-on-one counselling when required. Over the past few years, York has built a good working relationship with the Department of Health, which is assisting in the delivery of a monthly chronic wellness service. Employees then receive their treatment at the onsite clinic.

The result is that, through this service, sick leave absenteeism has reduced…

The main reason for long-term absenteeism is largely due to injuries at home and motor vehicle accident injuries. Where lifestyle diseases are involved, privacy and individual counselling, viral testing and monitoring happens at an early disease stage, preventing the majority of employees from becoming ill and debilitated for long periods of time. This reduces long-term sick leave absenteeism considerably.

The average absenteeism rate in South Africa for the year 2013 was between 3,5% and 6%. In the same year, York had a considerably lower average absenteeism of 1,6%, which converts to an average of four days per employee per annum. The reason for this is that York's employees receive assistance from the clinics located on York's sites.

Safety perspective

A safe and positive core…

A positive health and safety culture needs to be at the core of every successful organisation and York is no exception.

Over the past 12 months, as with the previous year, York has continued to deliver against set objectives and is seeing a sustained improvement in performance.

Great importance is attached to ensuring the continued health, safety, welfare and development of the people of York. Commitment to minimising distress and disruption caused by injury or work-related illnesses is extremely important to the Group.

With future expansions to our plywood plant on the horizon, management keeps track of the latest health and safety legislation for integration of the amended construction regulations into our health and safety system.

Tracking progress

Improving health and safety, as well as regularly monitoring progress means the following at York:

- Safety, health and environmental (SHE) practitioners oversee and assess housekeeping competitions every second month;
- Monthly meetings are held between SHE representatives and SHE practitioners to improve knowledge and skill;

CASE STUDY

AN OPEN WELLNESS DAY

Good health all round…

In a collaborative effort with AgriAids (a non-governmental organisation), York hosted an open wellness day for the greater Highveld York community. AgriAids' ethos is to ensure HIV and tuberculosis awareness – providing counselling and treatment to the most isolated of communities. Since their vision aligned with York's own social responsibility philosophy, a joint effort was embarked on. The result was that York hosted an open wellness day during which a number of health issues were investigated for not only employees, but neighbouring farm workers and residents of Nganga Village as well.

The outcome of this project was most successful as it consolidated York's drive to support its community.

Most importantly, the day ensured an enduring working relationship with the municipality, community leaders, youth groups, local government, non-governmental organisations and the Department of Health.

York firmly believes in working with stakeholders to guarantee communities the greatest opportunities.

SOCIAL PROGRESS continued

- Quarterly Group safety meetings are held to track SHE practitioners' progress and achievements, share common areas of concern and to test legal knowledge;
- Bi-annual health and safety audits by the Group Safety Practitioner are carried out to evaluate progress on previous audits conducted and to test the level of legal compliance;
- Line managers continue to fulfil their roles and responsibilities for health and safety; and
- The Human Resources department organises health and safety training.

These are put in place and monitored by SHE practitioners at the business units, supported by the Group Safety Practitioner and the management team.

Planning and implementation

The annual Health and Safety Plan is based on a framework using the NOSA system, inputs from SHE practitioners and management and also incorporating the high risks identified at various business units. This framework is then implemented across the Group, and cascaded from the top down to floor level through the SHE representative and foreman diaries.

The following priority areas were identified for action in the 2014 plan:

- Include all injury-related causes and corrective actions in SHE representative safety talks;
- Prevent forest fires through social interaction with communities;
- Minimise hand injuries through engineering revision and improved stacking practices;

- Continue training about hearing protection and ensure the knowledge is used effectively; and
- Disseminate York SHE standards to all forestry contractors and enforce the implementation of an effective health and safety system by conducting audits.

These priorities were based on the number of incidents known to have occurred at the various business units and on an assessment of the potential harm to employees. Outstanding actions are discussed monthly by the business unit manager and SHE practitioner during evaluation of the SHE system matrix. SHE practitioners monitor delivery of actions through SHE diaries and follow-up inspections.

Sustained performance

York strives to be a low risk organisation through the implementation of effective control measures and fostering a positive health and safety culture. In order to maintain this culture and build a full picture of potential incidents, York encourages employees and contractors to report all incidents, regardless of the severity of the resulting injury or damage.

This allows for a larger number of incidents to be reported and creates an opportunity for a breakthrough in determining the real causes of injuries and a better opportunity to take corrective action. The last two years were a combined effort between management and employees to reduce lost time injuries within York.

Since Trainee SHE practitioners were employed at all business units within York, the LTIFR for the Group was above 2, which means within York more than two employees were booked off by a medical practitioner every month over a period of 12 months due to injuries on duty. The LTIFR target we set for the Group during 2014 was 0,75. The new target for 2015 will be 0,5.

The level of LTIFR in 2011 was an average of 1,9. This improved to 1,65 in 2012 and reduced again to 1,28 in 2013. Further improvements reflect levels as low as 1,25 in 2014.

Contractor culture

The percentage rise in contractor LTIFR compared to last year was due to an intervention by York to establish a culture of reporting incidents anonymously amongst contractor employees. Anonymity reduces the reporting burden and there has been improved feedback from this group of stakeholders, particularly since the impact and value of reporting incidents has been made clear to them.

York enhanced the process of incident reporting through the use of a standardised electronic document which is completed monthly via computer. All York's interventions contributed to an increase in incident reporting. Contractors have experienced first-hand the value add to their respective businesses, brought about by increased incident reporting. It is the key to long-term prevention of serious and even fatal incidents.

Future challenges

- Further improvement on the contractor incident report system. Cohesion, support, interaction and cooperation are the desired outcomes.
- Identify alternative solutions to effective incident reporting by tracing patterns of events and assessing reporting behaviour.
- Improve York's investigation system by observing employee behaviour patterns under various workplace conditions and finding common anomalies. Behavioural change through effective communication is the outcome.
- Support contractors and York's own business units through regular in-house safety audits and positive feedback. Improved and effective implementation of systems is the outcome.

Conclusion

York and its stakeholders will strive to improve the current health and safety system by minimising employee exposure to health and safety hazards in the workplace.

SOCIAL PROGRESS continued

The York Adventure Club

Enhance your experience…

Launched in September 2013, the York Adventure Club provides a gateway to the York forest experience, uniquely opening up private land to a public audience. While access is controlled and monitored for the safety of the plantation and its visitors, York provides a secure environment for the enjoyment and use of mountain bike trails, walks, trail running, bird watching and other outdoor activities.

The main objective of the club is to promote awareness and provide an experience of York for customers, suppliers, employees and the community. The York Enduro Mountain Bike Rally provides the perfect event for doing just that. Customers experience the full York staff complement, experience the product life cycle and engage with the unique brand that is York. The community benefits from the people that the Enduro draws to Sabie. These are participants, professionals and spectators as well as local school children, who come to the area to enjoy the York Enduro. The community also benefits from funds raised during the York Enduro, which are given to worthy community projects. In 2014 Enduro participants were asked to donate used sports equipment and clothing which will be distributed to the community.

Because of the club, employees have an opportunity to enjoy a healthy work/life balance and the club functions as an attraction for new staff and talent for the Company. York hopes that the facilities created will become a training ground for professional athletes and other amateur adrenaline-seekers to enhance and test their skills.

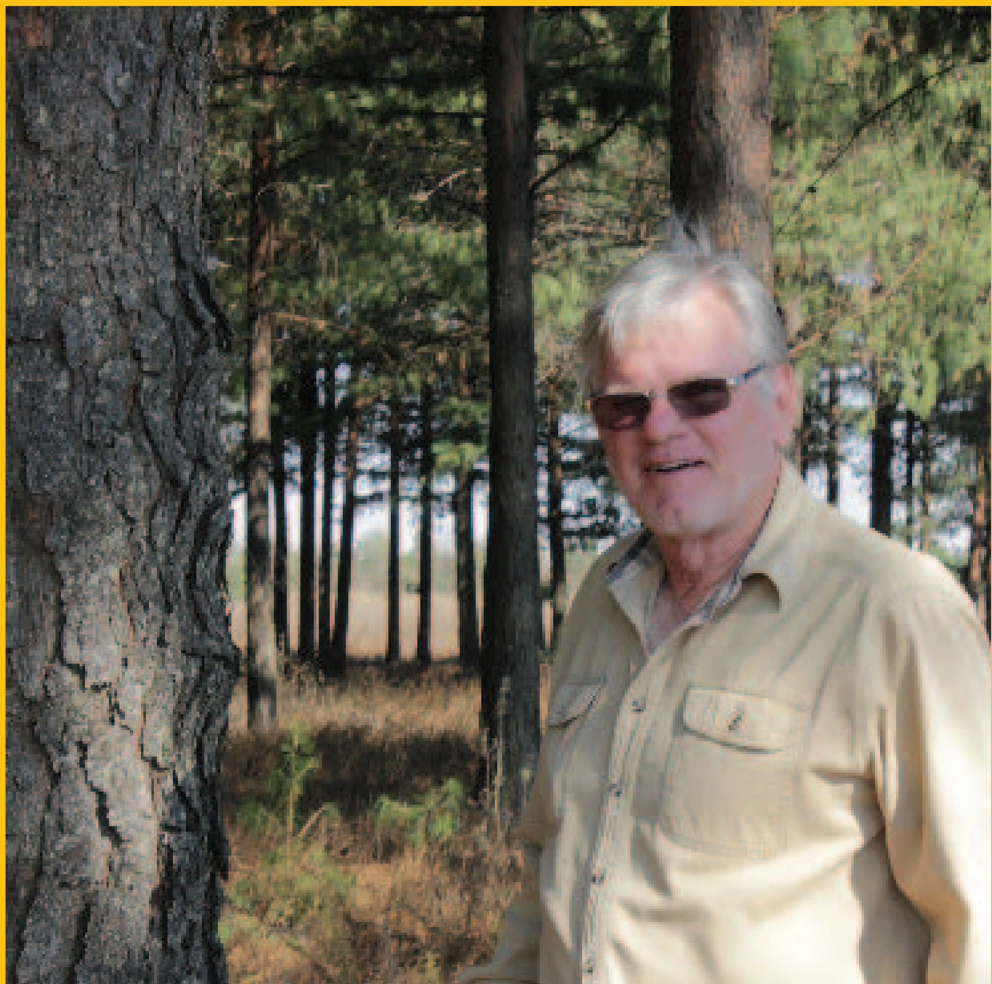
In this way, York promotes brand equity internally and externally while building a reputation as a responsible corporate citizen that also assists the community in establishing an income-generating activity that is vibrant, economic and sustainable.

The past two-year success with the Sasol partnership has paved the way to further develop this principle of land utilisation. A symbiotic relationship is established which benefits the community while York garners reputational gain.

SOCIAL PROGRESS continued

50 YEARS in the making...

JERRY DRAWE



A man with a wicked sense of humour that is subtle, but potent. A presence in the Company, whose rugged looks and smile typify his endearing personality. A hard-working and determined leader, who never fails to lend a wise word to the secret of remaining young and living a long and rich life. This is Jerry Drawe – a forestry legend who retires at the end of 2014 (again).

Jerry Drawe has always been an outdoors, wood-working and fishing enthusiast and this passion for nature and animals swayed him in his career to become a forester. He is renowned in the office for his one-liners, of which one in response to "How are you today?" is, *"Dit gaan goed genoeg" ("I am well enough")*. Jerry studied at Saasveld and obtained his Diploma in Forestry. Thereafter, he began working for the Department of Forestry in 1963 (until 1994) where his highlight was his first impressive pay cheque of R75.

Watching the proverbial moss (pines) grow is most definitely not part of Jerry's repertoire. In addition to his successful position as plantation manager, he studied whilst he worked. He was a lecturer at Saasveld while he studied sawmill management.

For anyone who knows Jerry, he often "retires" or threatens to retire. His first retirement happened in 1994 when the Department of Forestry ceased their commercial forestry activities. However, this departure lasted only three days as he then started working with a private contractor doing harvesting. This endeavour, as well as going on "pension", was a defining highlight in his career as it afforded him the opportunity to venture into various different forestry environments and companies. This consolidated and paved the way for his future endeavours over the next 20 years.

His adventures include working on Somatra Island, Indonesia, co-ordinating the supply of timber to the pulp mill. A little known fact is that he nearly died from an intestinal infection which he picked up whilst working in Indonesia. This was a huge turning point for Jerry as it taught him to appreciate life and live life to its fullest. Understandably his motto since has been *"Carpe diem"*. Jerry then returned to South Africa to work for Mondi, which was taken over by Global Forest Products and then by York. For the past eight years he has been District Manager for York's Highveld plantations which he knows like the palms of his hands.

Through the years there have been three people who played a major role in his career; one being Pieter van Zyl, York's CEO, who believed in Jerry's ability and gave him the opportunity to keep on working to his current age.

Jerry is an archive of forestry knowledge, including the various changes in forestry over the years. He characterises the "old" days as a forester, being like a farmer who manages every aspect of forestry comprising smaller units. Today plantation units are much bigger, with the work being far more specialised and functional. Through the years, he has lived and influenced the way forestry was progressing, from everything being done manually to the highly sophisticated machinery currently being used. According to Jerry, today's young foresters do not believe that it is possible to fell timber with a bow saw and then skid it out with ox teams; nor, probably, would they understand the terminology or the concepts applied earlier.

A healthy dose of Jerry's management advice or philosophy is to enjoy your job and work as if doing it for yourself. "Remaining busy and loving what you do result in a mind-set of actually not working per se." Jerry also accepts, embraces and adapts to all challenges without question.

York wishes Mr Jerry Drawe well in his absolute final retirement. His service to York and the industry as a whole has been inspirational and must be acknowledged.

Jerry, ons hoop dit sal goed genoeg gaan! ("We hope you will always be well enough!")

GRADING

Our timber products are manufactured from soft wood logs. The various sawmills and plywood plant are operating on the basis of quality programmes certified by South African Technical Auditing Services (SATAS), according to the International Standards Organisation (ISO) Guide 65.

SATAS is a certification body similar to the SABS. Both these bodies are internationally accredited by the South African National Accreditation Services (SANAS). York's quality management systems are functioning in a practical manner, consisting of process controls performed by the operators and/or process controllers at each process in the manufacturing lines; starting with the incoming logs right up to the dispatch of the finished products.

Staff in the Quality Control department verify the results of the process controls and also ensure conformance of the finished products to the required standards.

At the sawmills we produce sawn lumber (in 38mm, 50mm and 76mm thickness by 76mm, 114mm, 152mm and 228mm width) for use in structural applications, mainly roof trusses.

Brandering (38mm by 38mm) is also produced for use in ceilings and underneath roof tiles.

These products are also produced in finger-jointed lengths, which enable us to supply any length the customer may require. The products are kiln-dried and regularised to a uniform thickness and width, and then visually graded to comply with the requirements of various South African National Standards (SANS) specifications. The grades produced are S5, S7 and BBB.

The S5 grade indicates that it complies with a certain stress grade, which is related to specific strengths. These commodities are also available in rough sawn sizes. The rejects from the above grades are called "Utility", which is graded according to in-house specifications. This material is not suited for structural applications and is mainly used in roofs of informal housing.

The sawmills also produce industrial sizes of lumber (16mm, 19mm and 25mm thickness). This is graded to comply with in-house specifications into Furniture, Industrial, XIN and Crating grades. These grades are used in the manufacture of furniture, pallets, cable tolls, crates, etc.

York also manufactures thicknesses of 6mm, 8mm, 10mm and 12mm appearance grades on request, mainly used in furniture manufacturing.

Rejects from the thicker size are D grade, Shop grade and Blister boards defined as "cutting grades" where the user can cut out sections still fit for purpose. The rejects from the smaller sizes are a packing grade which is mainly used for packing products. York also treats timber with chromated copper arsenate (CCA) for coastal use or exposed application. The Hazard classes are treated according to SANS requirements H2 (exposed under cover) and H3 (exposed no cover, non-ground contact). York's plywood plant specialises in the manufacture of shutterply boards predominantly in 18mm and 21mm thickness. Thicker boards are also produced for specific applications. The most common grades are BB, BC, CC and C+C. These are manufactured according to the requirements of the SANS specification. Additionally the CE (European Standards) requirements can also be applied if required as York also holds certification by British Standards Institute (BSI) of London, UK.

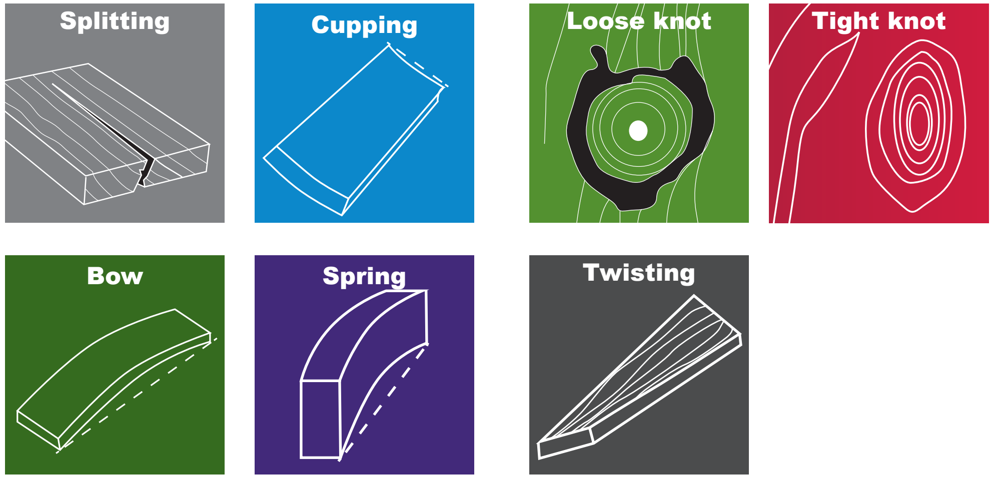
York is audited monthly by SATAS for conformance of product quality and quality control. SATAS audits the sawmills' systems once per annum and plywood is audited twice per annum for compliance with the CE European requirements. SATAS acts as Notified Body for BSI London for the performance of these audits.

York uses the visual grading method (at final grading), whereby each board is visually checked for size (width and thickness), twist, spring, cupping, bowing, splitting and knot configuration. Samples on each production run (the period that a single product is manufactured continuously) are taken and analysed to ensure the timber meets the density requirement. Density requirements are as follows:

- Brandering: 345kg per m^3
- S5: 360kg per m^3
- S7: 425kg per m^3

Grading of lumber is the action taken to ensure that each board produced by York meets a predetermined standard. These standards are either in line with SANS (SANS 1783:2009 part 1, SANS 1783:2012 parts 2 and 4 and SANS 10096:2012) for structural graded timber or as per in-house specifications according to customer requirements.

GRADING continued



The whole process is audited by SATAS. Inspections on product and production process are audited monthly and a full audit is conducted annually.

Typical grades produced by York:
S7 and S5, Mill run, Utility (otherwise known as black cross), Furniture grade, export quality industrial (XIN), industrial, crating and abnormal grade (ABN).

The illustration below shows the markings (always in red) on structural timber and their meanings:

Can be either a 5 or 7, the larger the number the higher the strength properties of the timber

York sawmills – products

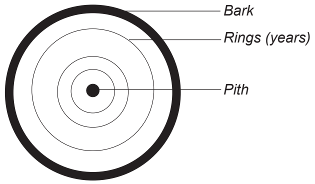
Nominal dimensions				
Thickness mm	**Width mm**	**Grades**	**Intended applications**	**Standards of conformance**
38	76 114 152 228	S5/S7	Wall plates and webbing in trusses Truss manufacturing, decking Truss manufacturing Truss manufacturing and shuttering	SANS 1783:2009 – Part 1 SANS 1783:2012 – Part 2 SANS 10096:2012 Finger-jointed timber SANS 1288:2012 CCA treated timber
50	76 152 228	S5/S7	Roof purlins Truss manufacturing Truss manufacturing and shuttering	York in-house guidelines
All above	All above	UTP	Low cost, RDP housing and utility applications	
		Mill run	Manufacture of furniture, raw material for finger jointing	
38	38 50	BBB (SABS)	Ceilings and tiled roofs	SANS 1783:2009 – Part 1 SANS 1783:2012 – Part 4 SANS 10096:2012 Finger-jointed timber SANS 1288:2012 CCA treated timber
All above	All above	UTP	Low cost, RDP housing and non-construction applications	York in-house guidelines
25	76 114	Furniture	Manufacture of furniture grade	York in-house specification
	152 76 114	Industrial grade	Manufacture of pallets, upholstered furniture, crates, cable tolls	York in-house specification
	152 228 76	Industrial grade	Manufacture of furniture components, upholstered furniture	York in-house specification
	114 152	XIN	Manufacture of furniture components, upholstered furniture	For industrial timber – no wane, no blue discolouration
	76 114	Crating grade	Manufacture of crates, pallets and general utility products	York in-house specification
	76 114 152	Low ABN grade	Finger-jointed and used for low quality utility products	York in-house specification

S7 and S5 graded timber will bear certification markings either on the face of each board (in the case of regularised timber, timber that has been planed to a uniform thickness and width) or on the ends (in the case of rough sawn timber). Only timber used in construction and where the timber needs to safely carry a load is required by law to carry the certification mark on the board, thus only timber with an intended construction application is stamped with its grade.

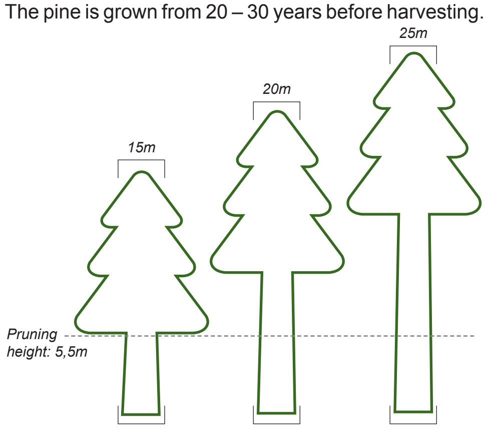
MILL LOGGING STANDARDS

Navigation

Plywood	Hewsaw	Sawlog
PL ✗	HS ✓	SL ✓
Not allowed		Allowed



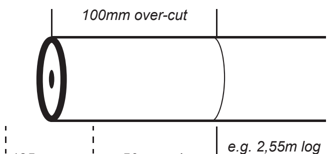
The pine is grown from 20 – 30 years before harvesting.



Lengths

HS			**2,55m** (2 600m – 2 675m)
SL	Industrial	short	**2,7m – 3,0m – 3,3m**
	Sawlogs	long	**3,6m – 6,6m**

100mm (min and max) over-cut allowance for all sawlogs



PL	125mm max	50mm min	e.g. 2,55m log (2 600m – 2 675m)
SL	150mm max	80mm min	e.g. 6,0m log (6,08m – 6,15m)

Note: • Longest logs for Driekop + N&M where possible. (6,0m – 6,6m)
• The principle will be not to waste fibre and send everything to our own mills

Classes

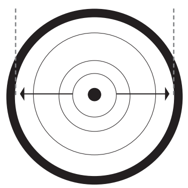
Class	H	A	B1	B2	C1	C2	D1	D2
Diam (cm)	11 – 12,9	13 – 17,9	18 – 25,9	18 – 25,9	26 – 33,9	26 – 33,9	34+	34+
Length (m)	1,5 – 3,3	1,5 – 3,3	1,5 – 3,3	3,6 – 6,6	1,5 – 3,3	3,6 – 6,6	1,5 – 3,3	3,6 – 6,6

All pruned logs 30cm +

PL **C** 26cm – 33,9cm

PL **D** 34cm +

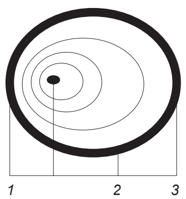
Measure of diameters:
e.g. 17cm = (16cm – 17,9cm)



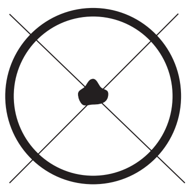
Taper
Constant of 10mm/metre (1cm/metre)

Note: • Sabie Hewsaw: 11cm only is 11 – 11,9cm
Diameters are measured under bark

Min and max diameter for mills

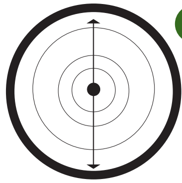


Eccentricity
Max of a 1/3 to the radius
PL SL

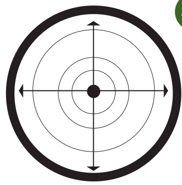

Core rot
Not allowed for
PL SL

Mill	Diameter	Thick	Tag
Sabie – Hew	11cm – 23cm	29cm	White
N&M – Pruned	31cm – 61cm	65cm	Green
N&M – Unpruned	19cm – 61cm	65cm	Blue
Ply – Pruned	31cm – 53cm	57cm	Red
Ply – Unpruned	23cm – 53cm	57cm	Yellow
Driekop – Pruned	31cm – 51cm	57cm	Green
Driekop – Unpruned	19cm – 51cm	57cm	Blue
LG – Lower grade	9cm – 61cm	–	Purple

Measure of diameters

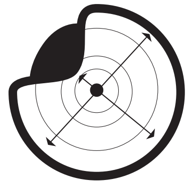


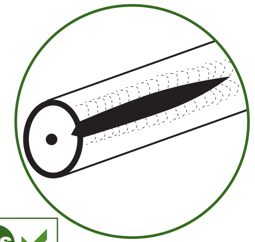
PL
With **PL** you only take shortest diam.
(e.g. long = 27, short = 25, you put 25)



SL
With **SL** you take the longest and shortest diam. and average it.
(e.g. long = 27, short = 25, you put 27)

Flute or scar





PL ✗ SL ✓ HS ✓

Logs are checked as LG – Lower grade

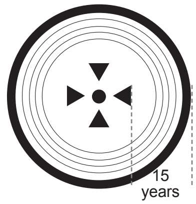
Length less or equal to 50% of log length. Circumference must be less or equal to 50% of diameter

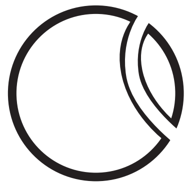
NOTE: Excessive "flute" and "scar" will be dealt with through the claims procedure.

Pruned logs

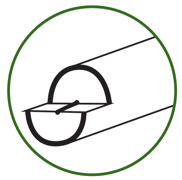
15 years of growth after last pruning

PL SL





BUTT STEP

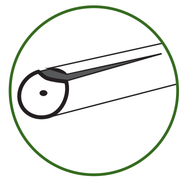


PL ✗ SL ✗

SPEAR POINT

PL ✗ SL ✗

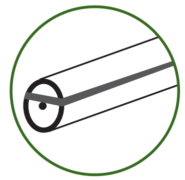
SIDE TEAR OUT



Ply and sawlogs
25mm deep and 300mm long
Also known as mechanical tear

PL ✓ SL ✓

SPLIT/CRACK



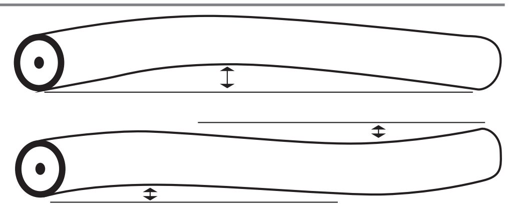
Through the length of the log

PL ✗ SL ✗

Sweep

Old rule: 500mm from butt end then 13mm per metre.
New rule: measure tip to tip (13mm per metre allowed).

PL	32mm per log of 2,55m length (13mm/m)
HS	42mm per log of 3,3m length (13mm/m)
SL	Driekop and N&M will allow maximum sweep and double sweep. (KLF will be 500mm from butt – 13mm/m)



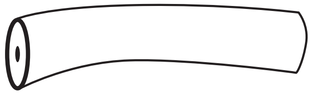
Double sweep is allowed for sawlogs but NOT for ply

PL ✗ SL ✓

NOTE: • Longest logs for Driekop + N&M where possible (6,0m – 6,6m)
• Excessive "**SWEEP**" and "**DOUBLE SWEEP**" will be dealt with through the claims procedure.

MILL LOGGING STANDARDS continued

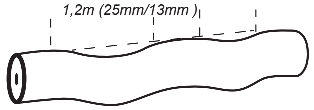
Pistol grip



PL ✗ SL ✗

PL NOT allowed (see **Butt flare**)

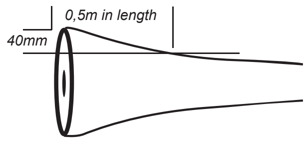
Crook



PL ✗ SL ✓ HS ✓

PL NOT allowed
HS and **SL** 25mm allowed in the first and 13mm in second, per 1,2m

Butt flare



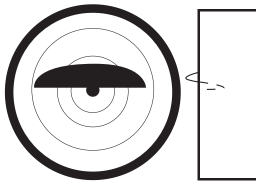
PL ✗ SL ✗

Not more than 40mm over 0,5m

Discolouration No discolouration at any mill allowed (blue stain)

Note: *Discolouration will be dealt with through the claims procedure.*

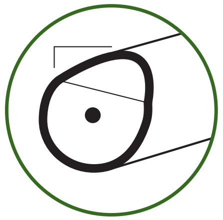
Tear out



When felling or crossing

PL	25mm	Width 10mm (pen size)
SL	50mm	

Trimming allowance



PL *Must be flush at both ends*

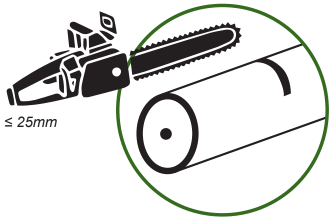
SL *Can be 100mm at one side of one end or 50mm at either end of the log*

Crosscut

PL ✗

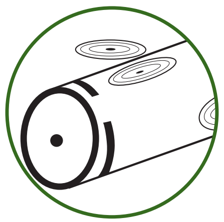
SL *Can have a ≤ 25mm deep mark*

HS ✗



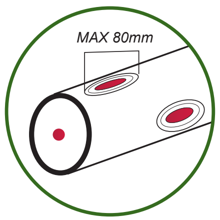
Lily pad

PL ✗ SL ✗



Knot size

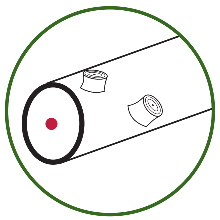
PL and **SL** unpruned, 80mm at dead knot (not the scar). Furniture grade is 50mm. Knots are only 12mm and bigger. Measured at right angle to log



Branch stub (knot stub)

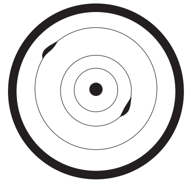
Must be cut flush

PL ✗ SL ✗



Resin pocket

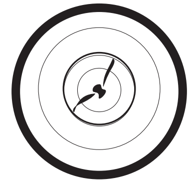
No more than two pockets.
More than 20mm at both ends.
Outside 50mm centre of radius.



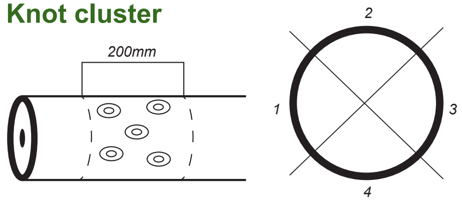
Resin crack

Cylinder size not defined.

PL ✗ SL ✓

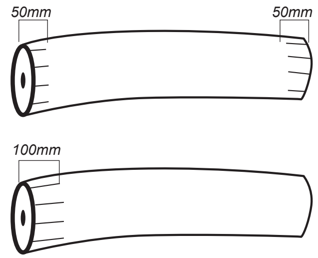


Knot cluster



When the combined sum of the knots does not exceed 3/4 of the log diameter. The size and quantity of life knots are not limited within the 200mm. Assess the upper three quadrants of the log. Not allowed in pruned logs.

Radial checks

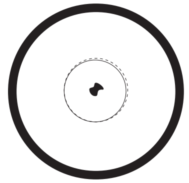


Not to exceed the trimming allowance. Difficult to see with bark still on

Ring shake

SL it cannot exceed trimming allowance

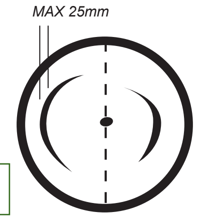
PL ✗ SL ✓



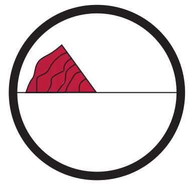
Compression (reaction) wood

Not wider than 25mm and more than half the length of the log circumference

PL ✗ SL ✓ HS ✓

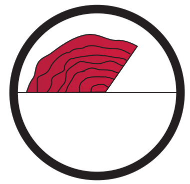


Abnormal wood



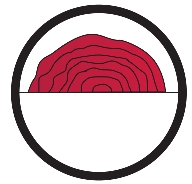
Category 1 (1/3 of half)

PL ✗ SL ✓



Category 2 (2/3 of half)

PL ✗ SL ✓



Category 3 (≤ half of radius)

PL ✗ SL ✓

CORPORATE GOVERNANCE

Introduction

The directors of York Timber Holdings (York or the Company or the Group) believe that maintaining the highest standards of corporate governance is fundamental to discharging their stewardship responsibilities. The Board of Directors (the Board) strives to provide the right leadership, strategic oversight and control environment to produce and sustain the delivery of value while taking account of the Company's stakeholders. The ethical values of the Company guide the standard of behaviour that York applies in its interactions with all stakeholders, with special emphasis on interactions with each other, its customers, shareholders, suppliers and the communities in which the Company operates. York values fair trading, which encompasses the values of accountability, transparency and integrity. The Board is ultimately responsible for ensuring that the Group adheres to sound corporate governance principles. Management strives to create and maintain a culture of good governance across the business, linked to the Company's business philosophy that incorporates its purpose, vision and values. Good corporate governance is the framework of the Company's organisational culture and drives its business strategies.

Statement of compliance

York is subject to the ongoing disclosure, corporate governance and other requirements imposed by the Companies Act, 71 of 2008, as amended (Companies Act), the JSE Limited Listings Requirements (JSE Listings Requirements) and the King Code of Governance Principles 2009 (King III).

The Board is of the opinion that York continues to comply with the spirit and form of the continuing obligations of the abovementioned regulatory and governance framework.

Governance developments in 2014

Corporate governance processes continued to be reviewed and improved during the period under review to align with internal requirements and to ensure ongoing adherence with the Companies Act, JSE Listings Requirements and King III.

The following reflects the enhancements made to the Company's governance framework:

Governance element	Governance development
Chief Financial Officer (CFO)	Pieter van Buuren was appointed as the CFO on 1 October 2013. Pieter van Buuren is a qualified chartered accountant and chartered management accountant. The Audit Committee has satisfied itself as to the appropriateness of his expertise and experience to assume the role of CFO.
Board appointment	Pieter van Buuren was also appointed as executive director to the Board on 1 October 2013. A brief summary of his résumé is on page 19.
Audit Committee	A dispensation request was made to the JSE regarding the composition of the Audit Committee, which consists of three independent non-executive directors and one non-executive director. The JSE was satisfied that, based on the number of independent non-executive directors on the Audit Committee, the independent functioning of the committee will not be compromised by the presence of the non-executive director as a member of the Audit Committee. Furthermore, the dispensation request was also granted on the basis that the Audit Committee comprises three independent non-executive directors.
Remuneration and Nomination Committee (Remco)	Since York has a combined Remco, when nomination matters are discussed at the Remco meetings, the Chairman of the Board chairs such discussions. The terms of reference for the Remco was amended to this effect in that the Chairman of the Remuneration Committee will chair the meeting where remuneration matters are discussed. Where nomination matters are discussed, the Chairman of the Board will chair the meeting for that part of the discussion. This amendment illustrates compliance with the composition requirements of King III and the JSE Listings Requirements.

CORPORATE GOVERNANCE continued

Board of Directors

The Board is the primary custodian of the Group's corporate governance system. York has a balanced unitary Board, collectively mandated to set the long-term strategic direction and business plans for York. There is a clear division of responsibility at Board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.

The Board monitors progress towards achievement of its objectives set against the economic, environmental and social issues that pertain to York and ensures the integrity of the financial statements and that they fairly present the state of affairs of the Group. This is achieved through the maintenance and management of an effective risk management system, internal controls and the highest standards of corporate governance.

Board Charter

The Board acts in accordance with the Board Charter that outlines the scope of authority, responsibilities, powers, composition and functioning of the Board.

Board responsibilities

The Board provides direction and leadership to the Group and is ultimately responsible for the overall governance, performance, strategy and affairs of the Group. The Board retains full and effective control over the Group and monitors executive management in implementing plans and strategies. The Board is accountable to stakeholders for exercising leadership, integrity and judgement in directing York to achieve continued prosperity by obtaining the necessary balance between entrepreneurship and conformance with best business and corporate governance practices.

The Board's primary functions include, but are not limited to:

- Acting as a focal point for, and custodian of, corporate governance;
- Providing strategic leadership, integrity and judgement and directing the Group to the achievement of its goals and objectives;
- Ensuring that York is seen as a responsible corporate citizen by having due regard for financial and non-financial aspects of its business;
- Ensuring that the Group's ethics are effectively managed;
- Ensuring that the Group has an effective and independent Audit Committee;
- Ensuring the effective governance of risk;
- Ensuring the effective governance of information technology;
- Ensuring that the Group complies with applicable laws, regulations and codes of business practice;
- Ensuring that there is an effective risk-based internal audit function;
- Ensuring the integrity of York's integrated annual report;
- Ensuring that individual directors act in the best interests of York;
- Defining levels of authority, reserving specific powers to itself and delegating other matters to management;
- Establishing the Board committees' terms of reference;
- Ensuring an evaluation of the Board, its committees and individual directors is performed on an annual basis; and
- Ensuring fair and equitable remuneration practices.

Board composition

York's Board consists of seven non-executive directors and two full-time salaried executive directors. The roles of the independent non-executive Chairman and the Chief Executive Officer (CEO) are separate and clearly defined. This division of responsibilities ensures a balance of authority and power, with no individual director having unrestricted decision-making authority.

Pieter van Buuren was appointed as the CFO and executive director on 1 October 2013.

The composition of the Board is based on competency carrying equal weight to independence in respect of York's affairs. The directors bring a wide range of expertise, commercial, technical and business acumen allowing them to exercise independent judgement in Board deliberations and decisions. The Board evaluation and individual director performance appraisals for the year under review have been conducted.

The Board comprised nine directors at year end, namely:

Dr Jim Myers	Independent non-executive and Chairman
Pieter van Zyl	Executive and CEO
Pieter van Buuren	Executive and CFO
Paul Botha	Non-executive
Shakeel Meer	Non-executive
Gavin Tipper	Independent non-executive
Dr Azar Jammine	Independent non-executive
Dinga Mncube	Independent non-executive
Thabo Mokgatlha	Independent non-executive

Chairman

Dr Jim Myers is the independent non-executive Chairman of the Board, whose core functions are highlighted below:

- Providing overall leadership and setting an ethical tone, while maintaining an arm's length relationship with the Board and the Company;
- Overseeing a formal succession plan for the Board;
- Setting the Board's work plan;
- Playing an integral part in director induction and ensuring that the directors have a good knowledge of their duties and responsibilities;
- Ensuring that good relationships are maintained between the Company, its shareholders and stakeholders;
- Meeting on a regular basis with the CEO and Company Secretary to discuss important issues as necessary;
- Evaluating the performance of the CEO and the Board; and
- Meeting with individual directors.

The Chairman's performance is evaluated on an annual basis and an evaluation was conducted for the year under review.

Independent non-executive directors

Five non-executive directors, including the Chairman, are independent in terms of the King III definition and the guidelines as set out in the JSE Listings Requirements. The qualifications, experience and personal characteristics of the independent non-executive directors, together with the fact that they have no material contractual relationships with the Group, ensure that their judgement is exercised independently.

Non-executive directors

The non-executive directors are not involved in the day-to-day operations of York, nor are they full-time salaried employees. They are individuals of high calibre and credibility and have unrestricted access to management.

Executive directors

Although the Board retains overall accountability for the performance of the Group, it has delegated the authority to conduct the day-to-day business of York to the executive directors. The executive directors are full-time salaried employees of the Company and are held accountable through regular reports to the Board. They are also measured against agreed performance criteria and objectives appropriate to the current stage in the business cycle and the prospects of each business unit.

The executive directors meet regularly with senior management to guide and control the day-to-day management of the business. They also act as a medium of communication and co-ordination between operating divisions and the Board.

Board appointments

Directors are appointed in a formal and transparent manner. Each of the directors must have been separately identified by the Remco as persons with the required skills, business experience and qualifications to contribute to the strategy and

CORPORATE GOVERNANCE continued

performance of the Company. The Board considers the nomination and values of those that will ensure diversity amongst the Board members. In line with King III, all proposed candidates will be subject to background screening.

One-third of the directors are required to retire by rotation at the annual general meeting (AGM). Should the directors be eligible and have offered themselves for re-election, they will be considered for re-appointment at the AGM. A retiring director shall act as a director throughout the meeting at which he retires.

Directors appointed during the financial period are required to have their appointments ratified at the following AGM. Details of the director are given in the notice of annual general meeting to shareholders.

Director induction and development

Newly appointed directors participate in an induction programme managed by the Chairman, CEO, Company Secretary and Chief Human Capital Officer. The directors receive orientation regarding the Company's operations and are made aware of relevant policies such as the obligation to declare interests, the share dealing policy and the Code of Ethics and Business Conduct.

Directors are also introduced to the York management team and receive documentation such as the Board and committee terms of reference, memorandum of incorporation, Company strategy and the latest annual financial statements.

Presentations at Board meetings by senior management are aimed at improving the non-executive directors' understanding of the Company's business and processes.

Board meeting frequency and attendance

Board and sub-committee attendance for the year under review:

Director	Status	Board	Audit	Remco	R&I	S & E	PE
Dr Jim Myers	Independent non-executive	4/6#		2/2	1/2		
Paul Botha	Non-executive	6/6		2/2	2/2#		
Shakeel Meer	Non-executive	4/6	2/2			2/2	
Gavin Tipper	Independent non-executive	6/6	2/2#			2/2	3/3#
Dr Azar Jammine	Independent non-executive	6/6	2/2	2/2#			
Dinga Mncube	Independent non-executive	6/6			2/2	2/2#	1/3##
Thabo Mokgatlha	Independent non-executive	5/6	2/2	2/2			3/3
Pieter van Zyl	Executive	6/6	2/2##	2/2##	2/2	2/2	3/3##
Pieter van Buuren*	Executive	5/6	2/2##		2/2##		3/3##

Remco = Remuneration and Nomination Committee
S&E = Social and Ethics Committee
R&I = Risk and Innovation Committee
PE = Project Evaluation Committee

* *Appointed 1 October 2013*
# *Chairman during the reporting period*
By invitation

Board meetings are held at least quarterly and additional meetings are convened, when necessary, should a particular issue demand the Board's attention. Board meetings are arranged in advance at the end of a calendar year and convened by formal notice. Supporting documentation in the form of comprehensive proposals and reports are distributed to the directors at least a week before Board meetings to allow for adequate preparation and to facilitate relevant discussions at the meetings. The Board also receives feedback from the chairmen of the various sub-committees at the Board meetings.

Decisions taken at Board meetings are decided by a majority of votes, with each director having one vote. Specific issues that arise between Board meetings are dealt with by electronic communication and, where decisions are taken, these are recorded by round robin resolution, requiring signature by all directors.

Board sub-committees

York subscribes to a policy of delegated authority. It aids the important division of responsibilities and enhances the distribution of power. The directors have delegated specific responsibilities to sub-committees to assist the Board in meeting its responsibilities. The Board sub-committees, each with its specific duties and responsibilities and its terms of reference, have been approved by the Board. All the terms of reference are aligned with the recommendations of King III. The directors confirm that the sub-committees have functioned in accordance with their written terms of reference during the financial period.

Executive Committee

The Executive Committee (Exco) is responsible for managing the Group operations, developing strategy and policy proposals for the Board's consideration and implementing the Board's directives.

The responsibilities of the Board, which are discharged through delegation to Exco, include:

- Strategic plan development, execution and refinement;
- IT development, maintenance and governance;
- Financial management and administration;
- Budget development;
- Risk identification, assessment, mitigation and management;
- Internal control development, monitoring and audit;
- Development and monitoring of operational policies and procedures;
- Human resource recruitment, training, development and remuneration; and
- Adopting and implementing corporate governance practices.

Exco consists of:

Pieter van Zyl	CEO
Pieter van Buuren	CFO
Sue Hsieh	Corporate Legal Advisor and Company Secretary

The executive management team consists of:

Kirsten Coetzee	Chief Human Capital Officer
Deon Breytenbach	General Manager: Processing
Pieter van der Merwe	General Manager: Forestry
Reinhard Mulder	Strategic Development Manager
Koot van der Walt	Logistics Manager
	Head of Wholesale division, with effect from 12 May 2014
Schalk Grobbelaar	Group Engineer
Eric Droomer	Corporate Advisor, with effect from 30 June 2014

CORPORATE GOVERNANCE continued

Audit Committee

Composition	Objectives and functions
Chairman: Gavin Tipper **Other committee members:** Dr Azar Jammine Shakeel Meer Thabo Mokgatlha The CEO, CFO, Corporate Financial Manager, internal and external auditors attend by invitation. The Company Secretary acts as the Committee Secretary. The Board is satisfied that the committee has performed its responsibilities in compliance with its terms of reference for the period under review.	• Review the annual financial statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents • Comment in the annual financial statements on the financial statements, the accounting practices and its consideration of the effectiveness of the internal financial controls • Ensure published financial reports comply with relevant legislation, reporting standards and codes of governance • Recommend the approval of the integrated annual report to the Board • Ensure that the combined assurance received is appropriate to the significant financial risks of the Company • Review the expertise, resources and experience of the Company's finance function as well as the expertise and experience of the CFO • Monitor the functioning of the internal audit function and approve the Internal Audit Plan • Confirm the nomination and recommend the appointment of the external auditor • Approve the terms of engagement and remuneration of the external auditor • Pre-approve contracts for non-audit services to be rendered by the external auditor

Remuneration and Nomination Committee

Composition	Objectives and functions
Remuneration Committee **Chairman:** Dr Azar Jammine **Other committee members:** Dr Jim Myers Shakeel Meer **Nomination Committee** **Chairman:** Dr Jim Myers **Other committee members:** Dr Azar Jammine Shakeel Meer The CEO and Chief Human Capital Officer attend by invitation. The Company Secretary acts as the Committee Secretary. The Board is satisfied that the committee has performed its responsibilities in compliance with its terms of reference for the period under review.	• Oversee the setting and administration of remuneration at all levels in the Company • Oversee the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance • Advise on the remuneration of non-executive directors • Oversee the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance • Oversee the preparation of, and recommend to the Board, the remuneration report to be included in the integrated annual report, for whether it: – is accurate, complete and transparent; – provides a clear explanation of how the remuneration policy has been implemented; and – provides sufficient forward-looking information for the shareholders to pass a special resolution in terms of section 66(9) of the Companies Act • Ensure the establishment of a formal process for the appointment of directors, including: – identification of suitable individuals for appointment to the Board; – performance of reference and background checks on candidates prior to nomination; and – formalising the appointment of directors through an agreement between the Company and the director • Ensure that formal succession plans for the Board, CEO and senior management appointments are developed and implemented

CORPORATE GOVERNANCE continued

Remuneration policies and philosophy

York believes that directors, senior executives and staff should be paid fair, competitive and appropriately structured remuneration in the best interest of shareholders. It also recognises that the remuneration philosophy has an impact on the behaviour of employees and that it has to be aligned with the business strategy of the Company. York's remuneration policy continues to be driven by the principles of developing a performance culture and motivating and retaining key and critical talent.

Remuneration consists of fixed and variable components, with emphasis on variable pay at salaried level to encourage performance and shareholder value add. Remuneration components are set at a competitive level to motivate key talent and to attract the services of high-calibre employees. The short-term incentive plan aligns the interests of employees with those of shareholders in the short term as short-term incentive performance bonuses are subject to Company financial performance and individual key performance indicators (KPIs).

The long-term incentive plan and awards to participants are subject to the satisfaction of financial performance, supporting long-term shareholder value creation.

The York remuneration policy is aligned to the strategy, namely profitability in the short term and sustainable growth into the future. The Remuneration Committee ensures that the mix of remuneration, including short-term and long-term incentives, meets these strategic objectives.

York has the following remuneration components:

- Total cost to Company pay – made up of a guaranteed and variable portion. The variable portion is linked to performance. This reflects an individual's contribution to York and market value for the role; with internal and external equity being cornerstones for setting these pay rates.
- Short-term incentives (STI) – a discretionary payment which is not guaranteed and is based on both individual contribution and Company performance. As York believes that all employees must be aligned with key business drivers and sustainable growth, participation in the STI includes all salaried staff, subject to the meeting of individual KPIs.
- Long-term incentive scheme (LTI) – an additional remuneration component aimed at executive management. The overall purpose of the LTI scheme is to provide general alignment between the executives and shareholders of York. It also motivates and rewards executives who have contributed to value creation over the long term and it supports retention and attraction of executives.
- The Company seeks to position guaranteed pay at the median against appropriate national benchmarks, however, for total pay the policy is to position earnings between the 25th and 50th percentile.

During the period under review, the following key decisions were taken by the Remuneration Committee:

- Approval of annual remuneration increases for York employees
- Approval of LTI awards made
- Review and approval of non-executive director fees for 2015
- Review of remuneration policy
- Review of retention strategies with a view to changing the long-term incentive scheme for senior managers in 2015 so that the retention factor is emphasised more than in the current scheme
- Review of the performance management system and the scores per division for 2014.

Detail of York's remuneration components:

Annual and performance-based payments and forfeitures

Remuneration benchmarks: A total cost to Company package is paid to salaried staff, which is regularly benchmarked against the industry for appropriateness and fairness. This package is linked to the complexity of the job, as represented by Paterson Grades. A Grading Committee ensures that significant changes in an employee's operational contributions are translated into altered grades and a subsequent review of remuneration, where required. This package is reviewed annually in accordance with performance as measured by the performance management system.

Quarterly performance evaluation: A performance management review is conducted, assessed and moderated quarterly with a linked variable portion of pay based on performance. Individual performance reviews are carefully assessed by senior managers. Non-performance potentially reduces an employee's remuneration for a maximum period of three months, pending re-assessment. The employee is given on-the-job coaching as well as feedback required, allowing them to achieve the necessary outputs in order for full payment of their total cost to Company amount at the next review. Amounts that have been forfeited are re-allocated to all other performing employees. An individual's performance is measured against set targets as well as a combination of quantitative and qualitative measures defined for the individual.

Variable pay forfeiture: When an employee's performance against key performance areas is unsatisfactory (if the score is below four on a scale of one to seven, one being the lowest score), the employee will forfeit an amount equal to 6% of his/her total cost to Company for a maximum period of three months. If the employee's performance does not improve, a poor performance process is initiated. Furthermore, each employee falls into a pool of clustered business units whose global performance against business targets is also reviewed. An entire pool's variable portion may also be withdrawn and paid to another performing pool, if there is under achievement against defined criteria. The simplicity of the system results in accountability for performance. The variable portion recommended by Remco and approved by the Board for the period under review was six percent of total cost to company remuneration.

Annual performance evaluation and remuneration: The salaried staff's annual increase is based on the employee's performance throughout the year, as recorded through the performance management system. The employee is then given an annual score from a weighted (not averaged) perspective, to determine his/her annual percentage increase. There is no forfeiture of variable pay based on annual weighted scores.

Incentive schemes

Incentive bonus (Company performance)

Although strictly a discretionary award, all salaried staff potentially participate in this incentive scheme, which delivers a cash bonus that is paid out periodically and is based on the achievement of Company objectives as well as individual performance, as assessed through an impact matrix. This incentive scheme has been established to reward the achievement of specific annual financial, operational and strategic goals. Payment is made only for performance achieved.

High performance (individual bonus)

This is based on an impact assessment and the performance of the individual, drawn from a Group-wide amount budgeted for this purpose, during the financial year in question. Employees who achieved a formal tertiary qualification during the year, and those who have received industry-wide recognition are specifically considered in awarding this discretionary incentive. Nominations and motivations for consideration of high performing employees are made by senior management. Nominees are considered and the rationale for their inclusion is debated by the senior management team. An award is then recommended for final review and made at the discretion of the CEO. This is based on the factors mentioned above.

Long-term incentive schemes

Existing scheme: The long-term incentive scheme is designed to reward executive management. The plan is designed to create a clear link between executive remuneration and long-term value creation for shareholders.

Executive management are afforded the right to receive a cash payment when certain key business

CORPORATE GOVERNANCE continued

performance criteria are met, incremental shareholder value being the key determinant of performance: this cash payment is based on the appreciation in the value of allocated shares over a three to six year period. Furthermore, the rules mandate that the value only accrues to the individuals as and when the initial vesting periods of employment are completed. Each award (made at the discretion of the Board) is split into three parts that vest equally at three, four and five years respectively. The award expires at the end of year six.

The payoff that a beneficiary of the appreciation rights scheme will receive upon exercise, from the end of the vesting period, is the difference between the share price on the exercise date and the strike price on grant date.

A future scheme, which provides for a medium-term incentive for key staff, is under consideration for 2015.

Awards for the 2014 financial year

In recognition of superior performance aligned with the Company's objectives of creating a sense of employee accountability and motivation, along with the need to retain key staff, an additional award for the financial year was recommended by Remco.

The award was granted on 1 June 2014 and was made to the CFO. In terms of the rules of the scheme, these awards will only vest from 1 June 2017, one-third on this date and a further one-third on 1 June 2018 and 2019 respectively. This award will expire on 1 June 2020.

Accounting treatment

In line with the Company's accounting policy, the value of each share appreciation right is recognised as an expense to the Company over the vesting period. A corresponding liability is therefore raised.

Vesting profile and fair value

The table below summarises the awards made to date, namely long-term incentive (LTI) -1, LTI-2, LTI-3, LTI-4 and LTI-5. Further details are recorded in note 15 on page 160 to the consolidated financial statements.

	LTI-1	LTI-2	LTI-3	LTI-4	LTI-5
Grant date	17 Nov 2009	1 Jul 2010	1 Jul 2011	1 Jul 2012	1 Jun 2014
Outstanding at year end – share appreciation rights	3 685 856	3 360 319	21 137 726	2 482 865	600 000
Weighted exercise price	R2,74	R3,19	R3,64	R3,83	R3,60
Vesting portion in three equal tranches annually commencing on	17 Nov 2012	1 Jul 2013	1 Jul 2014	1 Jul 2015	1 Jun 2017
Maturity/expiry date	17 Nov 2015	1 Jul 2016	1 Jul 2017	1 Jul 2018	1 Jun 2020

The executive directors' remuneration packages, including performance and other bonuses, incentive programme costs, retirement and medical aid contributions and other costs of employment, are detailed in note 33 on page 172 to the consolidated financial statements.

Risk and Innovation Committee

Composition	Objectives and functions
Chairman: Paul Botha **Other committee members:** Dr Jim Myers Pieter van Zyl Eric Droomer The senior management team attends by invitation. The Company Secretary acts as the Committee Secretary. The Board is satisfied that the committee has performed its responsibilities in compliance with its terms of reference for the period under review.	• Identify and ensure an appropriate risk management framework, risk management methodology and policy, together with an annual review of the risk management plan for recommendation to the Board • Oversee that the risk management plan is widely disseminated throughout York and integrated in the day-to-day activities of York and monitor implementation thereof by means of risk management systems and processes • Make recommendations to the Board concerning the levels of tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board • Ensure that risk assessments and risk monitoring are performed on a continuous basis in a manner that will enhance risk management maturity and that implementation of frameworks and methodologies increases the possibility of anticipating unpredictable risks • Ensure that there is a robust process in place to identify and take advantage of opportunities to improve York's performance and sustainability through the use of IT systems • Ensure that management implements the structures, processes and mechanisms to give effect to the IT governance framework in a manner that is effective, appropriate, timely and accurate in terms of IT management, privacy and security • Monitor and evaluate the resilience arrangements for disaster recovery and ensure that IT risks are adequately addressed through the risk management framework • Continuously monitor and seek ways in which to develop York's operational effectiveness and cost competitiveness through technological advancement • Develop processes and procedures for exploring, pioneering, considering and implementing insightful feasibilities that lead to operational improvements in relation to operational (and internal) processes and products

CORPORATE GOVERNANCE continued

Social and Ethics Committee

Composition	Objectives and functions
Chairman: Dinga Mncube **Other committee members:** Gavin Tipper Shakeel Meer Pieter van Zyl Kirsten Coetzee The Company Secretary acts as the Committee Secretary. The Board is satisfied that the committee has performed its responsibilities in compliance with its terms of reference for the period under review.	• Monitor York's activities in relation to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships as well as labour and employment • Draw matters within its mandate to the attention of the Board as appropriate • Report to the shareholders of the Company at the AGM on the matters within its mandate

Project Evaluation Committee

Composition	Objectives and functions
Chairman: Gavin Tipper **Other committee members:** Thabo Mokgatlha John Hannig (External member) The York management team attends by invitation. The committee holds joint meetings with the Risk and Innovation Committee. The Company Secretary acts as the Committee Secretary. The Board is satisfied that the committee has performed its responsibilities in compliance with its mandate for the period under review.	• The committee was established in June 2013. The purpose of the committee was to perform a more comprehensive review of the projects that form part of the Sabie integrated site than that performed by the Board • The committee reviews the key assumptions underlying each project, and considers the integration of the various projects • The committee also considers the combined cash flow impact in conjunction with proposed funding of the projects concerned • The committee evaluates the phasing in and prioritising of projects, taking cognisance of the financial implications

Company Secretary

The Company Secretary is principally responsible for ensuring compliance with relevant legislation and regulation. The Company Secretary works to ensure that the proceedings of the Board and its members, the various Board committees, general meetings of shareholders and salient management proceedings are properly administered and the appropriate statutory and other records are maintained.

The Company Secretary also provides guidance to directors on governance, compliance and fiduciary responsibilities.

Based on the outcome of a formal assessment conducted by the Chairman and CEO, the Board is of the opinion that the Company Secretary has the requisite competence, qualifications, knowledge and experience to carry out the duties of a secretary of a public company, and is suitably independent of the Board to be an effective steward of the Company's corporate governance framework.

The Board confirms that the Company Secretary maintains an arm's length relationship with the Board and the directors, considering the fact that the Company Secretary is not a director of the Company and is not related to any of the directors.

Dealings in securities

During the period under review, York's Share Trading Policy and Rules were adhered to and when required, the necessary consent was obtained by directors and/or staff to trade in York securities.

The policy and rules mirror the provisions of the Financial Markets Act, 19 of 2012, and the JSE Listings Requirements, and were drawn up in the spirit of good corporate governance. In summary, the directors and the Company Secretary are prohibited from trading in York securities during any closed periods and at any time when any of the directors are aware of unpublished price-sensitive information and/or if clearance to deal has been refused.

Directors must obtain clearance to deal in York securities from the Chairman of the Board and, in the case of the Chairman, from the Chairman of the Audit Committee or the majority of the other directors serving on the Board. The closed periods are from 31 December to the date of publication of the interim results; and from 1 July to the date of publication of the preliminary, abridged or provisional annual financial statements and also during any period when York securities are traded during a cautionary or prohibited period.

The policy is freely available to directors and employees from either the Company Secretary or York's Human Capital division.

Director dealings during the year under review are detailed on page 124.

Clearance for director dealings was given in terms of paragraph 3.66 of the JSE Listings Requirements.

There were no dealings in shares by an associate of a director during the year under review.

Directors' disclosures of contractual interests

Directors of the Company are obliged and at every Board meeting given the opportunity to disclose any material interest in contracts with the Company or its subsidiaries in terms of section 75 of the Companies Act. Such disclosures are noted by the Company Secretary and kept in a separate register of directors' disclosures. Where necessary, during the period under review, disclosures have been updated.

Organisational integrity and Code of Ethics

Directors and employees are required to maintain the highest ethical standards to ensure that York's stakeholders are assured of its integrity and good faith in their interactions with the Company. York has a documented Code of Ethics and Business Conduct (the Code) which commits each director and employee to the vision of growing value for the stakeholders of York. The Code addresses a broad range of accepted statutory obligations and best practice requirements. The Code is available to all employees on York's intranet and in the employee handbook.

CORPORATE GOVERNANCE continued

Fair business practices

York subscribes to the principles regulating fair business practices set out in the Competition Act, 89 of 1998, and administered by the Competition Commission of South Africa. As such, its employees and officers are prohibited from engaging in any form of anti-competitive practice that amounts to collusive conduct amongst parties or with other persons.

Going concern

The directors believe that the Group's operations will continue as going concerns in the financial year ahead.

More detail is available in the Audit Committee report on page 122.

Corporate reporting, stakeholder communication and relationships

York regularly provides information to stakeholders through the JSE Limited's Stock Exchange News Service (SENS), the media and its website (www.york.co.za). At the publication of its financial results, it engages nationally with investors and analysts to present the results and to answer questions and generally address any business raised in connection with them.

Shareholders are invited and encouraged to attend the AGM and general meetings of the Company where voting is conducted by ballot.

York is involved with several groups and recognised associations in the timber industry and actively engages stakeholders on any number of issues affecting the Company and its interaction with stakeholders in the communities in which it operates. Details of York's involvement are reported in the Sustainability Report.

Certificate of the Chairman and the Company Secretary in terms of the Companies Act

The Company Secretary certifies that the Group has lodged with the Registrar of Companies all returns as required by a public company in terms of the Companies Act, and that all such returns are to the best of her knowledge and belief, true, correct and up to date.

The Chairman and Company Secretary hereby certify that, to the best of their knowledge, judgement and belief and after due and careful enquiry, the Company has complied, where applicable, with the JSE Listings Requirements.

Dr Jim Myers
Chairman

Han-hsiu Hsieh
Company Secretary

17 September 2014

APPLICATION OF KING III PRINCIPLES

Item number	King III reference	King III principles	Extent of compliance
1. ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP			
1.	1.1	The Board should provide effective leadership based on an ethical foundation	York is driven to always operate as a responsible corporate citizen. The Board of Directors is committed to ensuring ethical and sustainable business practices.
2.	1.2	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	York's plantations are audited annually by an external party to determine if York complies with the 10 principles of sustainability required by the Forest Steward Council certification. York fully complies with the principles required. Expansion plans are in place to enable York to extract optimum value from its trees. Processing technology will be invested to improve volume recovery, which is key to the success of raw material optimisation.
3.	1.3	The Board should ensure that the Company's ethics are managed effectively	York is committed to the highest standards of honesty, integrity and fairness. The York Timbers Hotline, operated by KPMG, was established in 2010 with the aim to enhance an honest work ethic and simultaneously provide employees with a mechanism to bring any unethical business practices to the attention of management. Training in ethics and the existence of the ethics line, as well as the procedure to report issues, are implemented intermittently with reminders appearing on email, notice boards, etc.
2. BOARD AND DIRECTORS			
4.	2.1	The Board should act as the focal point for and custodian of corporate governance	The Board Charter emphasises this responsibility and the Board acts accordingly. The Board, as custodian of corporate governance, has delegated the Company Secretary to monitor compliance within the Group. The Company Secretary, Sue Hsieh, reports directly to the CEO and has direct access to the Chairman.
5	2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable	The Board Charter emphasises the fact that the Board acknowledges that strategy, risk, performance and sustainability are inseparable. The Board gives effect to this principle by contributing to and approving the strategy on an annual basis, ensuring that the strategy will result in sustainable outcomes. The Board also considers sustainability as a business opportunity that guides strategy formulation.
6.	2.3	The Board should provide effective leadership based on an ethical foundation	Refer to principles 1.1 and 1.3

APPLICATION OF KING III PRINCIPLES

continued

Item number	King III reference	King III principles	Extent of compliance
2. BOARD AND DIRECTORS continued			
7.	2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	Refer to principle 1.2
8.	2.5	The Board should ensure that the Company's ethics are managed effectively	Refer to principles 1.1 and 1.3
9.	2.6	The Board should ensure that the Company has an effective and independent Audit Committee	Refer to principle 3.1
10.	2.7	The Board should be responsible for the governance of risk	Refer to principle 4.1
11.	2.8	The Board should be responsible for information technology (IT) governance	Refer to principle 5.1
12.	2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Refer to principle 6.1
13.	2.10	The Board should ensure that there is an effective risk-based internal audit	Refer to principle 7.1
14.	2.11	The Board should appreciate that stakeholders' perceptions affect the Company's reputation	Refer to principle 8.1
15.	2.12	The Board should ensure the integrity of the Company's integrated report	Refer to principle 9.1
16.	2.13	The Board should report on the effectiveness of the Company's system of internal controls	Refer to principle 7.3 The review and reporting thereof is done through the Audit Committee. This is disclosed on page 123 of the report.
17.	2.14	The Board and its directors should act in the best interests of the Company	The Board strictly adheres to the fiduciary duties and duty of care and skill as contained in the Companies Act. Directors' interests are declared at each Board meeting.
18.	2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act	The Audit Committee reviews financial information in detail and recommends any specific action to the Board if required.
19.	2.16	The Board should elect a Chairman of the Board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of Chairman of the Board	The Chairman, Dr Jim Myers, is an independent non-executive director and the CEO is Pieter van Zyl.
20.	2.17	The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority	The Board appointed Pieter van Zyl as CEO on 8 April 2009. The role and responsibilities of the CEO are stipulated in the Board Charter. A detailed delegation of authority policy and framework indicate matters reserved for the Board and those delegated to management.
21.	2.18	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	York has a unitary Board structure, comprising as at year end: • Five independent non-executive directors; • Two non-executive directors; and • Two executive directors, being the CEO and CFO. Pieter van Buuren was appointed as executive director and CFO for the Group on 1 October 2013. The status of directors with regard to their independence is assessed in terms of the King III definition and the guidelines as per the JSE Listings Requirements.
22.	2.19	Directors should be appointed through a formal process	As per the Board Charter, the Remco is responsible for identifying suitable candidates as independent non-executive directors. The appointment of the directors is a matter for the Board as a whole, after recommendation and assistance made by Remco to ensure a formal and transparent process. Brief résumés of directors standing for election and re-election appear in the notice of the annual general meeting.

APPLICATION OF KING III PRINCIPLES

continued

Item number	King III reference	King III principles	Extent of compliance
2. BOARD AND DIRECTORS continued			
23.	2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	New directors are informed of their responsibilities through extensive induction material, discussions and visits to key business units. During the year, the directors visited the operational businesses in Mpumalanga and also had the opportunity to interact with senior management.
24.	2.21	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary	Directors are entitled to seek independent professional advice at York's expense, concerning the affairs of the Company, and have unfettered access to the Company Secretary. The Company Secretary performs her duties in accordance with the Companies Act, the JSE Listings Requirements and the provisions of King III and, as such, provides the Board and directors individually with guidance on the discharge of their responsibilities and on matters relating to ethics and good corporate governance. Sue Hsieh was appointed Company Secretary for the Company on 15 November 2012 and is not a director of the Company or the subsidiaries of the Company. A formal assessment was conducted by the Board to satisfy itself of the competence, qualifications and experience of the Company Secretary. The assessment was performed by reviewing the qualifications and experience of the Company Secretary as well as completion of an assessment detailing all legislative and King III requirements. Sue Hsieh holds an LLB degree, has completed a programme on Introduction to Corporate Governance and is an admitted attorney and conveyancer in the High Court of South Africa with over eight years' post-graduate experience in civil, criminal and commercial law. The Board agrees that the Company Secretary has performed the role as gatekeeper of good governance in the Company.
25.	2.22	The evaluation of the Board, its committees and the individual directors should be performed every year	An evaluation process was carried out to assess the effectiveness of the Board and the individual contributions of the directors during the period under review.

Item number	King III reference	King III principles	Extent of compliance
2. BOARD AND DIRECTORS continued			
26.	2.23	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	The Board sub-committees assist the Board in executing its duties, powers and authorities. The Board delegates to each committee the required authority to enable it to fulfil its respective functions through Board-approved terms of reference. The Board is aware and fully acknowledges that although its functions are delegated to sub-committees or management, the Board and its directors remain accountable for its duties and responsibilities. The Chairman of each sub-committee reports on committee deliberations and key issues at each Board meeting. York has the following sub-committees: • Audit Committee; • Remuneration and Nomination Committee; • Risk and Innovation Committee; • Social and Ethics Committee; and • Project Evaluation Committee. Details relating to the sub-committees are contained in the corporate governance report on pages 95 to 102.
27.	2.24	A governance framework should be agreed between the Group and its subsidiary boards	All York subsidiaries have adopted and comply with the delegation of authority framework and policy, which stipulates the governance framework.
28.	2.25	Companies should remunerate directors and executives fairly and responsibly	Full details are disclosed and contained in the corporate governance report on page 98.
29.	2.26	Companies should disclose the remuneration of each individual director and certain senior executives	The remuneration of each director is disclosed in note 33 on page 172 to the consolidated financial statements.
30.	2.27	Shareholders should approve the Company's remuneration policy	At the 2013 annual general meeting, 93,05% of shareholders voted in favour of the remuneration policy by means of a non-binding vote. This resolution has been incorporated again into the notice for the 2014 annual general meeting.

APPLICATION OF KING III PRINCIPLES
continued

Item number	King III reference	King III principles	Extent of compliance
3. AUDIT COMMITTEE			
31.	3.1	The Board should ensure that the Company has an effective and independent Audit Committee	The Audit Committee consists of three independent non-executive directors and one non-executive director. The JSE was of the view that, based on the number of independent non-executive directors on the Audit Committee, the independent functioning of the committee will not be compromised by the presence of the non-executive director as a member of the Audit Committee. The Audit Committee operates in accordance with the specific statutory duties imposed by the Companies Act, JSE Listings Requirements and in line with its terms of reference.
32.	3.2	Audit Committee members should be suitably skilled and experienced independent non-executive directors	All four members of the Audit Committee meet the academic qualifications and experience requirements stipulated in regulation 42 of the Companies Regulations, 2011. The Chairman, Gavin Tipper, is a chartered accountant.
33.	3.3	The Audit Committee should be chaired by an independent non-executive director	The Chairman, Gavin Tipper, is an independent non-executive director.
34.	3.4	The Audit Committee should oversee integrated reporting	This responsibility has been assigned to the Audit Committee and is detailed in its terms of reference.
35.	3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	In addition to its statutory external audit, the Company has an outsourced, risk-based internal function. The activities of external and internal audit are co-ordinated and the assurance provided is appropriate to the Company's operations.
36.	3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function	The Audit Committee determines the appropriateness of the expertise and experience of the CFO on an annual basis.
37.	3.7	The Audit Committee should be responsible for overseeing of Internal Audit	This responsibility is contained in the committee's terms of reference. The committee approves the Internal Audit Plan and budget and the internal auditor provides a report at Audit Committee meetings.

Item number	King III reference	King III principles	Extent of compliance
3. AUDIT COMMITTEE continued			
38.	3.8	The Audit Committee should be an integral component of the risk management process	Although risk management is reviewed by the Risk and Innovation Committee, the Audit Committee retains accountability for financial risk.
39.	3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	The Audit Committee assesses the suitability of the independent external auditor for re-appointment before recommending such to the shareholders at the annual general meeting. The Audit Committee considers the report of the auditors before recommending the annual financial statements be adopted by the Board. The committee meets with internal and external auditors without management present once a year.
40.	3.10	The Audit Committee should report to the Board and shareholders on how it has discharged its duties	The Audit Committee reports to the Board on its activities. The Audit Committee report is included in the integrated annual report and the Chairman of the committee is present at the annual general meeting to respond to questions.
4. THE GOVERNANCE OF RISK			
41.	4.1	The Board should be responsible for the governance of risk	The Board remains accountable to risk governance, although this responsibility has been delegated to the Risk and Innovation Committee.
42.	4.2	The Board should determine the levels of risk tolerance	The Board is aware of the importance of risk management as it is interrelated to the strategy, performance and sustainability of the Company. The Risk and Innovation Committee implements a process whereby risks to the sustainability of the Company's business are identified and managed within acceptable parameters.
43.	4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities	The Risk and Innovation Committee delegates to management to continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of York's operating environment.
44.	4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan	Risk assessments are highlighted and addressed at senior management meetings. Mitigating controls are formulated to address the risks and the Board is kept up to date on progress on the risk management plan.
45.	4.5	The Board should ensure that risk assessments are performed on a continual basis	The Risk and Innovation Committee considers the risk matrix and mitigating control actions at every committee meeting.

APPLICATION OF KING III PRINCIPLES

continued

Item number	King III reference	King III principles	Extent of compliance
4. THE GOVERNANCE OF RISK continued			
46.	4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Management and Internal Audit identify, monitor and control current risks. The Risk Officer and management monitor and control medium-term risks. The Risk and Innovation Committee considers medium- to long-term risks as well as significant current risks.
47.	4.7	The Board should ensure that management considers and implements appropriate risk responses	Although this responsibility has been delegated to management by the Board, the risks and responses are considered in detail by the Board.
48.	4.8	The Board should ensure continual risk monitoring by management	Refer to principle 4.4
49.	4.9	The Board should receive assurance regarding the effectiveness of the risk management process	The Internal Auditor provides assurance to the Board on the effectiveness of the risk management process.
50.	4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Material issues relating to risk are disclosed in media reports and on the JSE SENS throughout the year, as deemed appropriate.
5. THE GOVERNANCE OF INFORMATION TECHNOLOGY			
51.	5.1	The Board should be responsible for IT governance	This responsibility has been delegated to the Risk and Innovation Committee and contained in its terms of reference.
52.	5.2	IT should be aligned with the performance and sustainability objectives of the Company	The IT governance framework was implemented, which focuses on the strategic alignment, value delivery and risk management of IT services.
53.	5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework	The IT Manager and department are responsible for the implementation of the IT governance framework.
54.	5.4	The Board should monitor and evaluate significant IT investments and expenditure	Information and communications technology acquisitions fall within the same capital-approval parameters as other projects in the Company. It is thus based on value and elevated to the Board.

Item number	King III reference	King III principles	Extent of compliance
5. THE GOVERNANCE OF INFORMATION TECHNOLOGY continued			
55.	5.5	IT should form an integral part of the Company's risk management	The IT governance framework provides that the Risk and Innovation Committee should ensure that IT risks are adequately addressed and obtain appropriate assurance that controls are in place and effective in addressing IT risks. The risks that the business faces by virtue of its use of IT, as well as the associated controls used to mitigate those risks, will be continuously assessed and placed in the IT management framework.
56.	5.6	The Board should ensure that information assets are managed effectively	The Company has approved IT policies and procedures, including IT security, which are annually reviewed and audited. These procedures require an annual formal disaster recovery exercise. This and all other IT-related activities are reported on at the monthly Exco meetings. The overall IT implementation is reported at the Risk and Innovation Committee.
57.	5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities	Refer to principles 5.1 and 5.5
6. COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS			
58.	6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	The following compliance assurance activities have been concluded and findings reported: Forestry Contractors' audit, Forestry Stewardship Certification audit, Employment Equity audit by the Department of Labour, audit by the Forestry Sector Education and Training Authority on training implemented and utilisation of grant money, and an internal Human Resources audit.
59.	6.2	The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business	Information on laws, rules, codes and standards are shared with the Board regularly through reports in Board and Board sub-committee meetings.
60.	6.3	Compliance risk should form an integral part of the Company's risk management process	Refer to principle 4.4
61.	6.4	The Board should delegate to management the implementation of an effective compliance framework and processes	The internal controls, methods and procedures adopted by management to safeguard assets, prevent and detect errors, etc. are contained in the Audit Committee's report on page 122.

APPLICATION OF KING III PRINCIPLES

continued

Item number	King III reference	King III principles	Extent of compliance
7. INTERNAL AUDIT			
62.	7.1	The Board should ensure that there is an effective risk-based internal audit	TKBA (Tereo Krino Business Assurance Consultants) is the independent Internal Auditor to York. TKBA works closely with and reports to the Audit Committee, CEO and CFO to ensure TKBA adopts a risk-based approach to its audit.
63.	7.2	Internal Audit should follow a risk-based approach to its plan	Refer to principle 7.1
64.	7.3	Internal Audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management	The Internal Audit function performs independent evaluations of the adequacy and effectiveness of the Group's controls, financial reporting mechanisms and records, information systems and operations, and provides assurance in regard to safeguarding of assets and the integrity of financial information.
65.	7.4	The Audit Committee should be responsible for overseeing Internal Audit	Refer to principle 3.7
66.	7.5	Internal Audit should be strategically positioned to achieve its objectives	The Internal Auditor reports to the Audit Committee, the CEO and CFO. The Internal Auditor is a standing invitee to management results meetings and Audit Committee meetings.
8. GOVERNING STAKEHOLDER RELATIONSHIPS			
67.	8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation	This principle is specifically acknowledged in the Board Charter. In April 2013, the Regional Division of the Nelspruit Magistrate's Court fined York Timbers Proprietary Limited (York Timbers) R180 000 in respect of the charge and an additional penalty of R450 000 plus costs in respect of the confiscation order for a charge that York Timbers had pleaded guilty. The charge involved the widening of an existing forestry road without the required environmental authorisation in 2008. An application for the necessary authority was indeed filed but York Timbers commenced with the work before the authorisation was formally granted. York Timbers pleaded guilty to the charge due to the oversight of the then management team.

Item number	King III reference	King III principles	Extent of compliance
8. GOVERNING STAKEHOLDER RELATIONSHIPS continued			
67. continued			York Timbers appealed against the sentence of R180 000 and R450 000 in respect of the confiscation order. The appeal against the confiscation order was heard in the High Court, North Gauteng Division, Pretoria on 25 March 2014. Judgment was handed down on 22 August 2014. The appeal was upheld by the High Court, in other words, the confiscation order in the amount of R450 000 was set aside. York Timbers is waiting for a date to be allocated for the hearing of the appeal against sentence.
68.	8.2	The Board should delegate to management to proactively deal with stakeholder relationships	Management is accountable for dealing with various stakeholder relationships, including corporate affairs, investor relations and human capital. Management strives to engage openly and proactively with stakeholders.
69.	8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company	York has identified its stakeholder groups and the appropriate management from the relevant functions in York is assigned to manage stakeholder relationships.
70.	8.4	Companies should ensure the equitable treatment of shareholders	The Company complies with the JSE Listings Requirements on disclosure of information to shareholders.
71.	8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	York employs various channels such as media relations, integrated reporting, its website, social media platform and the JSE SENS to reach as many stakeholders as possible.
72.	8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Dispute resolution clauses are encouraged and contained in agreements entered into with third parties. This is based on the principle that certain issues could be resolved without the necessity for litigation.
9. INTEGRATED REPORTING AND DISCLOSURE			
73.	9.1	The Board should ensure the integrity of the Company's integrated report	The Audit Committee reviews the integrated annual report and recommends approval of the report to the Board. The Board reviews and finally approves the content of the report prior to publication.
74.	9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting	The process of sustainability reporting and disclosure is still maturing. Continuous efforts will be made to improve the level of integration.
75.	9.3	Sustainability reporting and disclosure should be independently assured	Independent assurance will be obtained as sustainability and disclosure reporting progress.

SOCIAL AND ETHICS COMMITTEE REPORT

Appointment and composition

The Social and Ethics Committee was established by the Board with effect from March 2012, in compliance with the requirements of the Companies Act.

The committee's terms of reference were approved by the Board in September 2012. The first members appointed to the committee were: Gavin Tipper (Chairman), Pieter van Zyl (CEO), Kirsten Coetzee (Chief Human Resources Officer) and Sue Hsieh (Corporate Legal Advisor). Subsequent to the appointment of new independent non-executive directors to the Board in March 2013, the membership of the committee was restructured. As of 26 June 2013, the composition of the committee is as follows: Dinga Mncube (Chairman), Gavin Tipper (non-executive director), Shakeel Meer (non-executive director), Pieter van Zyl (CEO) and Kirsten Coetzee (Chief Human Resources Officer).

Responsibilities

The objectives and responsibilities of the committee are recorded in its terms of reference and are aligned with the committee's statutory functions as set out in the Companies Act and the regulations thereto. The committee:

- Monitors relevant social, economic, governance, employment and environmental activities of the Company;
- Brings matters relating to these activities to the attention of the Board, as appropriate; and
- Reports annually to shareholders on the matters within the scope of its responsibilities.

The specific activities monitored by the committee, with reference to compliance with relevant legislation, regulations and codes of best practice, include:

- Social and economic development, including the Company's standing relative to the UN Global Compact Principles;
- Good corporate citizenship, including the Company's contribution to the development of the communities in which it operates;
- The environment, health and public safety including the impact of the Company's activities and products on the environment and society;
- The Company's approach to improve brand equity, communications, public relations and compliance with consumer protection laws; and
- Labour and employment, including the Company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and the Company's employment relationships and contribution towards the educational development of its employees.

Functioning

The committee held two meetings during the period under review.

The committee has established processes to monitor the Company's activities, processes and initiatives as per its terms of reference.

During the period under review, the committee considered the Company's:

- Progress in regard to black economic empowerment as measured by the Department of Trade and Industry's BBBEE scorecard (verified under the Forestry Charter);
- Ethics training;
- Labour practices and policies, with specific reference to contractors;
- Policies aimed at preventing, detecting and dealing with fraud;
- CSI programme. Details of beneficiaries and amounts disbursed were reviewed. The committee also received presentations on the Company's contribution to the development of communities through mechanisms such as the Sasol Community Development partnership;
- Contribution towards the educational development of its employees, including the Leadership Programme;
- SHE policy;
- Sustainability from a social perspective, including the Company's Forestry Learnerships and Apprentice Training Programme; and
- Approach to the environment, having due consideration to fire prevention measures and its environmental scorecard. York's precautionary approach to environmental challenges and initiatives implemented to promote greater environmental responsibility, and development and diffusion of environmentally-friendly technologies were reviewed.

Where appropriate, the committee made recommendations aimed at enhancing the Company's standing as a responsible corporate citizen. Details of certain programmes, scorecards and sponsorships are provided in sections of the integrated annual report.

Summary

The Company takes its environmental, social and governance responsibilities seriously. Appropriate policies, plans and programmes are in place to contribute to social and economic development, good corporate citizenship, environmental responsibility and fair labour practices.

No cases of substantive non-compliance with legislation and regulations, or non-adherence to codes of best practice relevant to the committee's duties and responsibilities, were brought to its attention during the year under review.

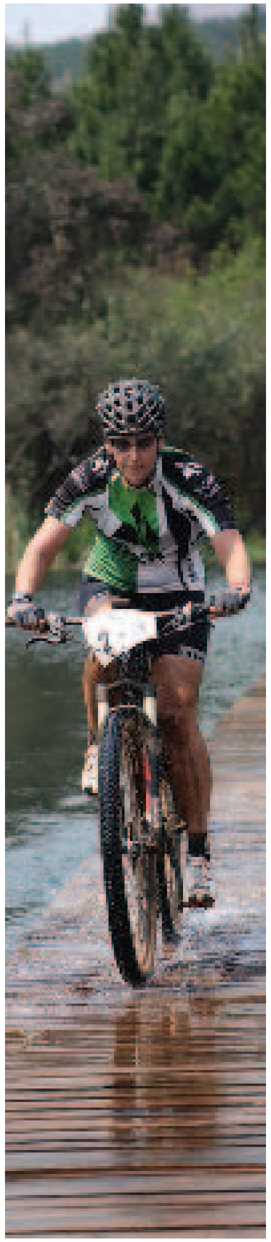
Dinga Mncube
Chairman
Social and Ethics Committee

17 September 2014

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

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



Level of assurance

These consolidated financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa, 71 of 2008 (the Companies Act).

Preparer

Pieter van Buuren
CA(SA); CMA
Chief Financial Officer

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of York Timber Holdings Limited, comprising the statement of financial position at 30 June 2014 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act. In addition, the directors are responsible for preparing the directors' report.

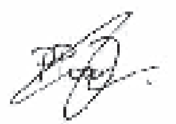
The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

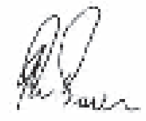
The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with International Financial Reporting Standards.

Approval of the consolidated annual financial statements

The consolidated annual financial statements of York Timber Holdings Limited, as identified in the first paragraph, were approved by the Board of Directors on 17 September 2014 and signed by:



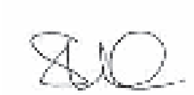
Pieter van Zyl
Chief Executive Officer



Pieter van Buuren
Chief Financial Officer

COMPANY SECRETARY'S CERTIFICATION

I certify that the requirements as contained in section 33 of the Companies Act have been met and that all returns, as are required of a public company in terms of the aforementioned Act, have been submitted to the Registrar of Companies and that such returns are true, correct and up to date.



Han-hsiu Hsieh
Company Secretary

17 September 2014

AUDIT COMMITTEE REPORT

This report is submitted in terms of the Companies Act and JSE Listings Requirements.

Mandate and terms of reference

The Group's Audit Committee acted in accordance with an approved mandate and terms of reference.

The Audit Committee's responsibilities include:

- Reviewing the Group's consolidated interim results and annual financial statements;
- Monitoring relevant compliance with statutory and JSE Listings Requirements;
- Reporting to the Board on the appropriateness of the Group's accounting policies and practices;
- Considering the appointment and/or termination of the external auditor, including his/her audit fee, independence and objectivity, and determining the nature and extent of any non-audit services rendered; and
- Receiving and dealing appropriately with any complaints (internally and externally generated) relating to accounting policies or practices, Internal Audit or to the content of, or external auditing of the entities included in, the Group's annual financial statements, or related matters.

Membership

In terms of section 94(2) of the Companies Act, the Audit Committee is a statutory committee, comprising at least three members, elected by the shareholders at each annual general meeting. The members of the Audit Committee were:

- Gavin Tipper *(Independent non-executive Chairman)*;
- Thabo Mokgatlha *(Independent)*;
- Shakeel Meer; and
- Dr Azar Jammine *(Independent)*.

The members of the Audit Committee have the necessary academic qualifications and experience to adequately fulfil their duties as members of the committee.

The Chief Executive Officer, Chief Financial Officer, the heads of external and Internal Audit and other relevant parties attend Audit Committee meetings by invitation.

The internal and external auditors have unlimited access to the Chairman of the Audit Committee. Internal Audit is accountable to the Chief Financial Officer on day-to-day administrative matters.

During the 2014 financial year, two committee meetings were convened, and all of the Audit Committee members attended those meetings.

Where necessary, additional meetings may be convened.

Statutory duties

The Audit Committee discharged those functions delegated to it in terms of the Audit Committee mandate, the Companies Act and the JSE Listings Requirements.

The Audit Committee:

- Considered and satisfied itself that the external auditors were independent and agreed to nominate them for appointment for the 2015 financial year;
- Approved the fees to be paid to the external auditors;
- Determined the terms of engagement of the external auditors for the 2014 financial year;
- Determined the nature and extent of the non-audit services performed by the external auditors and pre-approved any proposed agreements with them for the provision of such services;
- Ensured that there is an effective risk-based internal audit function and approved the Internal Audit Plan for the year;
- Held separate meetings with management and the external and internal auditors to discuss any reserved matters;
- Considered and satisfied itself as to the appropriateness and experience of the Chief Financial Officer as required by paragraph 3.84(h) of the JSE Listings Requirements;
- Reviewed the consolidated annual financial statements of York Timber Holdings Limited; and
- Satisfied itself that the adoption of the going concern basis by York Timber Holdings Limited in preparing the financial statements was appropriate.

Internal controls

Internal controls comprise the methods and procedures adopted by management to provide reasonable assurance of the safeguarding of assets, prevention and detection of errors, accuracy and completeness of accounting records and reliability of the annual financial statements of all entities within the Group.

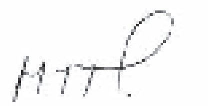
The Internal Audit function performs independent evaluations of the adequacy and effectiveness of the Group's controls, financial reporting mechanisms and certain records, information systems and operations, and provides some assurance in regard to safeguarding of assets and the integrity of financial information.

Management has concluded that the internal controls over financial reporting as at 30 June 2014 were effective.

Recommendation of Group financial statements

Based on the information provided to the Audit Committee by management and considering the reports of the external and internal auditors, the Audit Committee is satisfied that the consolidated financial statements comply, in all material respects, with the requirements of the Companies Act, IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the JSE Listings Requirements. The Audit Committee recommended the annual financial statements to the Board for adoption at a meeting held on 17 September 2014. These annual financial statements will be open for discussion at the forthcoming annual general meeting.

The Chairman of the Audit Committee or, in his absence, the other members of the Audit Committee, will attend the annual general meeting to answer questions falling within the mandate of the committee.



Gavin Tipper
Chairman
Audit Committee

17 September 2014

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the consolidated financial statements of York Timber Holdings Limited for the year ended 30 June 2014.

Nature of business

York Timber Holdings Limited is incorporated in South Africa with interests in the commercial forestry, softwood sawmilling, plywood manufacture and timber trade industry. The Group operates principally in South Africa.

On 1 August 2013 defined tangible operating assets (inventory, trade and other receivables and property, plant and equipment) and defined liabilities of two divisions of Iliad Africa Limited Timber Wholesale were purchased. These businesses comprise Germiston-based Thorpe Timbers that is a manufacturer and wholesale distributor of timber as well as Cape Town-based Timber Preservation Services that operates a timber value-adding, treating and wholesale distribution business. Refer to note 29.

Review of financial results and activities

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act. The accounting policies have been applied consistently compared to the prior year, except for the changes described in note 2.

Full details of the financial position, results of operations and cash flows of the Group are set out in these consolidated financial statements.

Share capital

There have been no changes to the authorised or issued share capital during the year under review.

Dividends

The Board has resolved not to declare a dividend for the financial year ended 30 June 2014.

Directorate

The directors in office during the year and up to the date of this report are as follows:

Director	Office	Designation	Changes
Dr Jim Myers	Chairperson	Non-executive Independent	
Pieter van Zyl	Chief Executive Officer	Executive	
Pieter van Buuren	Chief Financial Officer	Executive	Appointed 1 October 2013
Paul Botha	Other	Non-executive	
Shakeel Meer	Other	Non-executive	
Gavin Tipper	Other	Non-executive Independent	
Dr Azar Jammine	Other	Non-executive Independent	
Dinga Mncube	Other	Non-executive Independent	
Thabo Mokgatlha	Other	Non-executive Independent	

Directors' shareholding

The interests of the directors in the ordinary share capital of the Group in terms of paragraph 3.83 and 8.63(d) of the JSE Listings Requirements are listed below. Clearances in terms of paragraph 3.66 of the JSE Listings Requirements was obtained for director dealings during the year. There were no changes to the directors' shareholdings between the end of the financial year and the date of approval of these Group financial statements.

Direct beneficial interest

Director	2014 Number of shares	2014 Percentage shareholding	2013 Number of shares	2013 Percentage shareholding
Pieter van Zyl	**247 369**	**0,07**	247 369	0,07
Duncan Erskine (resigned during 2013)	**–**	**–**	45 500	0,01
Gavin Tipper	**15**	**–**	37 163	0,01
	247 384	**0,07**	330 032	0,09

Borrowing limitations

In terms of the Group's memorandum of incorporation, the Group's Board may raise debt from time to time for the purposes of the Group.

The Group is subject to externally imposed capital requirements as a result of the debt-equity ratio of below 1,5:1 required by the Land Bank loan facilities (refer to note 16).

Special resolutions

During the year there were three special resolutions passed by York Timber Holdings Limited. The first resolution was for general authority to acquire/repurchase shares, the second was to approve the remuneration of non-executive directors, the third was regarding the provision for financial assistance in terms of section 44 and 45 of the Companies Act.

The only special resolution passed at subsidiary level was for Agentimber Proprietary Limited regarding the provision of financial assistance in terms of section 45 of the Companies Act.

Events after the reporting period

The directors are not aware of any material events which occurred after the reporting date and up to the date of this report.

Going concern

The directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and, accordingly, the consolidated financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

Auditors

KPMG Inc. continued in office as auditors for the Company for 2014.

Company Secretary

The Company Secretary is Han-hsiu Hsieh.

Interest in subsidiaries

Details of the Group's investment in subsidiaries are set out in note 32.

DIRECTORS' REPORT continued

Shareholder profile

The shareholder profile at 30 June 2014 was as follows:

	Number of shareholders	Percentage	Number of shares	Percentage
Shareholder analysis				
1 – 1 000 shares	216	25,68	82 955	0,03
1 001 – 10 000 shares	298	35,43	1 371 789	0,41
10 001 – 100 000 shares	204	24,26	7 371 758	2,22
100 001 – 1 000 000 shares	83	9,87	26 718 799	8,07
1 000 001 shares and over	40	4,76	295 695 296	89,27
	841	**100,00**	**331 240 597**	**100,00**
Distribution of shareholders				
Banks/brokers	13	1,55	495 519	0,15
Close corporations	9	1,07	155 224	0,05
Development agencies	1	0,12	95 136 513	28,72
Empowerment	4	0,48	95 687 795	28,89
Endowment funds	13	1,55	1 260 249	0,38
Individuals	577	68,61	11 580 581	3,50
Insurance companies	5	0,59	6 225 082	1,88
Medical aid schemes	7	0,83	934 567	0,28
Mutual funds	60	7,13	85 705 798	25,87
Nominees and trusts	46	5,47	4 587 850	1,39
Other corporations	6	0,71	184 491	0,06
Private companies	28	3,33	3 758 499	1,13
Public entities	3	0,36	212 509	0,06
Retirement funds	68	8,08	25 267 720	7,63
Share trusts	1	0,12	48 200	0,01
	841	**100,00**	**331 240 597**	**100,00**
Shareholder type				
Directors and associates of the Company	2	0,36	267 884	0,08
Share trusts	1	0,12	48 200	0,01
Empowerment	4	0,48	95 687 795	28,89
Strategic holdings (more than 10%)	1	0,12	95 136 513	28,72
Non-public shareholders	8	1,08	191 140 392	57,70
Public shareholders	833	98,92	140 100 205	42,30
	841	**100,00**	**331 240 597**	**100,00**
Beneficial shareholders holding 3% or more				
Industrial Development Corporation of South Africa			95 136 513	28,72
Lereko Investments			54 915 003	16,58
Coronation Fund Managers			34 643 151	10,46
Bridge Creek Trading 10 Proprietary Limited			29 356 410	8,86
Auburn Avenue Trading 55 Proprietary Limited			11 416 382	3,45
Old Mutual Group			10 240 526	3,09
			235 707 985	**71,16**

INDEPENDENT AUDITOR'S REPORT

To the shareholders of York Timber Holdings Limited

Report on the financial statements

We have audited the consolidated financial statements of York Timber Holdings Limited, which comprise the consolidated statement of financial position at 30 June 2014 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes,

as set out on pages 128 to 179.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of York Timber Holdings Limited at 30 June 2014, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.

Per: Heinrich Mans
Chartered Accountant (SA)
Registered Auditor
Director

Suite 501
The Pinnacle
1 Parkin Street
Nelspruit 1200

23 September 2014

STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Note	2014 R'000	2013 R'000
Assets			
Non-current assets		**2 935 314**	2 878 153
Biological assets	3	**1 834 963**	1 827 525
Investment property	4	**21 866**	22 966
Property, plant and equipment	5	**463 645**	429 994
Goodwill	6	**565 442**	565 442
Intangible assets	7	**2 439**	2 257
Other financial assets	8	**38 464**	29 969
Deferred tax	9	**8 495**	–
Current assets		**784 518**	780 305
Inventories	11	**234 032**	190 960
Trade and other receivables	12	**171 893**	157 306
Biological assets	3	**268 129**	273 345
Cash and cash equivalents	13	**110 464**	158 694
Total assets		**3 719 832**	3 658 458
Equity and liabilities			
Equity		**2 327 102**	2 277 345
Share capital	14	**1 521 914**	1 521 914
Reserves		**(668)**	569
Retained income		**805 856**	754 862
Liabilities			
Non-current liabilities		**1 151 685**	1 170 779
Loans and borrowings	16	**528 459**	559 398
Retirement benefit obligation	10	**24 313**	23 073
Deferred tax	9	**574 879**	550 507
Provisions	17	**11 671**	18 927
Cash-settled share-based payments	15	**12 363**	18 874
Current liabilities		**241 045**	210 334
Loans and borrowings	16	**34 157**	37 775
Current tax payable		**2**	2
Operating lease liability		**358**	164
Trade and other payables	19	**192 743**	167 820
Cash-settled share-based payments	15	**13 785**	4 573
Total liabilities		**1 392 730**	1 381 113
Total equity and liabilities		**3 719 832**	3 658 458

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Note	2014 R'000	2013 R'000
Revenue	20	**1 323 976**	1 131 994
Cost of sales		**(892 018)**	(721 696)
Gross profit		**431 958**	410 298
Other operating income		**17 215**	38 787
Selling, general and administration expenses		**(332 362)**	(287 720)
Operating profit	21	**116 811**	161 365
Investment income	22	**5 820**	6 239
Fair value adjustments	23	**(2 084)**	25 230
Bargain purchase on acquisition	29	**2 984**	–
Finance costs paid	24	**(56 440)**	(54 672)
Profit before taxation		**67 091**	138 162
Taxation	25	**(16 097)**	(31 298)
Profit for the year		**50 994**	106 864
Other comprehensive income			
Defined benefit plan reserve			
Remeasurements on defined benefit liability		**(928)**	–
Taxation related to remeasurements on defined benefit liability		**260**	–
Other comprehensive income for the year net of taxation		**(668)**	–
Available-for-sale reserve			
Available-for-sale financial asset adjustments		**(680)**	205
Taxation related to components of other comprehensive income		**111**	(44)
Available-for-sale reserve		**(569)**	161
Other comprehensive income for the year net of taxation		**(1 237)**	161
Total comprehensive income		**49 757**	107 025
Total comprehensive income attributable to:			
Owners of the parent		**49 757**	107 025
Earnings per share			
Basic and diluted earnings per share (cents)	37	**15**	32

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STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	Share capital R'000	Share premium R'000	Total share capital R'000	Fair value adjustment assets available-for-sale reserve R'000	Defined benefit plan reserve R'000	Total reserves R'000	Retained income R'000	Total equity R'000
Balance at 1 July 2012	16 562	1 505 352	1 521 914	408	–	408	647 998	2 170 320
Profit for the year	–	–	–	–	–	–	106 864	106 864
Change in fair value of available-for-sale financial assets, net of tax	–	–	–	161	–	161	–	161
Total comprehensive income for the year	–	–	–	161	–	161	106 864	107 025
Balance at 1 July 2013	**16 562**	**1 505 352**	**1 521 914**	**569**	**–**	**569**	**754 862**	**2 277 345**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**50 994**	**50 994**
Other comprehensive income	**–**	**–**	**–**	**(569)**	**(668)**	**(1 237)**	**–**	**(1 237)**
Total comprehensive income for the year	**–**	**–**	**–**	**(569)**	**(668)**	**(1 237)**	**50 994**	**49 757**
Balance at 30 June 2014	**16 562**	**1 505 352**	**1 521 914**	**–**	**(668)**	**(668)**	**805 856**	**2 327 102**
Note	14	14	14					

STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

	Note	2014 R'000	2013 R'000
Cash flows from operating activities			
Cash generated from operations	27	**151 461**	106 486
Interest received		**5 786**	6 186
Dividends received		**34**	53
Finance costs paid		**(56 440)**	(54 672)
Tax (paid)/received	28	**–**	(5)
Net cash from operating activities		**100 841**	58 048
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(66 169)**	(51 958)
Proceeds from disposal of property, plant and equipment	5	**463**	83
Purchase of investment property	4	**–**	(38)
Purchase of intangible assets	7	**(2 127)**	(67)
Proceeds from sale of other intangible assets	7	**37**	–
Acquisition of subsidiaries net of cash acquired	29	**(34 228)**	–
Purchase of financial assets		**(14 000)**	(28 453)
Sale of financial assets		**5 717**	–
Purchase of biological assets	3	**(4 206)**	(2 264)
Net cash applied to investing activities		**(114 513)**	(82 697)
Cash flows from financing activities			
Proceeds from loans and borrowings		**4 768**	61 316
Repayment of loans and borrowings		**(39 326)**	(22 543)
Net cash applied to financing activities		**(34 558)**	38 773
Total cash movement for the year		**(48 230)**	14 124
Cash at beginning of year		**158 694**	144 570
Total cash at end of year	13	**110 464**	158 694

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2014

1. Accounting policies

Basis of presentation

Reporting entity

York Timber Holdings Limited (York or the Company) is a company domiciled and incorporated in the Republic of South Africa. The financial statements of the Group for the year ended 30 June 2014 comprise the Company and its subsidiaries (collectively referred to as the Group and individually as Group entities). The core business activities of the Group comprise commercial forestry, softwood sawmilling, plywood manufacture and trade in timber products.

Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the Companies Act, 71 of 2008.

The consolidated annual financial statements were approved by the Board of Directors on 17 September 2014 and published on 30 September 2014.

Basis of measurement

The Group financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Biological assets are measured at fair value less costs to sell;
- Investment property is measured at fair value;
- Liabilities for cash-settled share-based payment arrangements are measured at fair value; and
- The retirement benefit obligation is recognised as the net total of the present value of the defined benefit obligation.

Functional and presentation currency

The Group financial statements are presented in Rands, which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand.

Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

These judgements and estimates are reviewed annually by management. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

For details of judgements and estimates that have a significant effect on the annual financial statements, refer to:

- note 3 – Biological assets
- note 4 – Investment property
- note 5 – Property, plant and equipment
- note 6 – Goodwill
- note 10 – Retirement benefits
- note 12 – Trade and other receivables
- note 15 – Share-based payments
- note 17 – Provisions

The accounting policies set out below have been applied consistently to all periods presented in these annual financial statements, except for the changes described in note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

1. Accounting policies continued

1.1 Consolidation

Basis of consolidation

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over, and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure to rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns.

Acquisitions on or after 1 July 2009

For acquisitions on or after 1 July 2009, the Group measures goodwill as the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. If the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

When share-based payment awards are exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) related to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably. The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees are expensed as incurred.

Acquisitions prior to 1 July 2009

For acquisitions prior to 1 July 2009, the Group measures goodwill as the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Non-controlling interests

Acquisitions of additional non-controlling equity interests in subsidiaries are accounted for as equity transactions. Disposals of equity interests while retaining control are also accounted for as equity transactions. No goodwill is recognised as a result of such transactions.

When control of an investee is lost, the resulting gain or loss relating to the transaction is recognised in profit or loss, including any remeasurement to fair value of the retained equity interest. All cash flows relating to these transactions form part of cash flow from financing activities on the basis that these transactions are equity transactions.

Losses in a subsidiary are allocated to the non-controlling interest, even if doing so causes the non-controlling interest to be in a deficit position.

Subsidiaries

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduced a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and an ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion for its investees at 1 July 2013. As a consequence, no changes were made.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. They are de-consolidated from the date that control is lost. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

1.2 Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at the rate of exchange ruling on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at rates of exchange ruling at the reporting date (spot rate).

Any foreign exchange differences are recognised in profit and loss in the year in which the difference occurs. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

1.3 Biological assets

Biological assets are measured at fair value less cost to sell, with any resultant gain or loss recognised in profit and loss. Costs to sell are the incremental costs directly attributable to the disposal of the asset.

Biological assets that are expected to be consumed in the next 12 months have been disclosed under current assets. Biological assets are transferred to inventory upon harvesting.

1.4 Investment property

Any gain or loss arising from a change in fair value is recognised in profit or loss. An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio on a three-year cycle. The valuations in between the professional valuations are done internally by the directors. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Rental income from investment property is accounted for as described in accounting policy 1.19.

When an item of property is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is, to the extent that the remeasurement of an investment property on the date of classification results in a gain, first applied to reducing any impairment loss that was previously recognised in profit or loss and the remaining increase is recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

1. Accounting policies continued

1.4 Investment property continued

Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured in terms of the fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

A gain or loss arising from a change in fair value is included in profit before taxation for the period in which it arises.

1.5 Property, plant and equipment

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. The cost of self-constructed and acquired assets includes:

- The initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Property that is being constructed or developed for future use as investment property is accounted for at fair value. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The replaced part is subsequently derecognised. All other costs are recognised in profit or loss as an expense as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation of an item of property, plant and equipment commences when it is available for use and ceases at the earlier of the date it is classified as held for sale or the date it is derecognised upon disposal. The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within other income/other expenses in profit or loss.

The residual values, depreciation methods and useful lives are re-assessed annually at the reporting date. The current estimated useful lives are as follows:

Item	Useful life range (in years)
Buildings	10 – 49
Roads	40
Plant and machinery	8 – 12
Other property, plant and equipment	3 – 15
Work in progress	Not depreciated

Leased assets

Finance leases

Leases that transfer substantially all of the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases.

Finance leases where the Group is the lessee

Assets acquired in terms of finance leases are measured at the lower of fair value and the present value of the minimum lease payments at inception of the lease. The capital element of future obligations under the leases is included as a liability in the statement of financial position.

Lease payments are allocated using the effective interest method to determine the lease finance cost, which is recognised as a finance cost over the lease period, and the capital repayment, which reduces the liability to the lessor subsequent to initial recognition. The assets under finance leases are treated in the same manner as owned assets.

Operating leases

Leases where the lessor retains the risk and rewards of ownership of the underlying asset are classified as operating leases. In the instance where the Group is the lessee, no asset is recognised when a lease is classified as an operating lease. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

1.6 Intangible assets

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Useful life

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets, amortisation is provided on a straight-line basis over their useful lives, commencing when the asset is available for use and ceasing when the asset is disposed of or no longer generates benefits to the entity.

Re-assessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Subsequent measurement

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

The residual values, depreciation methods and useful lives are re-assessed annually at the reporting date.

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	5 years

1.7 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

The Group recognises a financial instrument when it becomes a party to the contractual provisions of the contract. The Group derecognises a financial asset when the contractual rights to the cash flows of the asset expire or are transferred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

1. Accounting policies continued

1.7 Financial instruments continued

Non-derivative financial instruments continued

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position, when and only when the respective Group company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are measured subsequently at amortised cost using the effective interest method.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, foreign exchange gains and losses on available-for-sale monetary items, as well as interest using the effective interest method recognised in profit and loss, are recognised directly in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss.

Loans and receivables

Included in other loans and receivables are trade and other receivables. Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities

Trade and other payables, loans, including loans to and from Group companies, are measured at amortised cost using the effective interest method, less any impairment losses.

Determination of fair value

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined with reference to their quoted market bid price at the reporting date.

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.

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated on the present value of future principal and interest cash flows. These payments are discounted at the market rate of interest at the reporting date. The market rate of interest is determined by reference to similar liabilities. For finance leases, the market rate of interest is determined by reference to similar agreements.

Derivatives

All derivative instruments are classified as financial assets or financial liabilities at fair value through profit or loss. Derivatives are initially recognised at fair value with directly attributable transaction costs being recognised in profit or loss.

Derivatives are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, recent market transactions and valuation techniques, or discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The fair value of forward exchange contracts is traded over the counter.

1.8 Tax

Current tax assets and liabilities

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- Differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future and the Group is able to control the timing of the reversal; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be raised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax on investment property is provided for at the tax rate expected to apply to the proceeds on sale of the property.

Tax expenses

Income tax expense for the year comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

1.9 Inventories

Raw materials, work in progress and finished goods of timber and timber-related products and consumable stores 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 selling expenses. The cost comprises all costs of purchase, conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is based on the weighted average cost method.

The cost of harvested timber is its fair value less estimated point of sale costs at the date of harvest, determined in accordance with the accounting policy for biological assets. Any change in value at the date of harvest is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

1. Accounting policies continued

1.10 Impairment of assets

Financial assets

A financial asset, other than financial assets through profit and loss, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets at amortised cost are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor; restructuring of an amount due to the Group on terms that the Group would not consider otherwise; indications that a debtor or issuer will enter bankruptcy; or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity instruments, the reversal is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets other than biological assets, investment property, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. For goodwill and intangible assets with an indefinite useful life, the recoverable amount is estimated at each reporting date.

The recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When an asset does not generate cash inflows that are largely independent from other assets, its recoverable amount is determined by assessing the recoverable amount of the cash-generating unit to which the asset belongs.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Impairment losses recognised in terms of cash-generating units are allocated first to reduce the carrying value of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro rata basis. An impairment loss is recognised in profit or loss whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Share capital and equity

Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends are recognised as a deduction from equity and a liability in the period in which they are declared.

1.12 Share-based payments

Cash-settled transactions

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured to fair value at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as a personnel expense in profit or loss.

1.13 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised in the period in which the employee renders the related service.

The accrual/liability for employee entitlements to wages, salaries and annual leave represents the amount which the Group has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on expected wage and salary rates.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution plans are recognised as an expense in profit and loss as incurred.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Group's policy is not to provide post-retirement medical aid benefits to its employees. The provision is made for a closed group of existing and former employees.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary, using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

1. Accounting policies continued

1.13 Employee benefits continued

Defined benefit plans continued

The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

1.14 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discounts is recognised as a finance cost.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

1.15 Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns or allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, and there is no continuing management involvement with the goods.

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the Group.

For sales of timber, the transfer usually occurs when the product is delivered to the customer's warehouse, however, for some international shipments the transfer occurs on loading the goods onto the relevant carrier at the port.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset. All other borrowing costs are expensed (refer note 24).

1.17 Investment income and finance cost

Investment income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit and loss, gains on hedging instruments that are recognised in profit and loss and interest income earned on finance leases.

Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprises interest expenses on borrowings, interest expense on finance leases, unwinding of discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss.

1.18 Segmental reporting

The Group determines and presents operating segments based on the information that is internally provided to the Group's Chief Operating Decision Maker (CODM), consisting of executive management and Executive Committee members.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CODM to make decisions about resources to be allocated to the segment and to assess its performance and for which salient financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

1.19 Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/interpretation	Effective date: years beginning on or after
• IFRS 10 Consolidated Financial Statements	1 January 2013
• IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
• IFRS 13 Fair Value Measurement	1 January 2013
• IAS 19 Defined Benefit Plans: Employee Contributions	1 January 2013
• Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2013
• Recoverable amount disclosures for Non-financial Assets (Amendments to IAS 36)	1 January 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

2. New standards and interpretations continued

2.2 Standards and interpretations not yet effective

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. These standards will be applied retrospectively, subject to transitional provisions.

The following standards and interpretations are applicable to the business of the Group and may have an impact on future financial statements:

IFRS 9 Financial Instruments

This new standard is the first phase of a three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities. The following are the main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost;
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value;
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply;
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model;
- Financial liabilities shall not be reclassified;
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment;
- IFRS 9 does not allow for investments in equity instruments to be measured at cost; and
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities' credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Company expects to adopt the standard for the first time in the 2018 consolidated financial statements. The Company is currently unable to reliably estimate the impact of the standard on the financial statements.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard is likely to have no significant impact on the Group. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the financial statements for the year ending 30 June 2015.

The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The Group currently has no intangible assets and plants that are amortised or depreciated using a revenue-based method. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- Set out in the formal terms of the plan;
- Linked to service; and
- Independent of the number of years of service.

When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered. The Group's defined benefit plan meets these requirements and consequently the Group intends to apply this amendment and will recognise the contributions as a reduction of the service costs in the period in which the related service is rendered. The amendments apply retrospectively for annual periods beginning on or after 1 July 2014, with early adoption permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

3. Biological assets

	2014 R'000	2013 R'000
Reconciliation of biological assets		
Opening balance	**2 100 870**	2 070 222
Fair value adjustment:		
– Increase due to growth and enumeration**	**447 357**	384 403
– Adjustment to standing timber values to reflect sales price, cost and discount rate assumptions***	**(123 284)**	(44 439)
Decrease due to harvesting	**(326 057)**	(311 580)
Purchased plantations	**4 206**	2 264
Closing balance	**2 103 092**	2 100 870
Classified as non-current assets	**1 834 963**	1 827 525
Classified as current assets*	**268 129**	273 345
	2 103 092	2 100 870
Change in discounted cash flows (DCF) value attributable to:		
Opening balance	**2 100 870**	2 070 222
Growth	**131 897**	49 444
Revenue and price	**53 659**	193 026
Operating costs	**(35 314)**	(176 720)
Discount rate	**(152 226)**	(37 366)
Purchased plantations	**4 206**	2 264
Closing balance	**2 103 092**	2 100 870

* *Being the biological assets to be harvested and sold in the 12 months after year end.*

** *Enumerations refer to updates that are made to the merchandising model's data due to more accurate information being collected about the trees in the plantations.*

*** *Being the movement after the increases in growth and enumeration and decreases due to harvesting, from the opening balance value and consists of the impact of changes in the discount rate, sales prices and costs from the prior year balance.*

	2014 Cubic metres	2013 Cubic metres
Reconciliation of standing volume		
Opening balance	**5 325 421**	5 174 350
Increase due to growth and enumeration**	**961 402**	797 446
Decrease due to harvesting	**(690 730)**	(646 375)
Closing balance	**5 596 093**	5 325 421

	2014 Hectares	2013 Hectares
Quantities of biological assets		
Pine	**54 126**	52 845
Eucalyptus	**3 605**	3 977
Temporary unplanted areas	**2 739**	3 630
Additional areas with planting permits	**4 580**	4 580
Conservancy areas	**28 938**	28 956
Standing timber	**110**	40
Total	**94 098**	94 028

3. Biological assets continued

	2014 Cubic metres	2013 Cubic metres
Forecast volume of trees in the plantations at maturity as used in the DCF valuation (sum of maturity volumes over the 25-year cycle)		
Balance at year end	**22 275 836**	21 177 766

Methodology and assumptions used in determining fair value

Volumes: The expected yields per log class are calculated with reference to growth models relevant to the nominal planted area. The growth models are derived from actual trial data that has been measured annually since 1976. A merchandising model, using the modelled tree shapes at various ages, is used to split the trees into predefined products.

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 mainly based on factors such as baboon damage and damage due to the natural elements such as wind, rain, hail, droughts and fires. An adjustment factor of 10,0% (2013: 10,0%) has been used.

Log prices: The price per cubic metre is based on current and future expected market prices per log class. It was assumed that prices will increase at 6,5% over the next two years and at 6,0% over the long term* (2013: 8,0% over the first two years and 6,0% over the long term).

Operating costs: The costs are based on the unit cost of the forest management activities required to enable the trees to reach the age of felling. The costs include the current and future expected costs of harvesting, maintenance and risk management, as well as an appropriate amount of fixed overhead costs. The costs exclude the costs necessary to get the asset to the market. A long-term inflation rate of 5,5%* (2013: 5,5%) was used.

Costs to sell: Costs to sell are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes. The Group sells logs at road side, and as such the only costs to sell applied are harvesting costs, which are included under operating costs. No other selling costs are included.

Discount rate: The Group directors used the after-tax weighted average cost of capital (WACC) applied to the after-taxation net cash flows.

* *Management believe that, as a result of the anticipated shortage in local log supply and forecast long-term demand, the long-term revenue inflation will be greater than the rate of cost inflation.*

Level 3 fair value

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 25 years. The expected net cash flows are discounted using a risk-adjusted discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

3. Biological assets continued

Level 3 fair value continued

	2014 Percentage	2013 Percentage
Key assumptions used for the calculation of the discount rate		
Risk-free rate (R186 bond)	**8,31**	7,89
Cost of equity	**15,25**	14,61
Pre-tax cost of debt	**10,00**	9,50
Target debt:equity ratio	**65,00**	65,00
After-tax weighted average cost of capital	**12,43**	11,89

The following sensitivity analysis shows how the value of the biological assets would be affected if the key valuation parameters were attributed other values than those that form the basis of the current valuation of the biological assets. A decrease by the same percentage would have the opposite effect on the valuation.

	2014 R'000	2013 R'000
Sensitivity analysis		
100 basis points increase in the current log price	**34 054**	36 317
25 basis points increase in forecast log prices	**98 109**	98 676
25 basis points increase in the forecast inflation cost rate	**(27 965)**	(27 799)
50 basis points increase in the pre-tax cost of debt	**(33 655)**	(34 250)
25 basis points increase in discount rate	**(66 121)**	(67 279)
100 basis points increase in projected volumes	**34 578**	34 649

The Group is exposed to a number of risks related to its commercial tree plantations, namely:

Regulatory and environmental risk: The Group has established environmental policies and procedures aimed at compliance with environmental legislation. Management performs regular reviews to identify environmental risks and to ensure that the management systems in place are adequate. The Group manages its plantations in compliance with the International Forest Stewardship Council's (FSC) requirements for sustainable forestry.

Supply and demand risks: The Group is exposed to risks arising from fluctuations in the price and sales volumes of log products. When possible the Group manages this risk by aligning its harvest volume to the market. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand on a sustainable basis.

Climate and other risks: The Group's plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks. The Group subscribes to various national fire prevention associations which use differing weather conditions to indicate fire risk. The Group insures itself against natural disasters such as fires and floods.

Pledge as security

Landholdings amounting to 34 869 (2013: 34 869) hectares, including those on which the plantations are planted and the fixed property referred to in note 5, were encumbered in favour of Micawber 558 Proprietary Limited, as security for loans and borrowings, as per note 16.

	2014 R'000	2013 R'000
4. Investment property		
Opening balance	**22 966**	26 088
Changes in fair value	**(100)**	(3 154)
Additions from subsequent expenditure	**–**	38
Transfers to property, plant and equipment	**(1 000)**	(6)
Closing balance	**21 866**	22 966

Pledged as security

Investment property with a carrying value of R5,4 million (2013: R5,4 million) was subject to a mortgage bond in favour of Nedbank Limited. Refer note 16. The bond was settled in full during the year.

Lease agreements for investment properties are at market-related rentals and are renewed annually.

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

Details of valuation

The effective date of the valuations was 30 June 2013. Valuations were performed by independent valuators. These valuators are not connected to the Group and have recent experience in location and category of the investment property being valued. The valuation was based on the open market value for existing use.

The directors made an assessment of the valuations at 30 June 2014 based on the ruling market conditions and deemed the recognised valuations as appropriate.

The fair value measurement for investment property of R21,9 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Level 3 fair value

The valuation is based on the market value. The comparable sales approach is used to determine market value. It consists of comparing the subject property with similar properties that were sold in the recent past in an open market situation, making the necessary adjustments therefrom as well as taking into consideration market trends and then determining, based on that information, the market level for the subject property.

	2014 R'000	2013 R'000
Amounts recognised in profit and loss for the year		
Rental income from investment property	**1 408**	977
Direct operating expenses on rental generating property	**(1 700)**	(1 266)
Total	**(292)**	(289)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

5. Property, plant and equipment

	Land R'000	Buildings R'000	Plant and machinery R'000	Other* R'000	Total R'000
Cost					
Opening balance 2012	113 288	156 186	208 216	53 195	530 885
Disposals	–	(127)	(9 025)	(1 517)	(10 669)
Transfers to investment property	976	(939)	(69)	20	(12)
Additions	–	4 181	25 087	22 690	51 958
Closing balance 2013	**114 264**	**159 301**	**224 209**	**74 388**	**572 162**
Additions	**–**	**4 865**	**41 550**	**19 754**	**66 169**
Disposals	**–**	**(4 644)**	**(24 330)**	**(5 002)**	**(33 976)**
Transfers from investment property	**300**	**2 080**	**226**	**–**	**2 606**
Additions through business combinations	**–**	**–**	**3 429**	**3 232**	**6 661**
Transfers from intangible assets and to inventory**	**–**	**–**	**–**	**(1 009)**	**(1 009)**
Closing balance 2014	**114 564**	**161 602**	**245 084**	**91 363**	**612 613**
Accumulated depreciation and impairment					
Opening balance 2012	–	(39 769)	(64 341)	(22 166)	(126 276)
Disposals	–	127	8 863	1 377	10 367
Depreciation	–	(5 071)	(16 908)	(4 993)	(26 972)
Impairment/impairment reversal	–	–	35	(17)	18
Transfers to investment property**	–	408	287	–	695
Reclassifications	–	–	(1 924)	1 924	–
Closing balance 2013	**–**	**(44 305)**	**(73 988)**	**(23 875)**	**(142 168)**
Disposals	**–**	**4 643**	**24 065**	**4 622**	**33 330**
Depreciation	**–**	**(5 193)**	**(25 221)**	**(7 792)**	**(38 206)**
Transfers from investment property	**–**	**(1 490)**	**(116)**	**–**	**(1 606)**
Impairment loss	**(300)**	**(18)**	**–**	**–**	**(318)**
Closing balance 2014	**(300)**	**(46 363)**	**(75 260)**	**(27 045)**	**(148 968)**
Net carrying value					
Closing balance 2013	114 264	114 996	150 221	50 513	429 994
Closing balance 2014	**114 264**	**115 239**	**169 824**	**64 318**	**463 645**

* *"Other" refers to furniture and fittings, motor vehicles, computer equipment, work in progress and spare parts. They have been grouped together as the total net carrying value for these assets is less than 20% of the total net carrying value. The work in progress differs from the other classes grouped due to it not being depreciated. The total value of the work in progress at year end was R34,3 million (2013: R31,4 million).*

** *Transfers from intangible assets into work in progress of R0,984 million and from "Other" assets to inventory of R1,993 million.*

5. Property, plant and equipment continued

Pledged as security

Capitalised leased assets are encumbered in terms of finance lease and instalment sale agreements.

Reversal of impairment

During the prior year, impairments on certain land and buildings were reversed prior to being transferred to investment property.

Instalment sale agreements

The Group entered into instalment sale agreements with Wesbank for plant, equipment and vehicles. Refer note 16.

	2014 R'000	2013 R'000
Present value of minimum lease payments due at year end	**41**	277
Carrying amount of assets subject to instalment sale liabilities:		
Other assets	**160**	190

Finance lease obligations

The Group entered into finance lease agreements with Wesbank for plant, equipment and vehicles. Refer note 16.

	2014 R'000	2013 R'000
Present value of minimum lease payments due at year end	**11 643**	6 875
Carrying amount of assets subject to finance lease agreements		
Plant and machinery	**273**	385
Other assets	**8 127**	1 853
Total	**8 400**	2 238

6. Goodwill

Goodwill at cost	**565 442**	565 442

Goodwill arose from the business combination that took place during July 2007 and represents the difference between the fair value of assets purchased and the acquisition price.

The Group's goodwill is tested for impairment at each year end. For the purpose of impairment testing, goodwill has been allocated to the Forestry segment. The Group's assets are compared to the present value of the future cash flow (value in use) that is expected to flow from Group sales.

The value in use was determined based on management's past experience and is based on the assumptions detailed below. The cash flows have been based on the approved budget for the 2015 financial year as well as a forecast until 2030 using a long-term inflation rate of 5,5% (2013: 5,5%). The period is longer than would normally be the case due to the nature of the underlying assets. The plantations are managed in rotation, based on a clearfell age for pine of between 21 and 25 years. The plantations are managed to harvest approximately 2 500 hectares per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

6. Goodwill continued

Volumes: The expected yields per log class are calculated with reference to growth models relevant to the nominal planted area. The growth models are derived from actual trial data that has been measured annually since 1976. A merchandising model, using the modelled tree shapes at various ages, is used to split the trees into predefined products.

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 mainly based on factors such as baboon damage and damage due to the natural elements such as wind, rain, hail, droughts and fires. An adjustment factor of 10,0% (2013: 10,0%) has been used.

Log prices: The price per cubic metre is based on current and future expected market prices per log class. It was assumed that prices will increase at 6,5% over the first two years and at 6,0% over the long term (2013: 8,0% over the first two years and 6,0% over the long term). These prices were adjusted in this calculation as a result of the Group's integrated business and supply vs demand projections, to effectively adjust log price increases to 6,64% (2013: 6,65%) over the long term.

Operating costs: The costs are based on the unit cost of the forest management activities required to enable the trees to reach the age of felling. The costs include the current and future expected costs of harvesting, maintenance and risk management, as well as an appropriate amount of fixed overhead costs. The costs exclude the costs necessary to get the asset to the market. A long-term inflation rate of 5,5% (2013: 5,5%) was used.

Discount rate: The Group's after-tax weighted average cost of capital (WACC) was applied to the after-taxation net cash flow.

	2014 R'000	2013 R'000
Results of impairment testing		
Carrying amount of segment assets	**2 428 350**	2 340 011
Present value of segment's future cash flows	**2 500 853**	2 465 851
Net result (no impairment)	**(72 503)**	(125 840)

	2014 Percentage	2013 Percentage
Key assumptions used in the calculation of the discount rate		
Risk-free rate (R186 bond)	**8,31**	7,89
Cost of equity	**15,25**	14,61
Pre-tax cost of debt	**10,00**	9,50
Equity ratio	**65,00**	65,00
After-tax weighted average cost of capital	**12,43**	11,89

6. Goodwill continued

The following sensitivity analysis shows how the present value of the segment's future cash flows would be affected if the key valuation parameters were attributed other values than those that form the basis of the current valuation of the segment's future cash flows. A decrease by the same percentage would have the opposite effect on the valuation.

	2014 R'000	2013 R'000
Sensitivity analysis		
100 basis points increase in the current log price*	**61 224**	59 955
25 basis points increase in forecast log prices*	**127 241**	131 887
25 basis points increase in forecast cost of inflation rate	**(62 662)**	(64 354)
50 basis points increase in the pre-tax cost of debt	**(50 617)**	(56 284)
25 basis points increase in discount rate	**(98 632)**	(109 498)
100 basis points increase in projected volumes	**42 664**	45 279

* *When comparing the sensitivity analysis above to note 3, the key differences in the valuation methodologies used should be taken into account. The valuation above reflects the Forestry segment as a stand-alone business with the plantations on rotation and therefore includes a residual period. The fair valuation done for the biological assets (note3) is calculated on the assumption that no replanting of the plantations is done and is therefore for a finite period.*

7. Intangible assets

	2014 R'000	2013 R'000
Computer software		
Cost		
Opening balance	**6 475**	6 408
Additions	**2 127**	67
Disposals	**(42)**	–
Transfers to work in progress	**(984)**	–
Closing balance	**7 576**	6 475
Accumulated amortisation and impairment		
Opening balance	**(4 218)**	(3 203)
Disposals	**5**	–
Amortisation	**(924)**	(1 015)
Closing balance	**(5 137)**	(4 218)
Net carrying value	**2 439**	2 257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

	2014 R'000	2013 R'000
8. Other financial assets		
Available-for-sale		
Listed shares	**–**	1 516
Loans and receivables		
Self-insurance fund	**38 464**	28 453
Annual payments of R14 million are contributed to the self-insurance fund. For periods where the Experience Account balance is positive, the investment accrues interest at the 32-day call rate average for FNB, Absa and Nedbank as published on the first business day of each month. Where the Experience Account balance is negative, interest is charged at the prime lending rate plus 200 basis points.		
Total other financial assets	**38 464**	29 969
Movement in listed shares		
Listed shares (level 1)		
Opening balance	**1 516**	1 311
Fair value adjustment	**–**	205
Disposal	**(1 516)**	–
Closing balance	**–**	1 516

	2014 Spot price	2013 Spot price
Listed shares comprised the following:		
40 540 ordinary shares in FirstRand Limited	**–**	28,9
2 276 ordinary shares in Discovery Holdings Limited	**–**	84,0
6 842 ordinary shares in MMI Holdings Limited	**–**	22,1

The listed shares are classified as available-for-sale and part of non-current assets.

	2014 R'000	2013 R'000
Unlisted investments (level 2)		
Self-insurance fund		
An interest rate of 4,56% (2013: 4,92%) used to calculate interest on the balance	**38 464**	28 453

The investment is unlisted and no quoted indicators are used to compute the interest on capital investments made.

9. Deferred tax

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

	2014 R'000	2013 R'000
Deferred tax liability	**(574 879)**	(550 507)
Deferred tax asset	**8 495**	–
Total net deferred tax liability	**(566 384)**	(550 507)
Reconciliation of deferred tax liability		
At beginning of year	**(550 507)**	(519 183)
Increase in tax losses available for set-off against future taxable income	**(13 085)**	(20 521)
Originating temporary differences	**(2 678)**	(10 216)
Changes to other comprehensive income	**131**	(38)
Under provision of deferred taxation in prior periods	**(245)**	(549)
Closing balance	**(566 384)**	(550 507)
The balance comprises the following items:		
Capital allowances	**(32 807)**	(27 368)
Biological assets	**(579 369)**	(579 925)
Provisions	**22 134**	20 241
Estimated tax loss	**23 658**	36 675
Recognised in other comprehensive income	**–**	(130)
Closing balance	**(566 384)**	(550 507)

10. Retirement benefits

Defined benefit plan

The Group's policy is not to provide post-retirement medical aid benefits to its employees. However, a provision is made for a closed group of current and former employees in respect of legacy post-retirement medical scheme contribution subsidies. Independent actuaries determine the value of this obligation and the annual costs of such benefits. The assumptions used are consistent with those adopted by the actuaries in determining pension costs and in addition include long-term estimates of the increases in medical costs and appropriate discount rates. An actuarial valuation was carried out at year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

10. Retirement benefits continued

Defined benefit plan continued

	2014 R'000	2013 R'000
Present value of defined benefit obligation		
Opening balance	**(23 073)**	(22 179)
Service cost	**(37)**	(29)
Interest cost	**(1 915)**	(1 841)
Remeasurements	**(928)**	(534)
Benefits paid to members	**1 640**	1 510
Closing balance	**(24 313)**	(23 073)

The closing balance is the present value of the defined benefit obligation and is wholly unfunded. There is no asset-funding plan in place.

Sensitivity analysis

Assumed healthcare cost trend rates have a significant effect on the amount recognised in profit and loss. A 1% change in the medical inflation rate would have the following effects:

	2014 R'000	2013 R'000
100 basis points increase: Aggregate of the service cost and interest cost	**34**	217
100 basis points increase: Defined benefit obligation	**2 410**	2 542
Contributions towards defined benefit plan		
Contributions paid	**1 696**	1 505

	2014	2013
Key assumptions used		
Active number of members	**23**	28
Retired number of members	**39**	39
Total number of members	**62**	67
Average expected remaining working lifetime (years)	**5,28**	5,71
Discount rate (estimated corporate bond yield) (%)	**9,00**	8,40
Medical contribution inflation rate (%)	**7,00**	6,40

Defined contribution plan: Retirement fund

The Group has five provident fund schemes: York Timbers Provident Fund, Retirement On Line (ROL) Provident Fund and the Hospitality and General Provident Fund, for all employees. Pensioners under these schemes have had their pensions bought by means of annuities from insurers and there is no ongoing liability for the schemes. The schemes are governed by the Pension Funds Act, 24 of 1956, as amended.

10. Retirement benefits continued

Defined contribution plan: Retirement fund continued

At the end of April 2014 all employees that were part of the ROL Provident Fund, ROL Pension Fund and Liberty Pension Fund moved to Alexander Forbes.

The number of members of each scheme at year end:

	2014	2013
ROL Provident Fund	**–**	218
Hospitality and General Provident Fund	**711**	662
York Timbers Provident Fund	**1 476**	1 459
Iliad Provident Fund	**31**	–
Alexander Forbes Provident Fund	**248**	–

Defined contribution plan: Pension fund

The Group has one (2013: two) pension funds.

The number of members of the scheme at year end:

	2014	2013
ROL Pension Fund	**–**	3
Liberty Pension Fund	**–**	20
Alexander Forbes Pension Fund	**21**	–

Defined contribution plan: Medical aid fund

The Group facilitates contributions to a defined medical aid scheme for the benefit of its permanent employees and their dependants. In terms of the Group's policy there is no post-retirement medical aid obligation for current or retired employees, other than the closed group referred to above. The Group is under no obligation to cover any unfunded benefits.

Contributions towards defined contribution funds:

	2014 R'000	2013 R'000
ROL Provident Fund	**6 919**	7 484
Hospitality and General Provident Fund	**4 119**	3 541
York Timbers Provident Fund	**11 959**	11 077
Iliad Provident Fund	**743**	–
Alexander Forbes Provident Fund	**1 444**	–
ROL Pension Fund	**204**	232
Liberty Pension Fund	**479**	611
Alexander Forbes Pension Fund	**134**	–
Total	**26 001**	22 945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

	2014 R'000	2013 R'000
11. Inventories		
Raw materials	**37 082**	23 731
Work in progress	**65 312**	59 694
Timber products	**101 793**	80 315
Consumables	**34 799**	30 522
	238 986	194 262
Inventory write-downs	**(4 954)**	(3 302)
Total inventory	**234 032**	190 960
Inventory write-down attributed to timber products	**–**	(67)
Inventory write-down attributed to consumables	**(4 954)**	(3 235)
Total write-downs	**(4 954)**	(3 302)
No inventory was pledged as security during the year.		
Finished goods at net realisable value		
Finished goods carried at net realisable value	**27 882**	23 763
12. Trade and other receivables		
Trade receivables	**157 909**	152 532
Prepayments	**4 992**	2 391
Deposits	**1 150**	359
Value added tax receivable	**6 062**	389
Loans to employees and managers	**717**	564
Other receivables	**1 063**	1 071
Total	**171 893**	157 306

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 60 days past due are not considered to be impaired. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables based on historic default rates on a customer-by-customer basis.

Ageing of trade receivables (net of impairment):

	2014 R'000	2013 R'000
Current	**118 960**	111 439
30 days	**31 333**	32 655
60 days and over	**7 616**	8 438
Total	**157 909**	152 532

12. Trade and other receivables continued

	2014 R'000	2013 R'000
Reconciliation of allowance for impairment of trade and other receivables		
Opening balance	**16 684**	15 495
Increase in allowance for impairment	**1 497**	1 189
Amounts written off as uncollectable	**(8 363)**	–
Closing balance	**9 818**	16 684

All other receivables are neither past due nor impaired.

Pledged as security

The trade receivables of the Group have been ceded to FirstRand Bank Limited as security for the banking facilities made available to the Group. Refer note 13.

Trade and other receivables are classified as loans and receivables.

	2014 R'000	2013 R'000
13. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	**75**	60
Bank balances	**77 511**	112 402
Short-term deposits	**32 878**	46 232
Closing balance	**110 464**	158 694
The banking facility granted by FirstRand Bank Limited is secured by a cession of trade receivables (refer note 12) and cross-suretyships of R5 million within the Group. The general banking facility is available to all companies across the Group.		
Total general banking facility and guarantees	**85 000**	85 000
Guarantees to Eskom Holdings Limited	**3 184**	938

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

	2014 R'000	2013 R'000
14. Share capital		
Authorised		
600 000 000 (2013: 600 000 000) ordinary shares of R0,05 each	**30 000**	30 000
All unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.		
Issued		
331 240 597 (2013: 331 240 597) ordinary shares of R0,05 each	**16 562**	16 562
Share premium	**1 505 352**	1 505 352
Total	**1 521 914**	1 521 914

15. Share-based payments

The Group offers its key employees an employee share appreciation rights scheme. This long-term incentive (LTI) will be achieved through certain employees being afforded the right to receive a cash payment after the vesting period. This cash payment will be based on the appreciation in the value of the shares over a five-year period.

During the first portion of its life (the vesting period), the option cannot be exercised and is forfeited should the employee leave the employment of York Timbers Proprietary Limited. After the vesting date, the employees have the option to exercise their rights in three equal tranches at the end of years three, four and five respectively. The option expires at the end of year six.

The payout that a beneficiary of the share appreciation right scheme will receive is the difference between the spot price on the exercise date and the 30-day volume weighted average price on grant date.

The scheme is treated as a cash-settled scheme for the Group. Cash-settled schemes are valued at the reporting date in terms of IFRS 2 Share-Based Payments. Any changes in the cash-settled liability are recognised as part of employee costs.

	2014 thousands	2013 thousands
Reconciliation of the movement in share appreciation rights (number of shares)		
Opening balance	**33 491**	36 577
Rights conditionally awarded	**600**	5 004
Rights forfeited due to resignation from the Group	**–**	(6 965)
Rights exercised	**(2 824)**	(1 125)
Closing balance	**31 267**	33 491

Five allotments of these appreciation rights were made; the first was on 17 November 2009 (LTI-1), the second on 1 July 2010 (LTI-2), the third on 1 July 2011 (LTI-3), the fourth on 1 July 2012 (LTI-4) and the fifth on 1 June 2014 (LTI-5). A notice of allocation was sent to beneficiaries. The transaction constitutes a call option with a term of six years from the grant date in the hands of the employees.

15. Share-based payments continued

	LTI-1	LTI-2	LTI-3	LTI-4	LTI-5
Details of allotments are as follows:					
Grant date	17 Nov 2009	1 Jul 2010	1 Jul 2011	1 Jul 2012	1 Jun 2014
Outstanding at year end – share appreciation rights	3 685 856	3 360 319	21 137 726	2 482 865	600 000
Weighted exercise price	R2,74	R3,19	R3,64	R3,83	R3,60
Vesting portion in three equal tranches annually commencing on	17 Nov 2012	1 Jul 2013	1 Jul 2014	1 Jul 2015	1 Jun 2017
Maturity/expiry date	17 Nov 2015	1 Jul 2016	1 Jul 2017	1 Jul 2018	1 Jun 2020
Outstanding appreciation rights have the following exercise date profile					
Within one year	4 317	2 363	7 104	–	–
One to five years	–	1 019	10 284	1 044	17
	4 317	**3 382**	**17 388**	**1 044**	**17**

3 188 156 units were fully vested, valued at R3,85 million at year end.

Fair value was determined using the Black-Scholes model. The following inputs were used:

	2014	2013
Key assumptions used		
Closing share price of York Timber Holdings Limited at period end	**R3,50**	R3,60
Expected forfeitures per annum (%)	**0**	0
Expected exercise date	**Variable**	Variable
Expected volatility (%)	**30 – 35**	29 – 43
Dividend yield (%)	**0**	0
Bootstrapped zero coupon perfect fit swap curve (%)	**5,29 – 7,73**	4,76 – 7,20

Expected volatility was calculated using the equally weighted standard approach, by making use of the available historical share price data, for a period equal to the term to maturity of the scheme. Smoothing of the share price volatility was done to exclude the effects of the rights issues made by York Timber Holdings Limited on the volatility.

The risk-free interest rate was sourced from the Bond Exchange of South Africa. The bootstrapped zero coupon perfect fit swap curve as at year end was used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

15. Share-based payments continued

	2014 R'000	2013 R'000
The movement in valuation recognised as part of employee cost	**3 300**	5 293
Carrying amount of the liability arising from the share appreciation rights	**26 148**	23 447
Non-current liabilities	**12 363**	18 874
Current liabilities	**13 785**	4 573
Total cash-settled share-based payment liability	**26 148**	23 447

16. Loans and borrowings

	2014 R'000	2013 R'000
Held at amortised cost		
Land Bank	**553 006**	582 402
Wesbank capital loan	**–**	9 428
Loan raising fee	**(2 075)**	(2 357)
Finance lease obligation	**11 643**	6 875
Instalment sale liabilities	**42**	277
Nedbank mortgage bond	**–**	548
	562 616	597 173
Non-current liabilities		
At amortised cost	**528 459**	559 398
Current liabilities		
At amortised cost	**34 157**	37 775
Total loans and borrowings	**562 616**	597 173

Land Bank loan

This loan bears interest at an interest rate of 10,0% (2013: 9,5%) (prime plus 1%) per annum and is payable monthly in arrears over 10 years, of which eight are remaining.

The Group has to comply on a regular basis with loan covenants.

Security over the Land Bank loan

- Guarantee by a security special purpose vehicle (SPV) in respect of all of the Group's obligations under the loan.
- Indemnity by the Group in favour of the security SPV limited to R720 million in respect of any claim under the guarantee.
- Mortgage covering bonds for an amount of R1,4 billion, limited to the indemnity of R720 million, and limited to the landholding of 34 869 hectares as recorded in note 5.
- Cession of insurance policy.
- Subordination of the shareholder's loan from York Timber Holdings Limited. The facility is held in York Timbers Proprietary Limited.

16. Loans and borrowings continued

Loan raising fees

The Land Bank loan raising fee is amortised over the period of the loan using the effective interest rate method. The amortisation amount is included in finance expenses. Refer note 24.

Wesbank capital loan

This loan bore interest at an effective rate of 8,75% (2013: 8,25%) per annum and was payable in payments of R4,1 million (2013: R4,1 million) every six months. The final balance was settled with a lumpsum payment of R9,7 million on 31 December 2013.

Nedbank mortgage facility

This loan was secured by a first mortgage bond over freehold land and buildings with a carrying value of R5,4 million (2013: R5,4 million) (refer note 4), bore interest at 8,5% (2013: 8,5%) per annum and was repayable in monthly instalments of R20 000 (2013: R20 000). The loan was repaid in full during the current financial year.

	2014 R'000	2013 R'000
Finance lease obligation		
– within one year	**5 570**	4 012
– in second to fifth year inclusive	**7 909**	3 318
Total	**13 479**	7 330
Less: Future finance charges	**(1 836)**	(455)
Present value of minimum lease payments	**11 643**	6 875

These liabilities consist of 21 (2013: eight) capitalised finance leases, payable over a period of five years at an effective interest rate of 8,5% – 9,1% (2013: 9,63%) per annum. These liabilities are secured by plant and equipment and motor vehicles with a carrying value of R8,4 million (2013: R2,2 million). Refer note 5. These leases have no escalation clause. Repayments are based on the outstanding debt and the prevailing interest rate.

On expiry of the initial lease period, the leases will be renewed automatically on the same terms and conditions as the existing agreements. The annual rental for the first year of renewal is specified in the existing agreements. The asset can be disposed of after renewal of the lease by either the Group or the lessor. The Group is entitled to a rebate of rentals equivalent to the net amount realised by such a sale.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

16. Loans and borrowings continued

	2014 R'000	2013 R'000
Instalment sale liability		
– within one year	**41**	249
– in second to fifth year inclusive	**–**	41
Total	**41**	290
Less: Future finance charges	**–**	(13)
Present value of minimum lease payments	**41**	277

This liability consists of one (2013: one) instalment sale agreement with Wesbank and is payable over a period of two (2013: 14) months at an effective interest rate of 9,0% (2013: 8,5%) per annum. This liability is secured by plant and equipment with a carrying value of R0,16 million (2013: R0,19 million). Refer note 5.

17. Provisions

	2014 R'000	2013 R'000
Environmental liability		
Opening balance	**18 927**	46 575
Environmental concerns addressed	**–**	(24 450)
Re-assessment of provision	**(7 256)**	(3 198)
Closing balance	**11 671**	18 927

Environmental liability

This amount arose from a business combination during the 2007 financial year. It comprised contingent amounts assessed at the date of the transaction. At each financial period end this amount has been re-assessed. The expected timing of the outflow of economic benefits is estimated to be during the next one to three years, in line with the provisions accounting policy.

18. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic divisions. Management has identified the segments based on the internal reports reviewed monthly by the Group's CODM. The CODM at the reporting date is the Executive Committee. The responsibility of the Executive Committee is to assess performance and to make resource allocation decisions related to the individual operations of the Group. The Executive Committee is the CODM, as the committee is the highest level of management that performs these functions. The segment financial information provided to and used by the CODM forms the basis of the segment information disclosure in these financial statements.

18. Operating segments continued

The business is considered from an operating perspective based on the products cultivated or produced and sold. The operating segments comprise:

- **Timber products:** The Group has aggregated two divisions. These divisions produce timber-related products and have therefore been assessed as one segment by management. The cash-generating units are:
  - **Sawmilling:** Five sawmills located in close proximity to Sabie, Graskop, White River, Warburton and Lothair produce and sell a broad range of structural and industrial sawn timber products; and
  - **Plywood:** A plywood plant in Sabie which manufactures and sells plywood timber products.
- **Forestry:** The Group owns plantations in the Mpumalanga province on which it grows pine and eucalyptus trees that are cultivated and managed on a rotational basis. The segment sells its products to its Processing segment and to external customers.
- **Wholesale:** A warehouse located in Pretoria and two value-adding and distribution centres, one in Germiston and the other in Cape Town, sell timber-related products from the sawmills and the plywood plant.

The Group operates in one geographic segment, namely countries within the Southern Africa Development Community (SADC). Refer to the section on credit risk in note 34 for disclosure on major customers.

Performance is measured based on earnings before interest, taxation, depreciation and amortisation (EBITDA) in the internal management reports. Management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within the industry. Sales between the segments are on an arm's length basis.

The amounts included in the internal management reports are measured in a manner consistent with that in the financial statements.

The segment assets and liabilities are not separately disclosed as this information is not presented to the CODM. Transactions between segments are done at arm's length.

The segment information presented to the committee for the reportable segments for the year ended 30 June 2014:

	Sawmills R'000	Wholesale R'000	Forestry R'000	Total R'000
2014				
Revenue: external sales	**996 886**	**278 568**	**47 822**	**1 323 276**
Revenue: inter-segment sales	**177 133**	**–**	**572 946**	**750 079**
	1 174 019	**278 568**	**620 768**	**2 073 355**
Depreciation, amortisation and impairments	**(31 761)**	**(1 154)**	**(3 693)**	**(36 608)**
Reportable segment profit*	**54 331**	**(5 289)**	**118 478**	**167 520**

* *Being the earnings before interest, taxation, depreciation and amortisation and fair value adjustments (EBITDA).*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

18. Operating segments continued

	Sawmills R'000	Wholesale R'000	Forestry R'000	Total R'000
2014				
Material non-cash items				
Fair value adjustment to biological assets	**–**	**–**	**(1 984)**	**(1 984)**
Capital expenditure	**52 872**	**3 482**	**7 993**	**64 347**

	Timber products R'000	Forestry R'000	Total R'000
2013			
Revenue: external sales	1 090 205	41 405	1 131 610
Revenue: inter-segment sales	–	522 944	522 944
	1 090 205	564 349	1 654 554
Depreciation, amortisation and impairments	(22 286)	(3 502)	(25 788)
Reportable segment profit*	87 990	97 129	185 119
Material non-cash items			
Fair value adjustment to biological assets	–	28 384	28 384
Capital expenditure	44 601	3 889	48 490

* *Being the earnings before interest, taxation, depreciation and amortisation and fair value adjustments (EBITDA).*

Reconciliation of reportable segment revenue and profit

	2014 R'000	2013 R'000
Revenue		
Total revenue for reportable segments	**2 073 355**	1 654 554
Other revenue	**700**	384
Elimination of inter-segment revenue	**(750 079)**	(522 944)
Consolidated revenue	**1 323 976**	1 131 994
Profit		
Total EBITDA for reportable segments	**167 520**	185 119
Depreciation, amortisation and impairment	**(36 608)**	(25 788)
Unallocated amounts: corporate office	**(14 101)**	2 034
Operating profit	**116 811**	161 365

Refer note 34, where sales to the three largest customers are disclosed.

	2014 R'000	2013 R'000
19. Trade and other payables		
Trade payables	**134 202**	111 911
Value added taxation payable	**8 650**	2 401
Other payables and accruals	**47 727**	53 184
Accrued leave pay	**728**	–
Accrued bonus	**513**	–
Other accrued expenses	**88**	–
Operating lease payables	**–**	6
Deposits received	**620**	260
Foreign exchange contract	**215**	58
Total	**192 743**	167 820
20. Revenue		
Sale of goods	**1 317 968**	1 131 610
Rendering of services	**5 128**	–
Rental income	**700**	384
Other revenue	**180**	–
Total	**1 323 976**	1 131 994
21. Operating profit		
Operating profit for the year is stated after accounting for the following:		
Operating lease charges		
Premises	**5 969**	828
Equipment	**1 379**	991
Total	**7 348**	1 819
(Loss)/profit on sale of property, plant and equipment	**(183)**	219
Profit on sale of other financial assets	**742**	–
Impairment/(reversal of impairment) on property, plant and equipment	**318**	(695)
(Reversal of impairment)/impairment on trade and other receivables	**(6 866)**	1 189
Loss on exchange differences	**306**	500
Amortisation of intangible assets	**924**	1 015
Depreciation of property, plant and equipment	**38 206**	26 977
Employee cost (including share-based payment)	**309 984**	262 626
Research and development	**205**	87
Distribution and selling expense	**108 884**	99 628
Share-based payment expenses	**2 701**	5 293
Directors' emoluments	**13 178**	10 886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

	2014 R'000	2013 R'000
22. Investment income		
Dividend revenue		
Listed financial assets – local	**34**	53
Interest revenue		
Bank deposits	**4 252**	4 978
Other interest	**1 534**	1 208
	5 786	6 186
Total	**5 820**	6 239
All interest generated was generated from the loans and receivables class of financial assets.		
23. Fair value adjustments		
Investment property	**(100)**	(3 154)
Biological assets	**(1 984)**	28 384
Total	**(2 084)**	25 230
24. Finance costs paid		
Trade and other payables	**3**	16
Interest on loans and borrowings held at amortised cost	**56 124**	53 517
Loan raising fee – amortisation	**282**	519
Other interest paid	**31**	620
Total	**56 440**	54 672
25. Taxation		
Major components of the tax expense		
Deferred		
Deferred tax: current period	**16 097**	31 298

	2014 Percentage	2013 Percentage
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	**28,00**	28,00
Disallowable expenditure	**2,41**	1,06
Assessed loss adjustment	**–**	0,54
Non-taxable income	**(0,55)**	(0,48)
Inter-group eliminations	**(6,49)**	(5,47)
Temporary differences – correction in current year	**0,37**	(1,00)
Capital gains tax	**0,25**	–
Effective tax rate	**23,99**	22,65

The income tax rate of 28% remains unchanged.

	2014 R'000	2013 R'000
25. Taxation continued		
Taxation related to components of other comprehensive income		
Available-for-sale financial asset adjustments	**111**	(44)
Remeasurements on defined benefit liability	**260**	–
Total	**371**	(44)
26. Auditor's remuneration		
Fees	**3 031**	2 501
Consulting	**67**	84
Total	**3 098**	2 585
27. Cash generated from operations		
Profit before taxation	**67 091**	138 162
Adjustments for:		
Depreciation and amortisation	**39 130**	27 987
(Profit)/loss on sale of assets	**(559)**	219
Bargain purchase on acquisition	**(2 984)**	–
Dividends received	**(34)**	(53)
Interest received – investment	**(5 786)**	(6 186)
Finance costs paid	**56 440**	54 672
Fair value adjustments	**2 084**	(25 230)
Impairments/(reversal of impairments)	**318**	(695)
Movements in operating lease liability	**194**	164
Movements in retirement benefit liabilities	**313**	894
Movements in provisions	**(7 256)**	(27 648)
Share-based payment expense	**2 701**	5 293
Foreign exchange gain	**–**	(18)
Changes in working capital:		
Inventories	**(19 796)**	(39 638)
Trade and other receivables	**3 133**	(20 226)
Trade and other payables	**16 472**	(1 211)
	151 461	106 486
28. Tax paid		
Balance at beginning of year	**(2)**	(7)
Balance at end of year	**2**	2
Total	**–**	(5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

29. Business combinations

	2014 R'000	2013 R'000
Aggregated business combinations		
Property, plant and equipment	**6 661**	–
Inventories	**21 282**	–
Trade and other receivables	**17 720**	–
Trade and other payables	**(8 451)**	–
Total identifiable net assets	**37 212**	–
Bargain purchase on acquisition	**(2 984)**	–
Purchase price	**34 228**	–
Consideration paid		
Cash	**(34 228)**	–
Net cash outflow on acquisition		
Cash consideration paid	**(34 228)**	–

Iliad Africa Limited Timber Wholesale

During the year defined tangible operating assets and defined liabilities of two divisions of Iliad Africa Limited Timber Wholesale were purchased. These businesses comprise Germiston-based Thorpe Timbers that is a manufacturer and wholesale distributor of timber as well as Cape Town-based Timber Preservation Services that operates a timber value-adding, treating and wholesale distribution business.

The bargain purchase is the result of the recognition of assets at fair value exceeding the consideration paid. These assets were valued at market prices for similar assets. Revenue since acquisition contributed R163,3 million to the Group results and R10,5 million loss to profit before taxation.

30. Commitments

	2014 R'000	2013 R'000
Authorised capital expenditure		
Already contracted, but not provided for		
Property, plant and equipment	**5 068**	11 852
Not yet contracted		
Property, plant and equipment	**290 160**	25 098

This committed expenditure relates to plant and equipment and will be financed through existing cash resources, available bank facilities and funds generated internally.

Capital commitments are based on capital projects approved to date and the budget approved by the Board. Major capital projects still require further approval before they commence.

31. Contingencies

Claims have been instituted against a subsidiary of the Group amounting to R2,7 million. These claims are being defended and appealed.

32. Related parties

Relationships

Subsidiaries	York Timbers Proprietary Limited
	Agentimber Proprietary Limited
	Inland Realty Proprietary Limited*
	Beth Warehouse Proprietary Limited*
	Longbogen Proprietary Limited
	Pretoria Amalgamated Transport Proprietary Limited
	Sonrach Properties Proprietary Limited
	Bonheur 50 Investments Proprietary Limited**
	Global Forest Products Proprietary Limited*
	Global Sawmills Proprietary Limited
	Madiba Forest Products Proprietary Limited
	Madiba Timbers Proprietary Limited
	South African Plywood Proprietary Limited*
	York Timbers Chile Limitada
Directors	Refer note 33

All of the companies are incorporated and domiciled in the Republic of South Africa, except for York Timbers Chile Limitada which is incorporated and domiciled in Chile. The holding in and voting power of York Timber Holdings Limited in all subsidiaries is 100%, except for Bonheur 50 Investments Proprietary Limited, in which case it is 70%.

* *The Company has a direct investment in these companies. All other companies are indirect investments.*
** *Non-controlling interest in the subsidiary amounts to 30% (equivalent to the amount of R30). Non-controlling interest is not disclosed in the Group's consolidated financial statements as this amount is less than R1 000.*

Transactions between York Timber Holdings Limited and the respective subsidiaries, which are related parties, have been eliminated on consolidation.

	2014 R'000	2013 R'000
Related party transactions		
Purchases from/(sales to) related parties		
Agentimber Proprietary Limited	**(177 133)**	(111 847)
York Timbers Proprietary Limited	**177 133**	111 847
Rent paid to/(received from) related parties		
Sonrach Properties Proprietary Limited	**1 357**	1 257
Agentimber Proprietary Limited	**(1 357)**	(1 257)
Administration fees paid to/(received from) related parties		
Agentimber Proprietary Limited	**(3 778)**	(3 457)
York Timbers Proprietary Limited	**3 778**	3 457
Recoveries paid to/(received from) related parties		
York Timber Holdings Limited	**4 063**	4 203
York Timbers Proprietary Limited	**(4 063)**	(4 203)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

	Basic salary R'000	Other cash benefits R'000	Total R'000
33. Directors' emoluments			
Payments to executive directors			
2014			
Pieter van Zyl*	**8 272**	**802**	**9 074**
Pieter van Buuren (appointed 1 October 2013)	**1 196**	**229**	**1 425**
Total	**9 468**	**1 031**	**10 499**

* *A once-off payment is included to correct prior year salaries versus industry benchmark.*

	Basic salary R'000	Other cash benefits R'000	Gains on exercise of options R'000	Total R'000
Payments to executive directors				
2013				
Pieter van Zyl	2 400	2 400	592	5 392
Duncan Erskine	888	1 400	941	3 229
Total	3 288	3 800	1 533	8 621

Share appreciation right awards granted to the executive directors

	Type of award	Awards held at beginning of year	Awarded/ (exercised/ forfeited)	Awards held at end of year	Strike price cents	Total value provided at end of year R'000
2014						
Pieter van Zyl	**1**	**3 226**	**–**	**3 226**	**2,74**	**3 930**
	2	**3 113**	**–**	**3 113**	**3,19**	**3 255**
	3	**19 200**	**–**	**19 200**	**3,64**	**16 692**
Pieter van Buuren	**5**	**–**	**600**	**600**	**3,60**	**17**
Total		**25 539**	**600**	**26 139**		**23 894**
2013						
Pieter van Zyl	1	3 225	–	3 225	2,74	3 079
	2	3 113	–	3 113	3,19	3 073
	3	19 200	–	19 200	3,64	13 436
Duncan Erskine	1	1 995	(1 995)	–	2,74	–
	2	1 070	(1 070)	–	3,19	–
	3	1 385	(1 385)	–	3,64	–
	4*	–	–	–	–	–
Total		29 988	(4 450)	25 538		19 588

* *1 686 awarded and forfeited during 2013.*

33. Directors' emoluments continued

The strike dates, valuation method and assumptions applied to the share appreciation right awards are disclosed in note 15. The first vesting date on LTI-1 was 17 November 2012, with the first vesting dates of LTI-2, 3, 4 and 5 being 1 July 2013, 1 July 2014, 1 July 2015 and 1 June 2017 respectively. The valuation of the awards provided was determined by using the Black-Scholes model.

	2014 R'000	2013 R'000
Payments to non-executive directors		
Dr Jim Myers	**665**	853
Dr Azar Jammine	**330**	312
Shakeel Meer*	**218**	192
Paul Botha*	**356**	325
Dinga Mncube	**348**	111
Thabo Mokgatlha	**315**	98
Gavin Tipper	**447**	370
	2 679	2 261

* *Directors' fees paid to these non-executive directors were paid to the companies represented by them.*

34. Risk management

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note 16, cash and cash equivalents disclosed in note 13, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing percentage.

All covenant targets were met at year end and no breaches were identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

34. Risk management continued

Capital risk management continued

The gearing percentage at year end was as follows:

	Note	2014 R'000	2013 R'000
Total borrowings			
Loans and borrowings	16	**562 616**	597 173
Less: Cash and cash equivalents	13	**110 464**	158 694
Net debt		**452 152**	438 479
Total equity		**2 327 102**	2 277 345
Total capital		**2 779 254**	2 715 824
Gearing percentage (%)		**16**	16

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate, price risk and currency risk), credit risk and liquidity risk.

This note presents information about the Group's financial risk management framework, objectives, policies and processes for measuring and managing risk, and the Group's exposure to these financial risks. Furthermore, quantitative disclosures are included throughout these annual financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's executives are responsible for developing and monitoring the Group's risk management policies. The Group's executives report regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

During the previous financial year, the Group established a Risk and Innovation Committee to oversee how management monitors compliance with the Group's risk management policies and procedures, and to review the adequacy of the risk management framework in relation to the risks faced by the Group. This function was previously performed by the Audit Committee. The Risk and Innovation Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

The Group monitors its forecast financial position on a regular basis. The Group's executive members meet regularly and consider cash flow projections for the following 12 months in detail, taking into consideration the impact of market conditions. The Group's executive members also receive reports from independent consultants and receive presentations from advisors on current and forecast economic conditions.

34. Risk management continued

Financial risk management continued

The Group's forecast financial risk position with respect to key financial objectives and its compliance with treasury practice are regularly reported to the Board.

From time to time, the Group uses derivative financial instruments to hedge certain identified risk exposures, as deemed necessary by the Group's executive members. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss. The Group does not acquire, hold or issue derivative instruments for trading purposes.

The Group's objectives, policies and processes for managing risks arising from financial instruments have not changed from the previous reporting period.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate level of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines. Refer note 13.

The Group's liquidity risk is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year R'000	Between one and five years R'000	After five years R'000
At 30 June 2014			
Loans and borrowings	**88 882**	**399 319**	**352 549**
Foreign exchange contract	**215**	**–**	**–**
Trade and other payables	**192 528**	**–**	**–**
At 30 June 2013			
Loans and borrowings	90 922	358 797	458 080
Trade and other payables	167 820	–	–

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

34. Risk management continued

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and from investment securities.

Trade receivables comprise a widespread customer base. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 31% (2013: 33%) of the Group's revenue is attributable to sales transactions with three (2013: three) multi-national customers.

	2014 Percentage of revenue	2013 Percentage of revenue
Customer		
A	**13**	14
B	**11**	10
C	**7**	9
	31	33

Management has established a centralised receivables department and a credit policy. Under the credit policy, each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

The utilisation of credit limits is regularly monitored. Customers that fail to meet the Group's benchmark on creditworthiness may transact with the Group only on a pre-payment basis. The Group does not require collateral in respect of trade and other receivables.

Credit guarantee insurance is purchased from Credit Guarantee Insurance Corporation of Africa Limited (CGIC). The total credit limit guaranteed by CGIC is R59 million, with a deductible annual aggregate of R1,5 million, and 15% of each claim thereafter.

The Group had three investments in equity securities, all of which were listed on the JSE Limited. Cash was deposited at reputable financial institutions of high quality credit standing within South Africa. These investments were sold during the financial year.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2014 R'000	2013 R'000
Financial instrument		
Trade and other receivables	**171 893**	157 306
Other financial assets	**38 464**	29 969
Cash and cash equivalents	**110 464**	158 694

34. Risk management continued

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, market prices 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 the return.

Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, while borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not have a policy to hedge and will only make use of hedging to reduce the short-term sensitivity of the Group to interest rate changes.

Below is an analysis of fixed and variable interest rate dependent financial assets and liabilities:

The scenarios are run only for liabilities that represent the major interest-bearing positions. The impact on post-tax profit of a 1% shift in the interest rate would be a R7 million increase or decrease.

	2014 R'000	2013 R'000
Variable interest rate		
Loans and borrowings	**562 615**	597 173

Foreign exchange risk

The Group operates in one geographical segment, namely countries within the SADC. All transactions with customers in the SADC countries are denominated in SA Rand and do not expose the Group to currency risks.

Future commitments as well as recognised assets and liabilities that are denominated in a currency that is not the functional currency, expose the Group to currency risks. Most of the Group's purchases are denominated in SA Rand. However, certain engineering machinery and equipment denominated in US Dollars (USD) or Euros was purchased during the year. This exposed the subsidiary companies to changes in the foreign exchange rates. To manage this risk, the Group makes use of forward contracts transacted by the Group treasury. This is done on an ad hoc basis, as deemed appropriate or when required by the supplier. A net loss of R0,3 million (2013: R0,5 million (loss)) was realised. At the reporting date, forward exchange contracts of USD1,5 million and Euro0,4 million were outstanding. The unrealised loss at year end was R0,2 million.

All the Group's subsidiaries are local, except for York Timbers Chile Limitada which is incorporated and domiciled in Chile. The Group has not hedged this investment as this entity is not trading.

The Group's borrowings and cash deposits are all denominated in SA Rand and have no currency risk exposure.

A 100 basis point change in the Rand/US Dollar and Rand/Euro exchange rates will result in a R0,2 million impact on profit or loss for outstanding forward-exchange contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

34. Risk management continued

Fair value of financial assets and financial liabilities

Loans and receivables, including trade and other receivables, are measured at amortised cost using the effective interest rate method, less any impairment losses. These values do not differ materially from the fair value, which is estimated as the present value of future cash flows discounted at the market rate of interest at reporting date.

Financial assets at fair value through profit or loss and available-for-sale financial assets are carried at fair value, which is determined with reference to their quoted market bid price at the reporting date.

The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties on an arm's length basis.

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical instruments;
- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3:** Valuation techniques using significant unobservable inputs (i.e. market data).

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2014		2013	
	Level 1 R'000	Level 2 R'000	Level 1 R'000	Level 2 R'000
Financial instrument				
Other financial assets	**–**	**38 464**	1 516	28 453

During the reporting period, no transfers have been made between the hierarchy levels. No change occurred from the prior reporting period in the valuation techniques applied to financial instruments.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the SA Rand swap zero coupon yield curve of 8,31% (2013: 7,89%) at the reporting date.

35. Going concern

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

36. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

	2014 R'000	2013 R'000
37. Earnings per share		
The calculation of basic earnings per share is based on:		
Basic earnings attributed to ordinary shareholders	**50 994**	106 864
Reconciliation of weighted average number of ordinary shares		
Issued number of shares	**331 241**	331 241
Weighted average number of ordinary shares	**331 241**	331 241
Earnings per share (cents)	**15**	32
38. Headline earnings per share		
Reconciliation of basic headline earnings per share is based on:		
Basic earnings attributed to ordinary shareholders	**50 994**	106 864
(Profit)/loss on sale of assets and liabilities	**(559)**	218
Tax on profit/(loss) on sale of assets and liabilities	**157**	(61)
Impairment/(reversal of impairment) of plant, equipment and vehicles	**318**	(692)
Tax on (impairment)/reversal of impairment of plant, equipment and vehicles	**(89)**	194
Bargain purchase on acquisition	**(2 984)**	–
Fair value adjustment on investment property	**100**	3 154
Tax on fair value adjustment on investment property	**(19)**	(589)
Headline earnings for the year	**47 918**	109 088
Weighted average number of ordinary shares	**331 241**	331 241
Headline earnings per share (cents)	**14**	33

There were no instruments that had a dilutive effect.

NOTICE OF ANNUAL GENERAL MEETING

YORK TIMBERS

York Timber Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number: 1916/004890/06)
(York or the Company or the Group)
ISIN code: ZAE000133450 | Share code: YRK

Notice is hereby given that an annual general meeting of shareholders of the Company will be held on Tuesday, 11 November 2014 at 09:00 at 2nd Floor, 5 Commerce Square, 39 Rivonia Road (entrance in Helling Road), Sandhurst, Johannesburg to deal with such business as may lawfully be dealt with at the annual general meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (the Companies Act), the memorandum of incorporation (MOI) of the Company and the JSE Limited Listings Requirements (JSE Listings Requirements).

The notice of the Company's annual general meeting has been sent to shareholders who were recorded as such in the Company's securities register on Friday, 19 September 2014, being the notice record date used to determine which shareholders are entitled to receive notice of the annual general meeting.

The record date on which members must be recorded as such in the register maintained by the transfer secretaries of the Company for the purpose of being entitled to attend and vote at the annual general meeting is Friday, 31 October 2014. The last day to trade in order to be entitled to vote at the annual general meeting will, therefore be Friday, 24 October 2014.

Meeting participants (including shareholders and proxies) are required to provide satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

Ordinary resolution number 1

Adoption of the annual financial statements for the year ended 30 June 2014

"Resolved that the annual financial statements of the Company and its subsidiaries, which include the directors' report and Audit Committee report for the year ended 30 June 2014, be and are hereby adopted."

The consolidated audited annual financial statements of the Company (as approved by the Board of Directors of the Company (the Board), incorporating the reports of the external auditor, Audit Committee and directors for the year ended 30 June 2014, have been distributed as required and will be presented.

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

The complete annual financial statements and integrated annual report are available on the Company's website: www.york.co.za.

Ordinary resolution number 2

Election of directors of the Company

"Resolved that shareholders elect each by way of a separate vote, the following directors who retire by rotation in terms of the Company's MOI, and who, being eligible, have offered themselves for re-election:

2.1 Gavin Tipper

2.2 Shakeel Meer.

It is further resolved that the shareholders ratify the appointment of the following director:

2.3 Pieter van Buuren."

Brief résumés in respect of each director are contained on page 19 of the integrated annual report.

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

The complete annual financial statements and integrated annual report are available on the Company's website: www.york.co.za.

Ordinary resolution number 3

Re-appointment of external auditor

"Resolved that shareholders authorise the Board to re-appoint KPMG Incorporated, KPMG Forum, Suite 501, The Pinnacle, 1 Parkin Street, Nelspruit, South Africa as the independent external auditor and Heinrich Mans as the individual designated auditor of the Company who will undertake the audit for the ensuing year."

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

Ordinary resolution number 4

Election of Audit Committee members

"Resolved that shareholders elect, each by way of a separate vote, the following non-executive directors as members of the York Audit Committee, with effect from the end of this annual general meeting until the conclusion of the next annual general meeting of the Company:

4.1 Gavin Tipper

4.2 Dr Azar Jammine

4.3 Shakeel Meer

4.4 Thabo Mokgatlha."

Brief résumés of these directors offering themselves for election as members of the York Audit Committee are enclosed in the report on page 19 of the integrated annual report.

The percentage of voting rights that will be required for each of these resolutions to be adopted is more than 50% of the votes exercised on each resolution.

Ordinary resolution number 5

Endorsement of York remuneration policy

"Resolved that shareholders endorse, by way of a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of the non-executive directors and the members of Board committees for their services as directors and members of committees),

as set out in the integrated annual report on page 98."

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

Ordinary resolution number 6

Authority to sign all required documents

"Resolved that, subject to the passing of the ordinary and special resolutions at the annual general meeting, any director of the Company or the Company Secretary shall be and is hereby authorised to sign all documents and perform all acts which may be required to give effect to such ordinary and special resolutions."

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

Special resolution number 1

General authority to acquire (repurchase) shares

"Resolved that the Company and its subsidiaries be and are hereby authorised by way of a general authority, to acquire from time to time the issued ordinary shares of the Company upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MOI of the Company, the JSE Listings Requirements and the provisions of the Companies Act, where applicable and provided:

- Any such acquisition of ordinary shares shall be effected through the order book operated by

NOTICE OF ANNUAL GENERAL MEETING
continued

the JSE trading system and done without any prior understanding or arrangement with the counterparty;

- This general authority shall be valid until the earlier of the Company's next annual general meeting or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 1;
- An announcement will be published as soon as the Company or any of its subsidiaries have acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue and for each 3% in aggregate of the initial number acquired thereafter, in compliance with paragraph 11.27 of the JSE Listings Requirements;
- Acquisitions of shares in aggregate in any one financial year may not exceed 10% of the Company's ordinary issued share capital, as the case may be, as at the date of passing of this special resolution number 1, provided that the acquisition of shares as treasury shares by a subsidiary of the Company shall not be effected to the extent that in aggregate more than 10% of the number of issued shares in the Company are held by or for the benefit of all the subsidiaries of the Company taken together;
- Ordinary shares will not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares for the five business days immediately preceding the date the transaction is effected. The JSE should be consulted for a ruling if the Company's securities have not traded in such five business day period;
- The Company has been given authority by its MOI;
- At any point in time, the Company and/or its subsidiaries may only appoint one agent to effect any such acquisition;
- A resolution has been passed by the Board confirming that the Board has authorised the general repurchase, that the Company passed the solvency and liquidity test and that since the test was done, there have been no material changes to the financial position of the Group; and
- The Company and/or its subsidiaries do not acquire any shares during a prohibited period, as defined in the JSE Listings Requirements unless a repurchase programme is in place, where dates and quantities of ordinary shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed to the JSE prior to the commencement of the prohibited period."

The JSE Listings Requirements require, in terms of section 11.26, the following disclosures, which appear in the integrated annual report:

- Directors and management on pages 18 to 21
- Major shareholders on page 126
- Directors' interests in securities on page 124
- Share capital of the Company on page160

Litigation statement

The directors, whose names appear on pages 18 and 19 of the integrated annual report of which this notice of annual general meeting forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position.

Directors' responsibility statement

The directors, whose names appear on pages 18 and 19 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of the notice of annual general meeting.

Statement of Board's intention

The directors consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which is in the best interests of the Company and its shareholders.

The directors are of the opinion that it would be in the best interests of the Company to extend such general authority and thereby allow the Company or any of its subsidiaries to be in a position to acquire the shares issued by the Company through the order book of the JSE, should the market conditions, tax dispensation and price justify such an action.

The percentage of voting rights that will be required for this resolution to be adopted is at least 75% of the votes exercised on the resolution.

Reason for and effect of special resolution number 1

The reason for and effect of special resolution number 1 is to grant the Company and/or its subsidiaries general approval to acquire the Company's issued shares on such terms, conditions and such amounts determined from time to time by the directors of the Company and subject to the limitations set out above.

Special resolution number 2

Remuneration of non-executive directors

"Resolved that the Board and committee fees for non-executive directors for the financial year ending 30 June 2015, as set out in the note below, be and are hereby authorised, in accordance with section 66 (8) – (9) of the Companies Act and that the Company may continue to pay directors' fees at the annual rates specified in the note below, for the period from 30 June 2014 until the Company's 2015 annual general meeting."

Function	Annual fee (paid six-monthly in arrears) R'000
Chairman of the Board	665
Non-executive directors	160
Chairman of the Audit Committee	105
Member of the Audit Committee	55
Chairman of the Remuneration Committee	105
Chairman of the Nomination Committee	55
Member of the Remuneration and Nomination Committee	55
Chairman of the Risk and Innovation Committee	105
Member of the Risk and Innovation Committee	55
Chairman of the Social and Ethics Committee	105
Member of the Social and Ethics Committee	55
Chairman of the Project Evaluation Committee	105
Member of the Project Evaluation Committee	55

The percentage of voting rights that will be required for this resolution to be adopted is at least 75% of the votes exercised on the resolution.

Reason for and effect of special resolution number 2

The Companies Act requires shareholder approval of directors' fees prior to payment of such fees.

NOTICE OF ANNUAL GENERAL MEETING
continued

Special resolution number 3

Financial assistance in terms of sections 44 and 45 of the Companies Act

"Resolved that the Board of the Company be and is hereby authorised, subject to sections 44 and 45 of the Companies Act, the MOI of the Company and the JSE Listings Requirements, to authorise the Company to provide direct or indirect financial assistance, to a related or interrelated company or corporation, provided that no such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this special resolution number 3."

The percentage of voting rights that will be required for this resolution to be adopted is at least 75% of the votes exercised on the resolution.

Reason for and effect of special resolution number 3

The reason for and effect of the special resolution referred to above, is to permit the Company to provide direct or indirect financial assistance to the entities referred to above.

This notice constitutes notice in terms of section 45(5) of the Companies Act that the Board has passed the same resolution, which resolution will take effect on the passing of special resolution number 3 set out above.

Voting instructions

In terms of the Companies Act, any member entitled to attend and vote at the above annual general meeting may appoint one or more persons as proxy, to attend and speak and vote in his stead. A proxy need not be a member of the Company. Forms of proxy must be deposited at the office of the transfer secretaries not later than 48 hours before the time fixed for the annual general meeting (excluding Saturdays, Sundays and public holidays).

If your York shares have been dematerialised and are held in a nominee account, then your Central Securities Depository Participant (CSDP) or broker, as the case may be, should contact you to ascertain how you wish to cast your vote at the annual general meeting and thereafter cast your vote in accordance with your instructions.

If you have not been contacted it would be advisable for you to contact your CSDP or broker, as the case may be, and furnish them with your instructions. If your CSDP or broker, as the case may be, does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them, or if the mandate is silent in this regard to abstain from voting.

Dematerialised shareholders whose shares are held in a nominee account must not complete the attached form of proxy. Unless you advise your CSDP or broker timeously in terms of the agreement between yourself and your CSDP or broker by the cut-off time advised by them that you wish to attend the annual general meeting or send a proxy to represent you at the annual general meeting, your CSDP or broker will assume you do not wish to attend the annual general meeting or send a proxy. If you wish to attend the annual general meeting, your CSDP or broker will issue the necessary letter of representation to you to attend the annual general meeting.

Shareholders who have dematerialised their shares through a CSDP or broker, other than "own name" registered dematerialised shareholders, who wish to attend the annual general meeting, must request their CSDP or broker to issue them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

Shareholder rights

In terms of section 58 of the Companies Act, shareholders have rights to be represented by proxy as herewith stated. An extract of section 58 is included in the form of proxy.

It is requested that forms of proxy should be forwarded to reach the Company's transfer secretaries at the address given below by no later than Friday, 7 November 2014 at 09:00.

Telephonic participation in the annual general meeting

In terms of sections 63(2) and 63(3) of the Companies Act, shareholders or their proxies may participate in the annual general meeting by way of telephone conference call and, if they wish to do so:

- Must contact the Company Secretary (by email to: shsieh@york.co.za) by no later than Friday, 7 November 2014 at 09:00 in order to obtain a personal identification number (PIN) and dial-in details for that conference call;
- Will be required to provide satisfactory identification; and
- Will be billed separately by their own telephone service providers for their telephone call to participate in the annual general meeting.

Printing and distribution of report

In line with York's continuous efforts to contain costs, the Company is currently rationalising the printing and postage of various reports. It is proposed that reports and other communications from the Company be, as far as possible, delivered to shareholders by electronic mail (email) or posted on the Company's website with an email alert being sent to shareholders notifying them that the report or communication is available on the Company's website. Accordingly, a form is attached to this notice of annual general meeting whereby shareholders can elect to receive any reports or other communications of notices from the Company by email.

By order of the Board

Han-hsiu Hsieh
Company Secretary

17 September 2014

Transfer secretaries
Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING AND PROPOSED RESOLUTIONS

Annual financial statements

The ordinary business to be considered at the annual general meeting of the Company is more fully governed in terms of the MOI of the Company. In short, the ordinary business at an annual general meeting is to receive and consider the annual financial statements, to declare or sanction dividends (where applicable), to elect directors, auditors and other officers in the place of those retiring by rotation or otherwise and to elect the Audit Committee. No special business shall be transacted at an annual general meeting unless due notice thereof has been given.

Election of directors

The rotation of directors is more fully governed in terms of paragraphs 5.1.3 and 5.1.4 of the MOI of the Company, which require one-third of the directors to retire from office at the annual general meeting. The retiring directors at each annual general meeting shall be those who have been longest in office since their last election or appointment. If at the date of the annual general meeting any director will have held office for a period of three years since his last election or appointment he shall retire at such annual general meeting either as one of the directors to retire in pursuance of the foregoing or additionally thereto. A retiring director shall act as a director throughout the annual general meeting at which he retires. The retiring directors shall be eligible for re-election. Gavin Tipper and Shakeel Meer offer themselves for re-election.

Paragraph 5.1.12 of the Company's MOI provides that:

The appointment of a director, whether to fill a casual vacancy or as an addition to the Board (or otherwise), must be confirmed by shareholders at the annual general meeting following such appointment. Pieter van Buuren was appointed as executive director by the Board with effect from 1 October 2013 and his appointment requires ratification by shareholders at the annual general meeting.

Re-appointment of external auditor

The Audit Committee considered and assessed the independence of the external auditor, KPMG Incorporated, KPMG Forum, Suite 501, The Pinnacle, 1 Parkin Street, Nelspruit, South Africa, in accordance with section 90 of the Companies Act. The Audit Committee was satisfied with KPMG's (Nelspruit) independence. Furthermore, the Audit Committee has, in terms of paragraph 3.86 of the JSE Listings Requirements, considered and satisfied itself that Heinrich Mans, the individual auditor, is accredited to appear on the JSE List of Accredited Auditors, in compliance with section 22 of the JSE Listings Requirements. The Audit Committee nominated the reappointment of KPMG (Nelspruit) as registered auditor for the 2015 financial year, with Heinrich Mans as the individual designated auditor of the Company for the ensuing year. The Board has accepted the recommendation of the Audit Committee, subject to shareholder approval as required in terms of section 90(1) of the Companies Act.

The auditors will remain the appointed auditors until the conclusion of the next annual general meeting of the Company.

Election of Audit Committee members

In terms of section 94(2) of the Companies Act, the Company must elect an Audit Committee comprising at least three independent members. Whilst the members of the Audit Committee are nominated by the Board, the election of each member to the committee must be individually approved by the shareholders at each annual general meeting. The proposed members of the Audit Committee have experience in audit, accounting, economics, human resources, commerce and general industry, among others.

The Board confirms that Gavin Tipper, Dr Azar Jammine and Thabo Mokgatlha are independent non-executive directors as contemplated in the King Code of Governance Principles 2009 (King III) and the JSE Listings Requirements. Shakeel Meer is an independent non-executive director as contemplated in terms of the Companies Act.

Each proposed member of the Audit Committee of the Company is a suitably qualified and skilled director of the Company. The proposed members of the Audit Committee are not:

- involved in the day-to-day management of the business and have not been so involved at any time during the previous financial year;
- prescribed officers or full-time employees of the Company or another related or inter-related company, or have been such an officer or employee at any time during the previous three financial years;
- material suppliers or customers of the Company; and
- related to any person who falls into the criteria set out above.

Endorsement of York's remuneration policy

The endorsement of York's remuneration policy is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the Company's remuneration policy regarding executive directors.

Authority to sign all required documents

This requests authority to be given to a director or the Company Secretary to sign such documents and execute such actions as will be required to register and give effect to the resolutions passed.

General authority to acquire (repurchase) shares

This is to grant the Company and its subsidiaries a general authority to facilitate the acquisition by the Company and/or its subsidiaries of the Company's own shares, which general authority shall be valid until the earlier of the next annual general meeting of the Company, or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company, provided that this general authority shall not extend beyond 15 months from the date of the passing of special resolution number 1. Having considered the current cash flow position of the Company, the Board could contemplate a general repurchase of shares.

Remuneration of non-executive directors

In terms of section 66(8) – (9) of the Companies Act, remuneration may only be paid to directors, for their service as directors, in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of the Company's MOI.

Financial assistance in terms of sections 44 and 45 of the Companies Act

This general authority would assist the Company *inter alia* with making inter-company loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. The existence of a general shareholder authority would avoid the need to refer each instance to members for approval which might impede the negotiations and add time and expense. If approved, this general authority will expire at the end of two years.

The Board must, when considering such assistance, either for the specific recipient or generally for a category, ensure that:

- The Company will satisfy the solvency and liquidity test immediately after providing the financial assistance; and
- The terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

NOTES TO THE FORM OF PROXY

1. An ordinary shareholder holding dematerialised shares by "own name" registration, or who holds shares that are not dematerialised, may insert the name of a proxy or the names of up to two alternative proxies of the ordinary shareholder's choice in the space provided, with or without deleting "the Chairman of the annual general meeting". The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Should a proxy not be specified, this will be exercised by the Chairman of the annual general meeting. A proxy need not be a shareholder of the Company.
2. An ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the Company. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the ordinary shareholder in the appropriate box(es). An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the entire shareholder's votes exercisable thereat. An ordinary shareholder or his/her proxy is not obliged to use all the votes exercisable by the ordinary shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the ordinary shareholder.
3. If any ordinary shareholder does not indicate on this instrument that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
4. The completion and lodging of this proxy form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat instead of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form, unless previously recorded by the Company or waived by the Chairman of the annual general meeting.
6. The Chairman of the annual general meeting may reject or accept any proxy form which is completed and/or received other than in compliance with these notes.
7. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.
8. It is requested that this proxy form should be completed and returned to the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, by any of the following methods so as to reach them by no later than Friday, 7 November 2014 at 09:00:

   Delivery: 70 Marshall Street, Johannesburg 2001
   Post: PO Box 61051, Marshalltown 2107
   Email proxy@computershare.co.za
   Fax: 011 688 5238
9. Should a shareholder lodge the proxy form with the transfer secretaries less than 48 hours before the annual general meeting, such shareholder will also be required to furnish a copy of such proxy form to the Chairman of the annual general meeting before the appointed proxy exercises any such shareholder's rights at the annual general meeting.

Additional forms of proxy are available from the transfer secretaries on request.

FORM OF PROXY

YORK TIMBERS

York Timber Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number: 1916/004890/06)
(York or the Company)
ISIN code: ZAE000133450 **|** Share code: YRK

Form of proxy for the annual general meeting to be held on Tuesday, 11 November 2014 at 09:00 at 2nd Floor, 5 Commerce Square, 39 Rivonia Road (entrance in Helling Road), Sandhurst, Johannesburg – for use by certificated ordinary shareholders and dematerialised ordinary shareholders with "own name" registration only.

Holders of dematerialised ordinary shares other than "own name" registration must inform their Central Securities Depository Participant (CSDP) or broker of their intention to attend the annual general meeting and request their CSDP to issue them with the necessary authorisation to attend the annual general meeting in person or provide their CSDP of broker with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented thereat.

I/We ____
(Please print)

Of (address) ____

Being the registered holder(s) of ______________________ ordinary shares in the capital of the Company do hereby appoint

1. ____ or failing him/her,

2. ____ or failing him/her,

the Chairman of the annual general meeting as my/our proxy to act on my/our behalf at the annual general meeting of the Company which will be held on Tuesday, 11 November 2014 at 09:00 for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions:

		For	Against	Abstain
1.	Ordinary resolution number 1: Adoption of the annual financial statements			
2.	Ordinary resolution number 2: (by separate resolutions) Re-election of directors who retire by rotation:			
2.1	Gavin Tipper			
2.2	Shakeel Meer			
2.3	To ratify the appointment of the following director who was appointed by the Board as executive director of the Company with effect from 1 October 2013: Pieter van Buuren			

FORM OF PROXY continued

		For	Against	Abstain
3.	Ordinary resolution number 3: Re-appointment of external auditor			
4.	Ordinary resolution number 4: Election of Audit Committee members			
4.1	Gavin Tipper			
4.2	Dr Azar Jammine			
4.3	Shakeel Meer			
4.4	Thabo Mokgatlha			
5.	Ordinary resolution number 5: Endorsement of the York remuneration policy			
6.	Ordinary resolution number 6: Authority to sign documents			
7.	Special resolution number 1: General authority to acquire (repurchase) shares			
8.	Special resolution number 2: Remuneration of non-executive directors			
9.	Special resolution number 3: Financial assistance			

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy will be entitled to vote or abstain as he/she deems fit.

Signed at ______________________ on ______________________ 2014

Signature ______________________ Assisted by me (where applicable)

ELECTION FORM

TO RECEIVE THE DOCUMENTS REQUIRED TO BE DISTRIBUTED TO SHAREHOLDERS IN TERMS OF THE COMPANIES ACT ELECTRONICALLY

YORK TIMBERS

York Timber Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number: 1916/004890/06)
(York or the Company)
ISIN code: ZAE000133450 | Share code: YRK

To: The directors
York Timber Holdings Limited

I/We ______________________ the undersigned
(Please print)

Of (address) ______________________

Being the registered holder(s) of ______________ ordinary shares in the capital of the Company

do hereby elect to receive any documents or notices from York, by electronic post, to the extent that the Company is permitted to so distribute any notices, documents, records or statements in terms of the Companies Act, 71 of 2008, as amended, and any and every other statute, ordinance, regulation or rule in force from time to time, including the JSE Limited Listings Requirements, concerning companies and affecting York.

I/We hereby furnish the following email address and/or fax number for such electronic communication:

Email address ______________________

Fax number ______________________

Any written amendment or withdrawal of any such notice of consent by me/us, shall only take effect if signed by me/us and received by the Company.

Signed at ______________________ on ______________________ 2014

______________________ ______________________
Signature Assisted by me (where applicable)

Please complete, detach and return this election form to York's transfer secretaries, Computershare Investor Services Proprietary Limited, by no later than Friday, 7 November 2014 at 09:00 by way of any of the methods listed below:

Delivery: 70 Marshall Street, Johannesburg 2001
Post: PO Box 61051, Marshalltown 2107
Email: ecomms@computershare.co.za
Fax: 011 688 5248

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- A shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
- A proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company;
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise; and
- If the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
  - – the relevant shareholder; or
  - – the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

CORPORATE INFORMATION

York Timber Holdings Limited

Incorporated in the Republic of South Africa
Registration number: 1916/004890/06
JSE share code: YRK
ISIN: ZAE000133450
York or the Company or the Group

Tax reference number

9225/039/71/9

Country of incorporation and domicile

South Africa

Nature of business and principal activities

Operation of plantations, sawmills, a plywood plant and wholesale lumber sales

Auditors

KPMG Inc.
Chartered Accountants (SA)
Registered Auditors

Transfer secretaries

Computershare Investor Services Proprietary Limited

Sponsor

One Capital

Registered office and business address

York Corporate Office

3 Main Road, Sabie 1260

Postal address

PO Box 1191, Sabie 1260

Directors

Executive directors

Pieter van Zyl *(Chief Executive Officer)*
Pieter van Buuren *(Chief Financial Officer)*

Non-executive directors

Dr Jim Myers* *(Chairman, USA)*
Paul Botha
Shakeel Meer
Dr Azar Jammine*
Gavin Tipper*
Dinga Mncube*
Thabo Mokgatlha*

**Independent*

Company Secretary

Han-hsiu (Sue) Hsieh

purple.frog