

York Timber Holdings Limited
(Registration number 1916/004890/06)
Consolidated Annual Financial Statement
for the year ended 30 June 2018

These consolidated annual financial statements were prepared under the supervision of:
GCD Stoltz CA(SA)
Chief Financial Officer

York Timber Holdings Limited

(Registration number 1916/004890/06)

Consolidated Annual Financial Statement for the year ended 30 June 2018

General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	York Timber Holdings Limited is incorporated in South Africa with interests in the commercial forestry, softwood sawmilling, plywood manufacture and the timber trade industries. The Group operates principally in South Africa
Directors	PC Botha Dr A Jammie S Meer D Mncube T Mokgatla M Mouyeme Dr JP Myers G Tipper PP van Zyl GCD Stoltz
Registered office	York Corporate Office 3 Main Road Sabie 1260
Business address	York Corporate Office 3 Main Road Sabie 1260
Postal address	P O Box 1191 Sabie 1260 Mpumalanga
Auditors	KPMG Inc. Chartered Accountants (SA) Registered Auditors
Secretary	Ms Han-hsiu Hsieh
Company registration number	1916/004890/06
Tax reference number	9225/039/71/9
Level of assurance	These consolidated annual 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	The consolidated annual financial statements were internally compiled under the supervision of: GCD Stoltz CA(SA) Chief Financial Officer

York Timber Holdings Limited

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Audit Committee report

This report is submitted in terms of the Companies Act No. 71 of 2008 as amended ("Companies Act"), and the JSE Listings Requirements.

The Audit Committee is pleased to present its report for the financial year ended 30 June 2018 in terms of section 94(7)(f) of the Companies Act.

1. Mandate and terms of reference

The Group's Audit Committee has adopted formal terms of reference, delegated to it by the board of directors, as its mandate. The mandate is in line with the Companies Act, the King IV Report on Governance for South Africa ("King IV") and the JSE Listings Requirements. During the year the Audit Committee discharged the functions delegated to it in its mandate.

The Audit Committee performed the following statutory duties:

- Reviewed and recommended for adoption by the board the financial information that was publicly disclosed and which comprised the Group's consolidated interim results for the six months ended 31 December 2017 and the consolidated annual financial statements for the year ended 30 June 2018;
- Satisfied itself that the external auditor, KPMG Incorporated, and its audit partner, are properly accredited and independent;
- Approved the external auditor's budgeted fees and terms of engagement for the 2018 financial year;
- Determined the nature and extent of the non-audit services that may be provided by the external auditors and pre-approved any proposed agreements with them for the provision of such services;
- Resolved to continue to source the internal audit function from Tereo Krino Business Assurance Consultants Proprietary Limited and approved the internal audit plan and budgeted fee for the 2018 financial year;
- Reviewed the Audit Committee charter in the context of the King IV recommendations;
- Reviewed the internal audit charter in the context of the KING IV recommendations;
- Considered the IT governance structure;
- Held separate meetings with management and the external and internal auditors to discuss relevant matters;
- Noted that it had not received any complaints, from either within or outside the Company, relating to the accounting practices, the internal audits, the content or auditing of the financial statements, the internal financial controls or any other related matter;
- Confirmed that a whistle-blowing facility was in place and considered the actions taken in regard to incident reports;
- Evaluated and satisfied itself as to the appropriateness and experience of the Chief Financial Officer, as required by paragraph 3.84 (g)(i) of the JSE Listings Requirements;
- Satisfied itself as to the expertise, resources and experience of the Company's finance function;
- Considered the Group's liquidity and solvency positions;
- Confirmed, with reference to reporting by management and the internal audit function, that the Group had established appropriate financial reporting procedures and satisfied itself that those procedures were operating; and
- Satisfied itself that the adoption of the going concern basis by York Timber Holdings Limited in preparing the consolidated annual financial statements was appropriate.

The Company conducted a formal tender process for the appointment of an external audit firm and individual audit partner for the 2019 financial year. Arising from the process the Audit Committee recommended to the Board the appointment of PricewaterhouseCoopers as the external auditors and Mr Andries Rossouw as the registered auditor responsible for the audit for the year ending 30 June 2019, which will be considered at the forthcoming annual general meeting.

The committee offers its thanks to KPMG Inc. for their significant contribution as the group's external auditor over the years.

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Audit Committee report

2. Membership

In terms of section 94 (2) of the Companies Act, the Audit Committee is a statutory committee, comprising at least three non-executive members, elected by the shareholders at each annual general meeting. The members of the Audit Committee for the 2018 financial year were:

- G Tipper (Independent non-executive Chairman);
- T Mokgathla (Independent); and
- Dr A Jammie (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 head of internal audit, the external audit partner, 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 in regard to day-to-day administrative matters.

During the 2018 financial year, two committee meetings were convened. Where necessary, additional meetings may be convened.

3. Internal controls

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

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

Management has concluded that the internal controls relevant to financial reporting for the year ended 30 June 2018 were appropriate.

4. Recommendation of the consolidated annual 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 annual financial statements comply, in all material respects, with the requirements of the Companies Act, International Financial Reporting Standards (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 consolidated annual financial statements to the Board for adoption by round robin resolution on 21 September 2018. These consolidated 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.


G Tipper
Chairman: Audit Committee

21 September 2018

York Timber Holdings Limited

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Directors' responsibilities and approval

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

The consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the Company's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, they are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future.

The consolidated annual financial statements of York Timber Holdings Limited, as identified in the first paragraph above, were approved by the Board of Directors on 21 September 2018 and are signed by:

Approval of consolidated annual financial statements


PP van Zyl

Authorised signatory:
Chief Executive Officer


GCD Stoltz

Authorised signatory:
Chief Financial Officer

Company secretary's certification

In terms of Section 88(2)(e) of the Companies Act of South Africa, 71 of 2008, as amended, I certify that the Company has lodged with the Commissioner all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.


Ms Han-hsiu Hsieh
Company Secretary
21 September 2018

York Timber Holdings Limited

(Registration number 1916/004890/06)

Consolidated Annual Financial Statement for the year ended 30 June 2018

Directors' report

The directors have pleasure in submitting their report on the consolidated annual financial statement of York Timber Holdings Limited for the year ended 30 June 2018.

1. Nature of business

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

2. Review of financial results and activities

The consolidated annual financial statement have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies applied are in terms of IFRS and are consistent with those applied in the prior year.

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

3. Share capital

Issued	2018	2017	2018	2017
Ordinary shares (Net of treasury shares)	R '000	R '000	Number of shares	Number of shares
	15 802	15 802	316 048 013	316 048 013

There have been no changes to the authorised or issued share capital during the year under review (Refer to note 16).

4. Dividends

The Board has resolved not to declare a dividend for the year ended 30 June 2018.

5. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Changes
PC Botha		Non-executive	
Dr A Jammie		Non-executive Independent	
S Meer		Non-executive	
D Mncube		Non-executive Independent	
T Mokgatla		Non-executive Independent	
M Mouyeme		Non-executive Independent	
Dr JP Myers	Chairperson	Non-executive Independent	
G Tipper		Non-executive Independent	
JPF van Buuren	Chief Financial Officer	Executive	
PP van Zyl	Chief Executive Officer	Executive	Resigned 30 November 2017
GCD Stoltz	Chief Financial Officer	Executive	Appointed 01 December 2017 *

* Mr GCD Stoltz was appointed as acting Chief Financial Officer on 1 December 2017 and permanently appointed on 26 June 2018.

6. Directors' shareholding

As at 30 June 2018, the directors of York Timber Holdings Limited held direct interests in 1.04% (2017: 1.05%) of its issued ordinary shares, as set out below.

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Directors' report

Interests in shares

Directors	2018 Number of shares	2018 Percentage shareholding	2017 Number of shares	2017 Percentage shareholding
G Tipper	15	- %	15	- %
JPF van Buuren	-	- %	20 000	0,01 %
PP van Zyl	3 435 376	1,04 %	3 435 376	1,04 %
GCD Stoltz	12 000	- %	-	- %
	3 447 391	1,04 %	3 455 391	1,05 %

Interests in share incentive scheme (units)

Directors	2018 Direct	2017 Direct
JPF van Buuren (Cash settled share based payment)	-	1 200 000
GCD Stoltz (Equity settled share based payment)	751 880	-
	751 880	1 200 000

There have been no changes since the year-end to the beneficial interests reflected above. The directors held no indirect beneficial interests in the company's shares.

7. Borrowing limitations

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

The Group's subsidiary, York Timbers Proprietary Limited, is subject to externally imposed capital requirements in the form of a debt-equity ratio requirement of below 1:1, in terms of the Land Bank loan facility (refer to note 20).

8. Special resolutions

During the year three special resolutions were passed by York Timber Holdings Limited and its subsidiaries. The resolutions were for general authority to repurchase shares, authorisation of directors' fees and financial assistance in terms of sections 44 and 45 of the Companies Act.

9. Events after the reporting period

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

10. Going concern

The directors believe that the Group has adequate financial resources to continue in operational existence for the foreseeable future and accordingly the consolidated annual financial statement 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 material matters not in the ordinary course of business 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 materially affect the Group.

11. Auditor

KPMG Inc. continued in office as auditor of the Group for 2018.

12. Secretary

The Company Secretary is Ms Han-hsiu Hsieh.

13. Interest in subsidiaries

Details of the Group's investment in subsidiaries are set out in note 36.

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Directors' report

14. Shareholder profile

The shareholder profile at 30 June 2018 was as follows:

Shareholder analysis	Number of shareholders	%	Number of shares	%
1 - 1 000 shares	664	41,11 %	213 675	0,06 %
1 001 - 10 000 shares	529	32,76 %	2 326 093	0,70 %
10 001 - 100 000 shares	339	20,99 %	10 840 669	3,27 %
100 001 - 1 000 000 shares	58	3,59 %	17 261 311	5,21 %
1 000 001 shares and over	25	1,55 %	300 598 849	90,76 %
Total	1 615	100,00 %	331 240 597	100,00 %

Distribution of shareholders				
Assurance companies	5	0,31 %	27 508 731	8,30 %
Close corporations	24	1,49 %	944 525	0,29 %
Collective investment schemes	20	1,24 %	84 381 794	25,47 %
Custodians	5	0,31 %	4 646 063	1,40 %
Foundations and charitable funds	5	0,31 %	167 679	0,05 %
Hedge funds	4	0,25 %	5 766 387	1,74 %
Investment partnerships	4	0,25 %	379 500	0,11 %
Managed funds	1	0,06 %	586 618	0,18 %
Medical aid funds	5	0,31 %	97 583	0,03 %
Private companies	51	3,16 %	74 958 880	22,63 %
Public companies	2	0,12 %	104	- %
Public entities	1	0,06 %	95 136 513	28,72 %
Retail shareholders	1 395	86,82 %	24 516 598	7,41 %
Retirement benefit funds	14	0,87 %	3 498 445	1,06 %
Share schemes	1	0,06 %	48 200	0,01 %
Stockbrokers and nominees	8	0,05 %	2 169 837	0,66 %
Trusts	69	4,27 %	6 431 719	1,94 %
Unclaimed scrip	1	0,06 %	1 421	- %
Total	1 615	100,00 %	331 240 597	100,00 %

Shareholder type				
Directors and associates	3	0,19 %	3 447 391	1,04 %
Strategic holdings (more than 10%)	1	0,06 %	95 136 513	28,72 %
Empowerment	4	0,25 %	95 687 795	28,89 %
Share trusts	1	0,06 %	48 200	0,01 %
Non-public shareholders	9	0,56 %	194 319 899	58,66 %
Public shareholders	1 606	99,44 %	136 920 698	41,34 %
Total	1 615	100,00 %	331 240 597	100,00 %

Beneficial shareholdings of 3% or more		
Industrial Development Corporation of South Africa	95 136 513	28,72 %
Lereko Metier Capital Growth Fund	54 915 003	16,58 %
Old Mutual Group	45 494 040	13,73 %
Bridge Creek Trading 10 Proprietary Limited	29 356 410	8,86 %
Agentimber Proprietary Limited (wholly-owned subsidiary)	15 192 584	4,59 %
Saprop Investment Limited	14 220 095	4,29 %
Auburn Avenue Trading 55 Proprietary Limited	11 416 382	3,45 %
Total	265 731 027	80,22 %



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Independent Auditor's Report

To the Shareholders of York Timber Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of York Timber Holdings Limited (the group) set out on pages 14 to 63, which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, the accounting policies and notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of York Timber Holdings Limited as at 30 June 2018, 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG .



Valuation of biological assets (R 2.498 billion in non-current assets and R420 million in current assets)

Refer to accounting policy 1.5 and note 3 to the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>As explained in accounting policy 1.5, the Group carries biological assets at fair value less cost to sell, with any resultant gain or loss recognised through profit and loss.</p> <p>The valuation methodology used to determine the fair value of the biological assets at year end is the discounted cash flow method, which is complex, highly judgmental and based on significant assumptions.</p> <p>The most significant judgements and assumptions relate to:</p> <ul style="list-style-type: none"> - the Weighted Average Cost of Capital ("WACC") calculation, - the expected yields per log class calculated based on relevant growth models (growth rate), - a volume adjustment factor due to susceptibility of the plantations to the environment, - the price per cubic meter based on the current and future expected market prices per log class (profit margin), and - operating costs based on unit cost of the forest management activities. <p>Due to the complexity and significant judgement and assumptions applied by the group in determining the fair value of biological assets, the valuation of biological assets was considered a key audit matter.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> — Using our own valuation expert to assist us in evaluating the assumptions and methodologies applied by management, in particular the assumptions relating to the WACC, forecasted group growth rate, and profit margin based on their knowledge of the industry. — We evaluated the consistency and appropriateness of the underlying assumptions used in determining the net cash flows used in the calculation with reference to the Group's historical practices in forecasting cash flows and the biological asset management plans. — We also evaluated the overall reasonableness of the projected volumes that the existing plantations are predicted to produce in relation to the Group's historical production volumes. — We evaluated the overall reasonableness of the operational costs of the forest management activities based on our understanding of the business and the economic outlook. — We challenged the assumptions used in the Group's calculation of the WACC particularly by comparing these rates with external data sources and considering the potential risk of management bias. — We independently performed our own sensitivity analysis of the fair value assessment to assess the reasonableness of the directors' calculation, taking a reasonably possible change in the assumed growth rates and cash flows into account. Given our sensitivity analysis, we assessed whether the Group's disclosures about the sensitivity of the outcomes of the fair value assessment to changes in key assumptions appropriately reflects the risks inherent in the valuation of the biological assets.

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Carrying value of Goodwill (R 565.4 million)

Refer to accounting policies 1.8 and 1.12 and note 6 to the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Goodwill recognised on the Group's statement of financial position principally arose from the business combinations that took place historically. As explained in note 6, the goodwill is tested for impairment at each year end. Goodwill has been allocated to the cash generating unit, Forestry segment for impairment assessment.</p> <p>The discounted cash flow method was used to calculate the value in use of the Forestry segment. This method is complex, highly judgmental and based on significant assumptions.</p> <p>The key difference in the valuation methodology for goodwill in comparison with the methodology for biological assets is the assumption in the goodwill calculation that the forestry segment is a standalone business. This assumes that the plantations are replanted continuously in rotation, and also includes a residual period, rather than merely valuing the existing plantations at year end.</p> <p>Like the valuation of biological assets, the other significant judgements and assumptions relate to:</p> <ul style="list-style-type: none"> - the Weighted Average Cost of Capital ("WACC") calculation, - the expected yields per log class calculated based on relevant growth models (growth rate), - a volume adjustment factor due to susceptibility of the plantations to the environment, - the price per cubic meter based on the current and future expected market prices per log class (profit margin), and - operating costs based on unit cost of the forest management activities. <p>Due to the complexity and significant judgement and assumptions applied by the group in the discounted cash flow model, the carrying value of goodwill was considered a key audit matter.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> — Using our own valuation expert to assist us in evaluating the key assumptions and methodologies applied by management, in particular the assumptions relating to the WACC, forecasted cash generating unit growth rate and profit margin assumptions based on their knowledge of the industry. — We evaluated the consistency and appropriateness of the underlying assumptions used in determining the cash flows with reference to the Group's historical practices in forecasting cash flows. — We challenged the assumptions used in the Group's calculation of the WACC used, particularly by comparing these rates with external data sources and considering the potential risk of management bias. — We evaluated the overall reasonableness of the operational costs of the forest management activities based on our understanding of the business and the economic outlook. — We independently performed our own sensitivity analysis of the goodwill impairment assessment to assess the reasonableness of the directors' calculation, taking a reasonably possible change in the assumed growth rates and cash flows into account. Given our sensitivity analysis, we assessed whether the Group's disclosures about the sensitivity of the outcomes of the impairment assessment to changes in key assumptions appropriately reflects the risks inherent in the valuation of goodwill.

KPMG



Other Information

The directors are responsible for the other information. The other information comprises the Directors' report, Audit Committee report and Company secretary's certificate as required by the Companies Act of South Africa, and the Directors' responsibilities and approval, and all other information included in the Integrated Annual Report. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists



related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of York Timber Holdings Limited for 69 years.

KPMG Inc. 

Per Jeremy van Niekerk
Chartered Accountant (SA)
Registered Auditor
Director
21 September 2018

York Timber Holdings Limited

(Registration number 1916/004890/06)

Consolidated Annual Financial Statement for the year ended 30 June 2018

Statement of financial position as at 30 June 2018

Figures in R'000	Note	2018	2017
Assets			
Non-current assets			
Biological assets	3	2 498 082	2 392 979
Investment property	4	26 731	26 731
Property, plant and equipment	5	901 202	911 532
Goodwill	6	565 442	565 442
Intangible assets	7	463	908
Other financial assets	9	39 707	31 965
Deferred tax	10	4 687	3 084
		4 036 314	3 932 641
Current assets			
Biological assets	3	420 468	435 539
Inventories	13	296 619	339 693
Trade and other receivables	14	258 619	206 982
Current tax receivable		3 363	7 749
Cash and cash equivalents	15	152 039	159 347
		1 131 108	1 149 310
Total assets		5 167 422	5 081 951
Equity and liabilities			
Equity			
Share capital	16	1 480 232	1 480 232
Reserves	18 & 19	(353)	(489)
Retained income		1 652 556	1 512 822
		3 132 435	2 992 565
Liabilities			
Non-current liabilities			
Loans from related parties	8	-	1 527
Loans and borrowings	20	636 836	731 498
Retirement benefit obligation	11	26 430	25 334
Deferred tax	10	863 901	825 867
Provisions	21	14 623	13 900
Cash-settled share-based payments	17	-	3 710
		1 541 790	1 601 836
Current liabilities			
Trade and other payables	23	323 673	300 684
Loans and borrowings	20	167 759	180 804
Operating lease liability		1 741	1 415
Current tax payable		15	277
Cash-settled share-based payments	17	-	4 370
Bank overdraft	15	9	-
		493 197	487 550
Total liabilities		2 034 987	2 089 386
Total equity and liabilities		5 167 422	5 081 951

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Statement of profit or loss and other comprehensive income

Figures in R'000	Note	2018	2017
Revenue	24	1 817 609	1 832 805
Cost of sales		(1 263 458)	(1 335 303)
Gross profit		554 151	497 502
Other operating income	25	23 097	11 626
Other operating gains / (losses)	26	5 009	(3 024)
Administration expenses		(386 691)	(354 735)
Operating profit	27	195 566	151 369
Investment income	28	4 899	11 175
Finance costs	29	(81 800)	(88 595)
Fair value adjustments	30	71 327	436 494
Profit before taxation		189 992	510 443
Taxation	31	(50 258)	(143 157)
Profit for the year		139 734	367 286
Other comprehensive income / (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements on defined benefit liability		(663)	(806)
Taxation related to remeasurements on defined benefit liability		185	226
Defined benefit plan reserve		(478)	(580)
Other comprehensive loss for the year net of taxation	19	(478)	(580)
Total comprehensive income		139 256	366 706
Total comprehensive income attributable to:			
Owners of the company		139 256	366 706

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Statement of changes in equity

	Share capital	Share premium	Total share capital	Share based payment reserve	Defined benefit plan reserve	Total reserves	Retained income	Total equity
Figures in R'000								
Balance at 1 July 2016	15 908	1 471 038	1 486 946	-	91	91	1 145 536	2 632 573
Profit for the year	-	-	-	-	-	-	367 286	367 286
Other comprehensive loss	-	-	-	-	(580)	(580)	-	(580)
Total comprehensive income / (loss) for the year	-	-	-	-	(580)	(580)	367 286	366 706
Purchase of own shares	(106)	(6 608)	(6 714)	-	-	-	-	(6 714)
Total contributions by and distributions to owners of the Company recognised directly in equity	(106)	(6 608)	(6 714)	-	-	-	-	(6 714)
Balance at 1 July 2017	15 802	1 464 430	1 480 232	-	(489)	(489)	1 512 822	2 992 565
Profit for the year	-	-	-	-	-	-	139 734	139 734
Other comprehensive loss	-	-	-	-	(478)	(478)	-	(478)
Total comprehensive income / (loss) for the year	-	-	-	-	(478)	(478)	139 734	139 256
Employees' share option scheme	-	-	-	614	-	614	-	614
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	614	-	614	-	614
Balance at 30 June 2018	15 802	1 464 430	1 480 232	614	(967)	(353)	1 652 556	3 132 435
Note	16	16	16	18	19			

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Statement of cash flows

Figures in R'000	Note	2018	2017
Cash flows from operating activities			
Cash generated from operations	32	286 420	169 979
Interest received		4 899	11 175
Finance costs		(80 707)	(88 595)
Tax paid	33	(11 950)	(3 732)
Net cash from operating activities		198 662	88 827
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(64 680)	(154 258)
Proceeds from disposal of property, plant and equipment	5	103	307
Purchase of intangible assets	7	(24)	(168)
Acquisition of subsidiaries net of cash acquired	34	(6 087)	-
Repayment of loans to related parties		(4 580)	-
Purchase of financial assets		(14 563)	(32 200)
Proceeds on sale of financial assets		6 821	19 622
Purchase of biological assets	3	(71 811)	(59 082)
Sale of biological assets	3	59 081	1 384
Proceeds of loans from related parties		-	177
Net cash applied to investing activities		(95 740)	(224 218)
Cash flows from financing activities			
Reduction of share capital or buyback of shares	16	-	(6 714)
Proceeds from loans and borrowings		51 004	98 460
Repayment of loans and borrowings		(158 711)	(80 303)
Movement in cash-settled share-based payments		(6 971)	-
Net cash (applied to) / from financing activities		(114 678)	11 443
Cash movement for the year		(11 756)	(123 948)
Cash at the beginning of the year		159 347	286 144
Effect of exchange rate movement on cash balances		4 439	(2 849)
Cash at the end of the year	15	152 030	159 347

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York Timber Holdings Limited

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Consolidated Annual Financial Statement for the year ended 30 June 2018

Accounting policies

Corporate information

York Timber Holdings Limited is a public company incorporated and domiciled in South Africa.

The consolidated annual financial statement for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors passed on 21 September 2018.

1. Significant accounting policies

1.1 Basis of preparation

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

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

The consolidated annual financial statement have been prepared using the historic cost convention, unless otherwise stated in the accounting policies set out below. They are presented in Rands, which is the Company's functional currency and rounded to the nearest R'000.

These accounting policies are consistent with those applied in the previous period.

1.2 Consolidation

Basis of consolidation

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.

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.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

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Consolidated Annual Financial Statement for the year ended 30 June 2018

Accounting policies

1.2 Consolidation (continued)

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.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated annual 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 annual financial statements.

Joint operations

The Company recognises the following in relation to its interests in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

1.3 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 translated 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. The profits are included under other income and the losses are included under other operating gains / (losses).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated 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.

1.4 Significant judgements and sources of estimation uncertainty

Key sources of estimation uncertainty

The preparation of the 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 and approved by the Board. 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 consolidated annual financial statements, refer to:

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Accounting policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

- note 3 – Biological assets
- note 4 – Investment property
- note 5 – Property, plant and equipment
- note 6 – Goodwill
- note 10 – Deferred tax
- note 11 – Retirement benefits
- note 14 – Trade and other receivables
- note 17 & 18 – Share-based payments
- note 21 – Provisions

1.5 Biological assets

Biological assets are measured at fair value less costs to sell, with any resultant gain or loss recognised in profit and loss. Costs to sell are the costs of harvesting the timber and exclude other selling costs.

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

1.6 Investment property

Investment property is initially recognised at cost and subsequently measured at fair value. Transaction costs are included in the initial measurement of 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, is used to value the portfolio. 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 1.21.

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, applied first to reducing any impairment loss that was previously recognised in profit or loss and the remaining increase is recognised in other comprehensive income. 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, 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.

1.7 Property, plant and equipment

Owned assets

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

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised interest 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:

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Accounting policies

1.7 Property, plant and equipment (continued)

- the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing 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 obligations 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 on 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	Depreciation method	Average useful life
Land	Indefinite	
Buildings	Straight-line	10 - 49 years
Roads (included in Buildings in note 5)	Straight-line	40 years
Plant and machinery	Straight-line	5 - 12 years
Other property, plant and equipment	Straight-line	3 - 15 years

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.

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Accounting policies

1.8 Intangible assets

Goodwill

Initial measurement

Goodwill is measured at cost.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Goodwill has an indefinite life.

Other intangible assets

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

Useful life

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 for 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 on an annual basis and the remaining carrying amount is amortised over its useful life.

Subsequent measurement

The Group recognises in the carrying amount of an item of intangible assets, 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.

Amortisation

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

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

Item	Useful life
Computer software	5 years

1.9 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, loans from related parties, cash settled share based payment obligations, operating lease liabilities and trade and other payables.

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

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Accounting policies

1.9 Financial instruments (continued)

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.

Loans and receivables

Included in loans and receivables are trade and other receivables measured at amortised cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities

Trade and other payables, loans from related parties, operating lease liabilities, cash settled share based payment obligations and loans and borrowings, are measured at amortised cost using the effective interest method, less any impairment losses.

Determination of fair value

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.

1.10 Tax

Current tax assets and liabilities

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable 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.

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Accounting policies

1.10 Tax (continued)

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.

1.11 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 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.

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

1.12 Impairment of assets

Financial assets

A financial asset, other than financial assets at fair value through profit and loss, is assessed at each reporting date to determine whether there is any objective evidence that it should be 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.

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.

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.

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.

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 pre-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.

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1.12 Impairment of assets (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, 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.

1.13 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.

1.14 Share-based payments

Equity-settled transactions

The grant date fair value of options allocated to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

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.

1.15 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.

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Accounting policies

1.15 Employee benefits (continued)

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.

Re-measurements 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. 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. The expense is included under administration expenses.

1.16 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 any discount 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.

1.17 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 principal in a transaction, the revenue recognised is the net amount of commission earned by the Group.

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

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;

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Accounting policies

1.17 Revenue (continued)

- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, including self-constructed assets, are capitalised as part of the cost of those assets. All other borrowing costs are expensed.

1.19 Investment income and finance cost

Investment income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit and loss and interest income earned on finance leases.

Interest income is recognised as it accrues, using the effective interest method.

Finance cost comprises interest expenses on borrowings, interest expenses on finance leases, the unwinding of discounts on provisions, and changes in the fair value of financial assets at fair value through profit or loss.

1.20 Segment 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), comprising senior 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 in which it may 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 where 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.

1.21 Rental income

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

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2. New standards and interpretations

2.1 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2018:

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous Standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The principal impact of IFRS 16 will be to change the accounting treatment by lessees of leases currently classified as operating leases. Lease agreements will give rise to the recognition by the lessee of an asset, representing the right to use the leased item, and a related liability for future lease payments. Lease costs will be recognised in the income statement in the form of depreciation of the right-of-use asset over the lease term, and finance charges representing the unwind of the discount on the lease liability. Certain exemptions from recognising leases on the balance sheet are available for leases with terms of 12 months or less, or where the underlying asset is of low value.

The Group has begun its impact assessment on the new standard. The most significant impact on the Group financial statements is expected to be on the Statement of Financial position, as a consequence of the recognition of right-of-use assets and lease liabilities in relation to arrangements currently accounted for as operating leases. In particular, warehouses rented by the Group will be reflected on the balance sheet.

The effective date of the standard is for years beginning on or after 1 January 2019.

The Group expects to adopt the standard for the first time in the 2020 consolidated annual financial statement.

IFRS 9 Financial Instruments

On 24 July 2014, the International Accounting Standards Board (IASB) issued the final IFRS 9 *Financial Instruments* Standard, which replaced earlier versions of IFRS 9 and completed the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

During the year the Group undertook an accounting impact analysis of the new standard based on the nature of the financial instruments it holds and the way in which they are used. The indicative impacts of adopting IFRS 9 on the Group are as follows:

- *Classification and measurement:* IFRS 9 establishes a principles-based approach to determining whether a financial asset should be measured at amortised cost or fair value, based on the cash flow characteristics of the asset and the business model in which the asset is held. The Group anticipates that the classification and measurement basis for its financial assets will be largely unchanged under this model.
- *Impairment:* Based on the Group's initial assessment, the introduction of an 'expected credit loss' model for the assessment of impairment of financial assets held at amortised cost is not expected to have a material impact on the Group's results, given the low exposure to counterparty default risk as a result of the credit risk management processes that are in place. The Group will provide additional disclosure as required by the standard. An additional amount of R2.4 million would have been provided in the current year had the standard been applied.

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

The Group expects to adopt the standard for the first time in the 2019 consolidated annual financial statement.

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2. New standards and interpretations (continued)

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 core principle of IFRS 15 is that revenue should be recognised in a manner that depicts the pattern of the transfer of goods and services to customers. The amount recognised should reflect the amount to which the entity expects to be entitled in exchange for those goods and services. The standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a relative standalone selling price basis, based on a five-step model.

The Group has undertaken an accounting impact analysis based on a review of the contractual terms of its principal revenue streams, and internal accounting guidance has been developed.

Under IFRS 15 the revenue recognition model will change from one based on the transfer of risk and reward of ownership to the transfer of control over goods and services. The Group's revenue is predominantly derived from timber product sales, where the point of recognition is dependent on the contract sale terms. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised on the sale of timber products is unlikely to be materially affected for the majority of sales.

Based on the analysis performed there is likely to be no significant impact on the Group due to sales being recognised at the point in time when control over goods sold changes, although some additional disclosure may be required.

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

The Group expects to adopt the standard for the first time in the 2019 consolidated annual financial statement.

IFRIC 22 Foreign Currency Transactions and Advance Considerations

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 *The Effects of Changes in Foreign Exchange Rates* is not clear on how to determine the transaction date for translating the related item.

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the Group initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The effective date of the amendment is for financial periods beginning on or after 1 January 2018.

The Group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statement.

It is unlikely that the amendment will have a material impact on the Group's consolidated annual financial statement.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 *Share-based Payments*.

The amendments cover three accounting areas:

Measurement of cash-settled share-based payments – The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

Classification of share-based payments settled net of tax withholdings – The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

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2. New standards and interpretations (continued)

Accounting for a modification of a share-based payment from cash-settled to equity-settled –. The amendments clarify the approach that companies are to apply.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards.

The effective date of the amendment is for financial periods beginning on or after 1 January 2018.

The Group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statement.

It is unlikely that the amendment will have a material impact on the Group's consolidated annual financial statement.

Transfers of Investment property (Amendments to IAS 40)

The IASB has amended the requirements in IAS 40 *Investment property* on when a company should transfer a property asset to, or from, investment property.

The effective date of the amendment is for financial periods beginning on or after 1 January 2018.

The Group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statement.

It is unlikely that the amendment will have a material impact on the Group's consolidated annual financial statement.

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3. Biological assets

Reconciliation of biological assets

Opening balance	2 828 518	2 334 327
Fair value adjustment:		
- Increase due to growth and enumerations**	304 220	349 005
- Adjustment to standing timber values to reflect changes to sales price, cost and discount rate assumptions***	101 170	366 875
Decrease due to harvesting	(328 088)	(279 387)
Purchased plantations	71 811	59 082
Standing timber harvested	(59 081)	(1 384)
Closing balance	2 918 550	2 828 518
Classified as non-current assets	2 498 082	2 392 979
Classified as current assets*	420 468	435 539
Total	2 918 550	2 828 518

Change in discounted cash flow value attributable to:

Opening balance	2 828 518	2 334 327
Growth****	85 450	134 272
Revenue and price*****	83 351	270 281
Operating costs	(33 968)	(74 727)
Discount rate	(57 530)	(73 151)
Purchased plantations	71 811	59 082
Standing timber harvested	(59 082)	(1 384)
Younger clearfelling age*****	-	179 818
Closing balance	2 918 550	2 828 518

Reconciliation of standing volume (m3)

Opening balance	6 001 889	5 840 732
Increase due to growth and enumerations**	704 236	807 904
Decrease due to harvesting	(759 486)	(646 747)
	5 946 639	6 001 889

* 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. These are used to adjust the model's theoretical yields to actual yields and are done systematically over the life of 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 to the discount rate, log sales prices and operating costs from the prior year balance.

**** Growth in the discounted cash flow model refers to changes in the forecast yield at maturity of planted trees.

***** Revenue and price changes arise from base log prices that increased by 5% (2017: 9%) from the prior year.

***** The clearfell age was reduced from 25 to 20 years during 2017 in line with the growth forecasts from the new regime, and the clearfell practice and plans used by the Group. The effect of a younger clearfelling age is a loss of the volume that would have been generated in the additional period, offset by earlier access to the cash flows from the harvested timber.

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Figures in R'000	2018	2017
3. Biological assets (continued)		
Landholding (hectares)		
Pine*	56 520	55 589
Eucalyptus*	1 580	2 047
Temporary unplanted areas	2 576	2 834
Conservancy areas	33 312	33 518
	93 988	93 988

* The planted pine and eucalyptus trees are valued in determining the fair value of the biological assets. The temporary unplanted and conservation areas are carried at cost and included under land in note 5.

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 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 divide the trees into predefined products as basis for calculating log yields.

Volume adjustment factor: Due to the susceptibility of the plantations to the environment, an adjustment factor is used to reduce the volumes obtained from the merchandising model. This percentage is based mainly on factors such as animal damage and damage due to natural elements, such as wind, rain, hail, droughts and fires. An adjustment factor of 10% (2017: 10%) has been used.

Log prices: The price per cubic metre per log class is based on current and future expected market prices per log class. It was assumed that prices will increase at 5.15% over the next year, 5.33% over the following year, and at 5.50% over the long term (2017: 6.5% p.a. over the next year, 6% over the following year, and at 6% p.a. over the long term). Log prices are computed at a weighted average of external market prices and internal prices charged to the company's processing operations. Internal prices are generally lower than external prices and are limited to levels that result in the profitability of the processing operations.

Operating costs: The costs are based on the unit cost of the forest management activities required for the trees to reach the age of felling. The costs include the current and expected future 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. An inflation rate of 5.15% over the next year, 5.33% over the following year, and at 5.50% over the long term (2017: 5.8% p.a. over the next year, 6% over the following year, and 6% p.a. over the long term) was used.

Costs to sell: Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes. The only costs to sell applied are harvesting costs, which are included under operating costs. No other selling costs are included.

Discount rate: The directors used a comparable forestry group of companies' Beta to calculate the after-tax weighted average cost of capital (WACC), which was applied to the after-taxation net cash flows.

Level 3 fair value

The valuation model considers the present value of the net cash flows expected to be generated from the plantations. The cash flow projections include specific estimates for 20 years (2017: 20 years). The expected net cash flows are discounted using a risk-adjusted discount rate that takes into account the Beta factors of a comparable group of forestry companies.

Forecast volume of trees in the plantations at maturity, as used in the DCF valuation (sum of maturity volumes over the 20-year cycle) (m3)

Balance at year-end	22 061 121	20 986 572
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3. Biological assets (continued)

Key assumptions used in the calculation of the discount rate

Risk-free rate R186 bond	8,84 %	8,78 %
Cost of equity	16,97 %	16,44 %
Pre-tax cost of debt	10,00 %	10,50 %
Target debt-equity ratio	65,00 %	65,00 %
After-tax weighted average cost of capital	13,55 %	13,33 %
Beta factor	1,25	1,21

Sensitivity analysis

100 basis points increase in the current log price	45 364	43 411
25 basis points increase in forecast log prices	93 214	89 104
25 basis point increase in the forecast cost inflation rate	(26 057)	(25 527)
50 basis points increase in the pre-tax cost of debt	(32 303)	(30 856)
25 basis points increase in the discount rate	(63 591)	(60 743)
100 basis points increase in projected volumes	45 715	44 265

The above sensitivity analysis shows how the present value of the discounted 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 discounted cash flows. A decrease by the same percentage would have the opposite effect on the valuation.

The Group is exposed to a number of risks relevant 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 demand for log products. When possible, the Group manages these risks by aligning its harvest volumes to market demand. 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 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. Refer to note 9.

Pledge as security

Landholdings amounting to 58 050 (2017: 58 050) 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 20.

Certain additional freehold land and biological assets are pledged as security for mortgage and notarial covering bonds of R1.4 billion.

4. Investment property

Reconciliation of investment property - 2018

	Opening balance	Transfers from property, plant and equipment	Total
Investment property	26 731	-	26 731

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4. Investment property (continued)

Reconciliation of investment property - 2017

	Opening balance	Additions	Transfers from property, plant and equipment	Total
Investment property	26 231	-	500	26 731

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

There is a three-year external valuation cycle and external valuations were performed on 3 March 2016 and 16 April 2016. Valuations were performed by independent valuers, Tetragon Valuers Proprietary Limited and VAL-CO Property Valuers Proprietary Limited. These valuers are not connected to the Company and had recent experience in the location and category of the investment property being valued. The valuations were based on the open market value for existing use.

The directors assessed the valuations at 30 June 2018 based on the ruling market conditions and deemed the existing valuations to be appropriate.

The fair value measurement for investment property of R26.7 million (2017: R26.7 million) has been categorised as a Level 2 fair value based on the inputs to the valuation technique used.

Level 2 fair value

The valuation is based on market value. The comparable sales approach is used to determine market value. This approach consists of comparing the subject property to similar properties that were sold in the recent past in an open market situation, and making appropriate adjustments to the value for market trends and other factors unique to the properties. This results in a market value for the subject property. A 1% change in the value of investment property would result in a R0.3 million adjustment to profit and loss.

Amounts recognised in profit and loss for the year excluding fair value adjustments

Rental income from investment property	1 531	1 558
Direct operating expenses on rental generating property	(2 090)	(2 513)
Total	(559)	(955)

5. Property, plant and equipment

	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	116 052	-	116 052	115 123	-	115 123
Buildings	282 746	(67 239)	215 507	282 407	(71 712)	210 695
Plant and machinery	602 273	(130 866)	471 407	651 226	(191 791)	459 435
Capital work in progress	10 696	-	10 696	40 155	-	40 155
Other plant and equipment*	155 477	(67 937)	87 540	148 335	(62 211)	86 124
Total	1 167 244	(266 042)	901 202	1 237 246	(325 714)	911 532

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Figures in R'000

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	115 123	54	875	-	-	-	-	116 052
Buildings	210 695	2 003	2 231	(33)	10 751	(10 140)	-	215 507
Plant and machinery	459 435	18 203	278	(113)	46 686	(53 082)	-	471 407
Capital work in progress	40 155	28 127	-	-	(57 586)	-	-	10 696
Other plant and equipment*	86 124	16 293	2 823	(134)	149	(17 715)	-	87 540
	911 532	64 680	6 207	(280)	-	(80 937)	-	901 202

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	115 123	-	-	-	-	-	-	115 123
Buildings	195 770	12 371	-	-	12 900	(10 346)	-	210 695
Plant and machinery	396 059	741	-	(25)	125 741	(63 081)	-	459 435
Capital work in progress	85 732	117 416	-	-	(162 993)	-	-	40 155
Other plant and equipment*	59 412	23 730	-	(457)	23 852	(18 747)	(1 666)	86 124
	852 096	154 258	-	(482)	(500)	(92 174)	(1 666)	911 532

* Other refers to furniture and fittings, motor vehicles, computer equipment 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 of property, plant and equipment.

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5. Property, plant and equipment (continued)

Property, plant and equipment encumbered as security

Assets are encumbered in terms of instalment sale agreements.

Movable assets comprising the plywood plant with a carrying value of R357 503 903 are the subject of a notarial bond.

As per note 3 landholdings amounting to 58 050 (2017: 58 050) hectares were encumbered in favour of Micawber 558 Proprietary Limited, as security for loans and borrowings, as per note 20.

Borrowing costs capitalised

Borrowing costs capitalised to the Plywood Expansion Project (R'000)	-	2 616
Capitalisation rate used on Land Bank loan (%)	- %	10,00 %
Capitalisation rate used on bank overdraft (%)	- %	10,50 %

No borrowing costs were capitalised during the current financial year.

Impairment

The impairment in the prior year related to a production vehicle from the Forestry division that was in an accident and was the subject of a recovery from the self-insurance fund.

Other information

Present value of minimum instalment sale agreement payments due at year-end	97 886	111 012
Carrying amount of assets subject to instalment sale agreements: Other assets	62 928	63 141
Carrying amount of assets subject to instalment sale agreements: Plant and machinery	38 232	41 754

The Group has entered into instalment sale agreements with WesBank, Absa and Toyota for plant, equipment and vehicles. Refer note 20.

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Company.

6. Goodwill

Goodwill cost	565 442	565 442
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Goodwill arose from the business combination that took place in July 2007 and represents the difference between the fair value of assets purchased and the then acquisition price.

Goodwill is tested for impairment at each year-end. For the purpose of impairment testing, goodwill has been allocated to the Forestry segment. The segment amount is compared to the present value of the future cash flows (value in use) that are expected to flow from segment 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 2019 financial year as well as a forecast to 2034 using a long-term inflation rate of 5.50% (2017: 6%). 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 20 years (2017: 20 years). The plantations are managed to harvest approximately 2 500 hectares per annum.

Volumes: The expected yields per log class are calculated with reference to growth models relevant to the 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.

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6. Goodwill (continued)

Volume adjustment factor: Due to the susceptibility of the plantations to the environment, an adjustment factor is used to reduce the volumes obtained from the merchandising model. This percentage is based mainly on factors such as damage due to baboons and natural elements, such as wind, rain, hail, droughts and fires. An adjustment factor of 10% (2017: 10%) 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 5.15% in the first year, at 5.33% in the following year and at 6.63% over the long term (2017: 6.5% in the first year, at 6% in the following year and at 6.64% over the long term). The prices used in this calculation took the Group's integrated business, and supply versus demand projections into account.

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 5.50% (2017: 6%) was used.

Discount rate: The Group's after-tax weighted average cost of capital (WACC) was applied to the after-taxation net cash flow.

Results of impairment testing

Carrying amount of segment assets	3 177 912	3 126 932
Present value of segment's future cash flows	3 367 023	4 086 747
Net result: (no impairment)	(189 111)	(959 815)

Key assumptions used in the calculation of the discount rate

Risk free rate: R186 bond	8,84 %	8,78 %
Cost of equity	16,97 %	16,44 %
Pre-tax cost of debt	10,00 %	10,50 %
Equity ratio	65,00 %	65,00 %
After-tax weighted average cost of capital	13,55 %	13,33 %
Beta factor	1,25	1,21

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.

Sensitivity analysis

100 basis points increase in the current log price*	153 999	76 043
25 basis points increase in forecast log prices*	168 137	147 536
25 basis points increase in forecast cost inflation rate	(75 292)	(61 752)
50 basis points increase in the pre-tax cost of debt	(67 533)	(83 718)
25 basis points increase in discount rate	(131 807)	(163 318)
100 basis points increase in projected volumes	56 037	68 223

* When comparing the sensitivity analysis above to note 3, the biological asset valuation, the key differences in the valuation methodologies should be taken into account. The valuation above reflects the Forestry segment as a stand-alone business with the plantations in rotation and therefore includes a residual period. The fair valuation of the biological assets (note 3) is calculated on the assumption that no replanting of the plantations is done and therefore relates to a finite period.

7. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	6 642	(6 179)	463	7 926	(7 018)	908
Total	6 642	(6 179)	463	7 926	(7 018)	908

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7. Intangible assets (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	908	24	(469)	463

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	1 632	168	(892)	908

8. Loans from related parties

Joint operator

Mondi Timber (Wood Products) Proprietary Limited	-	(1 527)
The loan has no repayment terms and is interest-free.		

York Timbers Proprietary Limited entered into a joint arrangement on 1 June 2015 with Mondi Timber (Wood Products) Proprietary Limited, to acquire 50% of Mbulwa Estates Proprietary Limited. Mbulwa Estates is located on Portion 2 of the Farm Olifantsgeraamte no 198, Mpumalanga. The joint arrangement was acquired for the purpose of gaining access to firefighting, conferencing and accommodation facilities. On 31 January 2018 York Timbers Proprietary Limited acquired the remaining 50% from Mondi Timber (Wood Products) Proprietary Limited.

9. Other financial assets

Loans and receivables

Mbulwa Lodge Proprietary Limited	-	1 500
The loan has no repayment terms and is interest-free.		

Self-insurance fund	39 707	30 465
The fund is fully funded at R70 million and is reassessed annually to take into account changing insurance cover requirements. 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.		

39 707 31 965

Unlisted investments (level 2)

Self-insurance fund

An average interest rate of 5.50% (2017: 6.66%) was used to calculate interest earned on the deposit balance.	39 707	30 465
The investment is unlisted and is a financial asset.		

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10. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax specific to the tax paying entity.

Deferred tax liability	(863 901)	(825 867)
Deferred tax asset	4 687	3 084
Total net deferred tax liability	(859 214)	(822 783)

Reconciliation of deferred tax liability

At the beginning of the year	(822 783)	(684 293)
Increase / (decrease) in tax losses available for set-off against future taxable income	471	(1 732)
Taxable temporary differences	(37 087)	(136 984)
Changes to other comprehensive income	185	226
Closing balance	(859 214)	(822 783)

The balance comprises the following items:

Capital allowances	(96 063)	(73 872)
Biological assets	(789 402)	(767 757)
Provisions	23 787	17 981
Estimated tax loss	2 088	675
Defined benefit plan reserve	376	190
Closing balance	(859 214)	(822 783)

11. 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 the 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.

Present value of defined benefit obligation

Opening balance	(25 334)	(24 010)
Service cost	(6)	(18)
Interest cost	(2 508)	(2 401)
Actuarial loss	(663)	(806)
Benefits paid to	2 081	1 901
Closing balance	(26 430)	(25 334)

The closing balance is the present value of the defined benefit obligation and is wholly unfunded. There is no asset-funding plan in place.

The actuarial loss for the current year consists of two factors, demographic and financial. The demographic factors contributed a loss of R1.7 million (2017: gain of R70 000) and the financial factors a gain of R1.1 million (2017: loss of R876 thousand).

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11. Retirement benefits (continued)

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:

100 basis points increase: Aggregate of the service and interest cost	185	235
100 basis points increase: Defined benefit obligation	2 389	2 366

A 1% change in the investment discount rate would have the following effects:

100 basis points increase: Aggregate of the service and interest cost	(254)	(195)
100 basis points increase: Defined benefit obligation	(2 040)	(2 014)

Limitations to sensitivity analysis:

The limitations that apply to the valuation's assumptions and methodology also apply to the sensitivity analysis. Furthermore, add that the sensitivity analysis changes a single variable without considering the impact of that change on other variables. The individual assumptions of the discount rate and healthcare inflation are less important than the gap between them. It is also important to recognise that the assumptions chosen are assumed to prevail over the long term based on market conditions at the time, whereas short-term fluctuations occur. A decrease by the same percentage would have the opposite effect on the valuation.

Contributions towards defined benefit plan

Contributions paid	2 167	1 978
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Key assumptions used

Active members	12	17
Retired members	39	38
Total members	51	55
Average expected duration of the scheme (years)	8,40	8,70
Average expected remaining working lifetime (years)	3,66	3,54
Discount rate (estimated corporate bond yield)	10,10 %	9,90 %
Medical contribution inflation rate	8,10 %	7,90 %

Defined contribution plan: Retirement fund

The Group has three provident fund schemes, York Timbers Provident Fund, the Hospitality and the General Provident Fund and the Alexander Forbes Provident Fund, for all employees. Pensioners under these schemes have had their pensions bought from insurers in the form of annuities and there is no on-going liability to the Group. The schemes are governed by the Pensions Fund Act, 24 of 1956, as amended.

The number of members of each scheme at year-end:

Hospitality and General Provident Fund	176	216
York Timbers Provident Fund	2 157	2 019
Alexander Forbes Provident Fund	323	332

Defined contribution plan: Pension fund

The Group has one pension fund, with the following number of members at year-end:

Alexander Forbes Pension Fund	10	14
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11. Retirement benefits (continued)

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:

Hospitality and General Provident Fund	1 573	2 281
York Timbers Provident fund	20 121	17 649
Alexander Forbes Provident Fund	12 624	11 773
Alexander Forbes Pension Fund	749	797
Total	35 067	32 500

Expected contributions for the next year

Hospitality and General Provident Fund	1 683	2 430
York Timbers Provident fund	21 529	18 796
Alexander Forbes Provident Fund	13 507	12 538
Alexander Forbes Pension Fund	801	849
	37 520	34 613

These amounts are included in salary, wages and other employee costs per note 27.

12. Current tax receivable

Income tax receivable relates to an over estimate and payment of provisional taxes.

13. Inventories

Raw materials	33 849	30 765
Work in progress	80 192	54 019
Timber products	129 736	201 050
Merchandise	191	79
Consumables	54 791	56 101
	298 759	342 014
Write-downs	(2 140)	(2 321)
Total inventory	296 619	339 693

Finished goods at net realisable value

Finished goods carried at net realisable value	33 827	31 625
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14. Trade and other receivables

Trade receivables (net of impairment)	216 380	199 843
Prepayments	8 909	2 388
Deposits	2 176	1 895
Value Added Tax receivable	1 367	445
Employee costs paid in advance	1 075	724
Forward exchange contracts	-	237
Other receivables	28 712	1 450
Total	258 619	206 982

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14. Trade and other receivables (continued)

Trade and other receivables pledged as security

At year-end, trade receivables and Credit Guarantee Insurance Corporation of Africa Ltd (CGIC) insurance had been ceded to Absa Bank as security for banking facilities (refer note 15).

Trade and other receivables past due but not impaired

The Group establishes an allowance for impairments that represents its estimate of incurred losses in respect of trade and other receivables based on historic default rates and on a customer by customer basis.

Ageing of trade receivables (net of impairment):

Current	159 493	141 915
30 days	44 676	42 716
60 days and over	12 211	15 212
Total	216 380	199 843

Reconciliation of allowance for impairment of trade and other receivables

Opening balance	5 484	7 250
Increase in allowance for impairment	1 482	43
Amounts written off as uncollectable	(286)	(1 809)
Closing balance	6 680	5 484

All other receivables are neither past due nor impaired.

Trade and other receivables are classified as loans and receivables.

The carrying value of trade and other receivables approximates fair value.

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	138	99
Bank balances	112 706	58 971
Short-term deposits	39 195	100 277
Bank overdraft	(9)	-
Closing balance	152 030	159 347
Current assets	152 039	159 347
Current liabilities	(9)	-
	152 030	159 347

At year-end, the banking facility granted by Absa was secured by a cession of trade receivables and Credit Guarantee Insurance Corporation of Africa Ltd (CGIC) insurance (refer note 14), and cross-suretyships of R154 million with Absa, and R5 million with FirstRand, from within the Group. The general banking facility is available to all companies in the Group.

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15. Cash and cash equivalents (continued)

Total general banking facility	60 000	37 500
Guarantees	6 000	6 000
Letters of credit	20 000	18 700
Guarantees to Eskom Holdings Limited	2 246	2 246
Forward exchange contracts	10 000	10 000
Foreign exchange settlement limit	10 000	10 000
Absa asset and vehicle finance facility	120 000	92 500

16. Share capital

Authorised

600 000 000 (2017: 600 000 000) ordinary shares of R0.05 each	30 000	30 000
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Reconciliation of number of shares issued:

Opening balance	316 048 013	318 168 308
Shares purchased by a subsidiary	-	(2 120 295)
	316 048 013	316 048 013

Issued

316 048 013 (2017: 316 048 013) ordinary shares of R0.05 each	15 802	15 802
Share premium	1 464 430	1 464 430

Total	1 480 232	1 480 232
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All issued shares are fully paid.

17. Share-based payments

The incentive scheme was cancelled in the current financial year through a settlement agreement with employees.

The Group offered its key employees an employee share appreciation rights scheme. This scheme involved certain employees being awarded options that afforded the right to receive cash payments over the vesting period. The cash payment would have been 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 could be exercised and was forfeited if the employee left York. After the vesting date, employees had the option to exercise their rights in 3 equal tranches at the end of years 3, 4 and 5 respectively. The option expired at the end of year 6.

The payoff that a beneficiary of the share appreciation right scheme would receive was the difference between the spot price on the exercise date, and the 30 day volume weighted average price on grant date.

The scheme was treated as a cash settled scheme for the Company and was valued at the reporting date in terms of IFRS 2 Share Based Payments. Any changes in the cash settled liability were recognised as part of the investment in York Timbers Proprietary Limited.

Reconciliation of the movement in share appreciation rights (number of shares)

Opening balance	11 321	33 881
Rights forfeited / expired on maturity	-	(22 560)
Rights cancelled	(11 321)	-
Closing balance	-	11 321

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17. Share-based payments (continued)

Outstanding appreciation rights (Rand) have the following exercise date profile

Key assumptions used	2018	2017
Closing share price of York Timber Holdings Limited at period-end	-	R2.60
Expected forfeitures per annum	-	0%
Expected exercise date	-	Variable
Expected volatility	-	30 - 35%
Dividend yield	-	0%
Bootstrapped zero coupon perfect-fit swap curve	-	6.80 - 7.26%
Non-current liabilities	-	3 710
Current liabilities	-	4 370
Total cash-settled share-based payment liability	-	8 080

18. Share based payment reserve

During the year the company granted certain employees options to receive 3 759 398 shares. The options may be exercised after three years at no cost to the employees.

The company estimates the expected vesting rate at 80% based on historical practices. The fair value of the options is estimated at grant date using a binomial pricing model, taking into account the terms and conditions upon which the instruments were granted. Due to the entity not expecting a dividend flow within the next three years and as no consideration is payable at exercise date, the grant date fair value is deemed to be equal to the share price at the award date. Any changes in the value of the equity settled reserve were recognised as part of the investment in York Timbers Proprietary Limited.

Movement during the year:

Opening balance	-	-
Current year share based payment movement	614	-
	614	-

Key assumptions used

York share price at reporting date	R2.10	-
Number of shares awarded	3 759 398	-
Award date	2018/04/05	-
Expiry date	2021/04/05	-
Fair value of options at grant date	R2.60	-
Exercise price	R0.00	-
Expected vesting rate	80 %	-

19. Defined benefit plan reserve

The reserve is a result of the actuarial gains / (losses) on the defined benefit plan.

Opening balance	(489)	91
Movement through other comprehensive (loss) / income	(478)	(580)
Closing balance	(967)	(489)

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20. Loans and borrowings		
Held at amortised cost		
Land Bank term loan	392 476	448 288
Land Bank Plywood Expansion project loan	272 538	339 088
Mondi Timbers (Wood Products) Proprietary Limited	-	3 333
Absa Capital fund loan	9 627	10 324
Fulcrum Group Proprietary Limited	2 644	1 658
Land Bank Press loan	31 202	-
Loan raising fee	(1 777)	(1 400)
Instalment sale agreements	97 885	111 011
	804 595	912 302
Non-current liabilities		
At amortised cost	636 836	731 498
Current liabilities		
At amortised cost	167 759	180 804
Total loans and borrowings	804 595	912 302

Land Bank term loan: This loan bears interest at a rate of 9.50% (2017: 10%), being prime less 0.5% at 30 June 2018 (2017: prime less 0.5%) per annum, and is payable monthly in arrears over ten years, of which four are remaining.

Land Bank Plywood Expansion Project loan: This loan bears interest at a rate of 9.50% (2017: 10%), being prime less 0.5% at 30 June 2018 (2017: prime less 0.5%) per annum and is payable monthly in arrears, after an interest and capital holiday for the first 12 months, and a capital holiday for the second 12 months, over seven years, of which three are remaining.

Land Bank Press loan: This loan bears interest at a rate of 9.50% (prime less 0.50%) per annum and is payable monthly in arrears, over five years and six months, of which five years and five months are remaining.

The Group has to comply with loan covenants on a regular basis.

Security over the Land Bank and Land Bank Plywood Expansion Project loans:

- 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 58 050 (2017: 58 050) hectares as recorded in notes 3 and 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.
- A notarial covering bond(s) over the movable assets of the Borrower, in respect of the Sabie plywood plant for an amount of R306 million in favour of the Security SPV Guarantor.
- Certain additional freehold land and biological assets of the Borrower as agreed by the Land Bank and the Borrower, secured by the existing mortgage and notarial collateral covering bonds of R1.4 billion.

Fulcrum Group: The loan is repayable in 10 instalments of R2.6 million (2017: R1.7 million) with the last instalment payable on 1 July 2018 (2017: 1 July 2017). The loan bears interest at 8.08% (2017: 8.58% per annum).

Absa Capital: This loan bears interest at an interest rate of 9.25% (prime less 0.75%) (2017: 9.75% (prime less 0.75%)) per annum and is payable in monthly instalments of R138 878 in arrears, over a period of ten years of which eight are remaining.

Loan raising fees: The Land Bank loan raising fee is amortised over the period of the loan using the effective interest method. The amortised amount is included in finance expenses (refer note 29).

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20. Loans and borrowings (continued)

Instalment sale agreement obligation: These liabilities consist of 121 (2017: 114) instalment sale agreements, payable over a period of five years at effective interest rates of 8% - 10% (2017: 8.13% - 10.50%) per annum. The liabilities are secured by plant and equipment and motor vehicles with a carrying value of R101.2 million (2017: R104.8 million), refer note 5. These instalment sale agreements have no escalation clauses. Repayments are as per the relevant instalment sale agreements.

Instalment sale agreement obligation

- within one year	40 373	39 281
- in second to fifth year inclusive	73 195	93 739
Total	113 568	133 020
Less: future finance charges	(15 682)	(22 009)
Present value of minimum instalment sale agreement payments	97 886	111 011

Present value of minimum instalment sale agreement payments

- within one year	32 276	29 720
- in second to fifth year inclusive	65 610	81 291
	97 886	111 011

Measurement

Loans and borrowings are measured at amortised cost.

21. Provisions

Reconciliation of provisions - 2018

	Opening balance	Re- assessment of provision	Total
Environmental liability	13 900	723	14 623

Reconciliation of provisions - 2017

	Opening balance	Re- assessment of provision	Total
Environmental liability	13 114	786	13 900

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 the amount is re-assessed. The expected timing of the outflow of economic benefits is estimated to be during the next two to five years.

The re-assessment in the current year comprises an inflation adjustment only. Consistent with the prior year an increase based on an inflation rate of 5.2% has been applied.

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22. 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 Chief Operating Decision Maker (CODM). The CODM at the reporting date is senior management and the Executive Committee members. The responsibility of the CODM is to assess performance and to make resource allocation decisions related to the individual operations of the Group. The segment financial information provided to and used by the CODM forms the basis of the segment disclosure in these consolidated annual financial statements.

The business is considered from an operating perspective based on the products cultivated or produced and sold. The operating segments comprise:

- **Processing plants:** 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:** Four sawmills located in close proximity to Sabie, Graskop, White River and Warburton produce and sell a broad range of structural and industrial sawn timber products.
 - **Plywood:** A plywood plant in Sabie manufactures and sells plywood timber products.
- **Forestry and Fleet:** 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. Fleet Solutions owns heavy motor vehicles used to transport logs.
- **Wholesale:** The Group has eight distribution centres located in Pretoria, Germiston, Polokwane, Bloemfontein, Port Elizabeth, Durban, Uptington and Cape Town, that sell timber-related products from the sawmills, plywood plant and external suppliers.

The Group operates in three geographical areas, namely South Africa, countries in the Southern Africa Development Community (SADC) and non-SADC regions. Refer to the section on credit risk in note 38 for disclosure on major customers.

Performance in internal management reports is measured based on earnings before interest, taxation, depreciation and amortisation (EBITDA). Management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate in the industry.

The amounts included in the internal management reports are measured in a manner consistent with the consolidated annual financial statements.

The segment assets and liabilities are not separately disclosed as this information is not presented to the CODM. All non-current assets owned by the Group are located in South Africa.

Transactions between segments are done at arm's length.

The segment information for the year ended 30 June 2018:

2018	Processing plants	Wholesale	Forestry and Fleet	Total
Revenue: external sales	1 165 551	594 667	54 809	1 815 027
Revenue: inter-segment sales	344 862	-	739 547	1 084 409
	1 510 413	594 667	794 356	2 899 436
Depreciation, amortisation and impairments	(55 490)	(1 737)	(20 593)	(77 820)
Reportable segment profit*	81 522	7 537	162 892	251 951
Material non-cash items:				
Fair value adjustment to biological assets	-	-	77 303	77 303
Capital expenditure	38 294	6 469	17 621	62 384

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22. Operating segments (continued)

2017	Processing plants	Wholesale	Forestry	Total
Revenue: external sales	1 245 719	523 233	60 699	1 829 651
Revenue: inter-segment sales	252 837	-	708 406	961 243
	1 498 556	523 233	769 105	2 790 894
Depreciation, amortisation and impairments	(69 269)	(1 782)	(18 726)	(89 777)
Reportable segment profit*	137 738	21 759	95 900	255 397
Material non-cash items:				
Fair value adjustment to biological assets	-	-	436 494	436 494
Capital expenditure	110 923	3 426	27 468	141 817
Revenue per geographical area				
South Africa			1 499 236	1 592 917
Southern Africa Development Community (SADC)			179 166	215 602
International (Non-SADC)**			139 207	24 286
Total			1 817 609	1 832 805

* Being earnings before interest, taxation, depreciation and amortisation and fair value adjustments (EBITDA)

** International sales refer to plywood sales to the United Kingdom, Belgium, Italy and the United States of America.

Reconciliation of reportable segment revenue and profit:

Revenue		
Total revenue for reportable segments	2 896 215	2 790 894
Other revenue	2 582	3 154
Elimination of inter-segment revenue	(1 081 188)	(961 243)
Consolidated revenue	1 817 609	1 832 805
Profit		
Total EBITDA for reportable segments	251 951	255 397
Depreciation, amortisation and impairment	(81 406)	(94 732)
Unallocated amounts	25 021	(9 296)
Operating profit	195 566	151 369

Refer to note 38 where sales to the three largest customers are disclosed. Refer also to note 27, where the components of operating profit are disclosed.

23. Trade and other payables

Trade payables	239 179	229 315
Amounts received in advance	-	2
Value Added Tax payable	1 910	3 996
Payroll related accruals	81 718	66 222
Operating lease payables	856	1 148
Deposits received	10	1
Total	323 673	300 684

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24. Revenue		
Sale of goods	1 810 652	1 823 683
Rendering of services	5 678	8 147
Rental income on investment property	969	734
Other rental income	-	155
Other revenue	310	86
Total	1 817 609	1 832 805
25. Other operating income		
Profit on sale of assets	15	-
Other rental income	2 805	4 869
Bad debts recovered	1	28
Sundry income	4 202	4 119
Insurance claims	13 517	-
Scrap sales	2 026	2 469
Other income	531	141
	23 097	11 626
26. Other operating gains / (losses)		
Gains / (losses) on disposals, scrappings and settlements		
Property, plant and equipment	(177)	(175)
Bargain purchase	747	-
	570	(175)
Foreign exchange gains / (losses)		
Net foreign exchange gains / (losses)	4 439	(2 849)
Total other operating gains / (losses)	5 009	(3 024)
27. Operating profit		
Operating profit for the year is stated after charging / (crediting) the following, amongst others:		
Auditor's remuneration - external		
Audit fees	4 189	3 407
Other consultation services	698	831
	4 887	4 238
Remuneration, other than to employees		
Administrative and managerial services	304	3 221
Consulting and professional services	15 695	15 678
	15 999	18 899

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Figures in R'000	2018	2017
27. Operating profit (continued)		
Employee costs		
Salaries, wages, bonuses and other benefits	188 542	162 874
Employee cost included in cost of sales	207 635	209 521
Other short-term costs	86	19
Retirement benefit plans: defined contribution expense	-	(3)
Equity settled share-based payment expense	614	-
Cash settled share-based payment (reversal) / expense	(1 109)	1 520
Total employee costs	395 768	373 931
Leases		
Operating lease charges		
Premises	11 465	10 524
Equipment	376	852
	11 841	11 376
Contingent rentals on operating leases		
Equipment	186	74
Total operating lease charges	12 027	11 450
Depreciation and amortisation		
Depreciation of property, plant and equipment	80 937	92 174
Amortisation of intangible assets	469	892
Total depreciation and amortisation	81 406	93 066
Impairment losses		
Property, plant and equipment	-	1 666
Other		
Other operating gains / (losses)	26	5 009
Research and development costs	64	(3 024)
		166
28. Investment income		
Interest income		
From investments in financial assets:		
Bank and other cash	3 012	9 070
Other financial assets	1 887	2 105
Total interest income	4 899	11 175
Interest was generated from the loans and receivables class of financial assets.		
29. Finance costs		
Trade and other payables	3	5
Interest on loans and borrowings held at amortised cost	79 890	87 630
Loan raising fee - amortised	1 093	405
Other interest paid	814	555
Total	81 800	88 595

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30. Other non-operating gains

Fair value gains / (losses)

Biological assets	77 303	436 494
Fair value adjustment of step acquisition	(5 976)	-
	71 327	436 494

31. Taxation

Major components of the tax expense

Current

Local income tax: current period	16 086	4 441
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Deferred

Deferred tax: current period	34 172	138 716
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Total	50 258	143 157
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Reconciliation of the tax expense

Reconciliation between the applicable tax rate and the average effective tax rate.

Applicable tax rate	28,00 %	28,00 %
Legal fees, fines and penalties	0,68 %	0,22 %
Learnership agreements	(0,65)%	(0,25)%
Business combination	0,77 %	- %
Inter-group eliminations	- %	0,08 %
Prior year under provision	(2,35)%	- %
	26,45 %	28,05 %

The income tax rate of 28% remains unchanged.

Taxation related to components of other comprehensive income

Remeasurements of defined benefit liability	185	226
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Figures in R'000	2018	2017
32. Cash used in operations		
Profit before taxation	189 992	510 443
Adjustments for:		
Depreciation and amortisation	81 406	93 066
(Gains) / losses on disposal of assets and bargain purchase	(570)	175
(Profit) / loss on foreign exchange	(4 439)	2 849
Interest income	(4 899)	(11 175)
Finance costs	80 707	88 595
Fair value gains	(71 327)	(436 494)
Impairments of property, plant and equipment	-	1 666
Movements in operating lease liabilities	326	1 335
Movements in retirement benefit liabilities	433	518
Movements in provisions	723	786
Share-based payment expense: equity	614	1 520
Share-based payment expense: cash	(1 109)	-
Changes in working capital:		
Inventories	43 074	(100 234)
Trade and other receivables	(51 195)	18 534
Trade and other payables	22 684	(1 605)
	286 420	169 979
33. Tax paid		
Balance at the beginning of the year	7 472	8 181
Current tax recognised in profit or loss	(16 086)	(4 441)
Adjustment in respect of businesses acquired during the year	12	-
Balance at the end of the year	(3 348)	(7 472)
Total	(11 950)	(3 732)

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34. Business combinations

Aggregated business combinations

Property, plant and equipment	6 207	-
Trade and other receivables	442	-
Current tax receivable	12	-
Cash and cash equivalents	859	-
Deferred tax	(2 447)	-
Trade and other payables	(302)	-
Loan from related parties	(3 054)	-
Total identifiable net assets	1 717	-
Fair value adjustment of step acquisition	5 976	-
Bargain purchase in a business combination	(747)	-
	6 946	-

Consideration paid

Cash	(10 000)	-
Related party loan acquired	3 054	-
	(6 946)	-

Net cash outflow on acquisition

Cash consideration paid	(6 946)	-
Cash acquired	859	-
	(6 087)	-

Acquisition of Mbulwa Estates Proprietary Limited

On 31 January 2018 York Timbers Proprietary Limited acquired the remaining 50% equity interest in Mbulwa Estates Proprietary Limited from Mondi Timber (Wood Products) Proprietary Limited, which resulted in a change from an investment in joint venture to a wholly owned subsidiary.

The bargain purchase of R0.7 million was the result of assets at fair value exceeding the consideration paid.

35. Commitments

Authorised capital expenditure

Already contracted, but not provided for:

- Property, plant and equipment 11 139 20 267

Not yet contracted for:

- Property, plant and equipment 10 149 13 022

This committed expenditure will be financed through existing cash resources, available loan 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 require further approval before they commence.

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36. Related parties

Relationships

Subsidiaries

York Timbers Proprietary Limited

Agentimber Proprietary Limited

Inland Realty Proprietary Limited*

Sonrach Properties Proprietary Limited

Global Forest Products Proprietary Limited*

Madiba Forest Products Proprietary Limited

Madiba Timbers Proprietary Limited

South African Plywood Proprietary Limited*

York Timbers Energy (RF) Proprietary Limited**

York Fleet Solutions Proprietary Limited

York Timbers Botswana Proprietary Limited

York Timbers Chile Limitada

York Timbers Community Proprietary Limited

York Timbers Staff Proprietary Limited

Mbulwa Estates Proprietary Limited

York Power (RF) Proprietary Limited

York Carbon Proprietary Limited**

Partner in joint operation

Mondi Timbers (Wood Products) Proprietary Limited (2017)

Joint operation

Mbulwa Estate Proprietary Limited (2017)

Directors

Refer to note 37

All of the companies are incorporated and domiciled in the Republic of South Africa, except for York Timbers Chile Limitada and York Timbers Botswana Proprietary Limited which are incorporated and domiciled in Chile and Botswana, respectively. The holdings in and voting power of York Timber Holdings Limited in all subsidiaries is 100%, except in York Timbers Energy (RF) Proprietary Limited and York Carbon Proprietary Limited, where it is 88% and 51%, respectively.

* The Company has a direct investment in these companies. All other companies are indirect investments.

** Non-controlling interest in the subsidiary amounts to 61% (equivalent to an amount of R169). Non-controlling interest is not disclosed in the Group's consolidated annual financial statements as this amount is less than one thousand Rand.

Transactions between York Timber Holdings Limited and the respective subsidiaries, which are related parties, have been eliminated on consolidation.

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36. Related parties (continued)

Related party transactions

Purchases from / (sales to) related parties

Agentimber Proprietary Limited	(343 955)	(252 601)
York Timbers Proprietary Limited	343 955	252 601
Agentimber Proprietary Limited	907	235
York Timbers Proprietary Limited	(907)	(235)
York Fleet Proprietary Limited	(3 221)	-
York Timbers Proprietary Limited	3 221	-

Rent paid to / (received from) related parties

Sonrach Properties Proprietary Limited	3 000	3 000
Agentimber Proprietary Limited	(3 000)	(3 000)

Administration fees paid to / (received from) related parties

Agentimber Proprietary Limited	(11 079)	(9 450)
York Timbers Proprietary Limited	11 079	9 450
Sonrach Proprietary Limited	(176)	-
York Timbers Proprietary Limited	176	-

Recoveries paid to / (received from) related parties

York Timber Holdings Limited	5 948	5 013
York Timbers Proprietary Limited	(5 948)	(5 013)

37. Directors' emoluments

Payments to executive directors

2018

	Basic salary	Other cash benefits	Bonus	Settlement of long term incentive	Retention payment *	Total
PP van Zyl (Chief Executive Officer)	5 020	993	1 803	-	10 000	17 816
JPF van Buuren (Chief Financial Officer) until November 2017	1 661	206	-	-	-	1 867
GCD Stoltz (Chief Financial Officer) from December 2017	793	80	2 000	495	-	3 368
Total	7 474	1 279	3 803	495	10 000	23 051

2017

	Basic salary	Other cash benefits	Bonus	Settlement of long term incentive	Retention payment*	Total
PP van Zyl (Chief Executive Officer)	4 626	942	-	-	5 213	10 781
JPF van Buuren (Chief Financial Officer)	1 901	484	-	-	-	2 385
Total	6 527	1 426	-	-	5 213	13 166

* The retention payment was awarded in lieu of share appreciation rights that expired at maturity date at no value.

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37. Directors' emoluments (continued)

Share based payment (Rand) granted to executive directors

2018 - Equity settled share based payment

	Awards held at the beginning of the year	Awarded/ (exercised/ forfeited)	Awards held at the end of the year	Strike price	Total value provided at the end of the year
GCD Stoltz	-	752	752	-	123

Cash settled share based payment	Type of award	Awards held at the beginning of the year	Awarded/ (exercised/ forfeited)	Awards held at the end of the year	Strike price	Total value at the end of the year
JPF van Buuren	5	600	(600)	-	3,60	-
	6	600	(600)	-	2,59	-
		1 200	(1 200)	-		-

2017 - Cash settled share based payment

	Type of award	Awards held at the beginning of the year	Awarded/ (exercised/ forfeited)	Awards held at the end of the year	Strike price	Total value at the end of the year
PP van Zyl	3	22 313	(22 313)	-	3,64	-
JPF van Buuren	5	600	-	600	3,60	282
	6	600	-	600	2,59	376
Total		23 513	(22 313)	1 200		658

Payments to non-executive directors

2018

	Directors' fees
Dr JP Myers (Chairman)	803
PC Botha	372
Dr A Jammie	353
S Meer	235
D Mncube	374
T Mokgatla	310
M Mouyeme	310
G Tipper	372
Total	3 129

2017

	Directors' fees
Dr JP Myers (Chairman)	733
PC Botha	338
Dr A Jammie	338
S Meer	196
D Mncube	338
T Mokgatla	275
M Mouyeme	275
G Tipper	338
Total	2 831

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38. Risk management

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure consists of debt, which includes borrowings (excluding derivative financial liabilities) disclosed in note 20, cash and cash equivalents disclosed in note 15, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Group 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 Group monitors capital on the basis of the gearing percentage.

All covenant targets were met at year-end and no breaches were identified.

The gearing percentages at 30 June 2018 and 2017, respectively, were as follows:

Total borrowings

Loans from related parties	8	-	1 527
Loans and borrowings	20	804 595	912 302
		804 595	913 829
Less: Cash and cash equivalents	15	152 030	159 347
Net debt		652 565	754 482
Total equity		3 132 435	2 992 565
Total capital		3 785 000	3 747 047

Gearing percentage

17 %

20 %

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38. Risk management (continued)

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 financial risks. Furthermore, quantitative disclosures are included throughout the consolidated 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, implementing and monitoring the Group's risk management policies. The Group's executives report regularly to the Board of Directors on these 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.

The Board has a Risk and Opportunity Committee, which oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Risk and Opportunity 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 senior managers and 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 Committee also receives reports from independent consultants and receives presentations from advisors on current and forecast economic conditions.

The Group's forecast financial risk position with respect to key financial objectives and its compliance with treasury policies 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 Committee.

The Group's objectives, policies and processes for managing risks arising from financial instruments have not changed from the previous reporting period.

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38. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the 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 ensuring an 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 to note 15.

The Group's liquidity risk is a function 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 and unutilised borrowing facilities are maintained and 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 date of 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.

At 30 June 2018	Less than 1 year	Between 1 and 5 years	After 5 years
Loans and borrowings	234 836	729 835	8 468
Trade and other payables	321 748	-	-
Bank overdraft	9	-	-
At 30 June 2017	Less than 1 year	Between 1 and 5 years	After 5 years
Loans and borrowings	262 673	873 465	7 359
Trade and other payables	296 688	-	-
Cash settled share based payment	8 080	-	-
Loans from related parties	1 527	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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38. 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.

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 30% (2017: 30%) of the Group's revenue is attributable to sales transactions with three (2017: three) multi-national customers. These are customers of the mills.

Customer	Percentage of	
	revenue	revenue
A	14 %	13 %
B	9 %	8 %
C	7 %	9 %
	30 %	30 %

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 Ltd (CGIC). The total credit limit guaranteed by CGIC is R100 000 000, with a deductible annual aggregate of R0.5million.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Financial instrument	2018	2017
Trade and other receivables	248 343	206 300
Other financial assets	39 707	31 965
Cash and cash equivalents	152 039	159 347
Forward exchange contract	-	237

The fair value of the financial assets approximates their carrying value.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

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38. Risk management (continued)

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 at variable rates expose the Group to cash flow interest rate risk, while borrowings at fixed rates expose the Group to fair value interest rate risk. The Group does not have a policy to hedge long term interest rate risk and will only make use of hedging instruments to reduce the short-term sensitivity of the Group to interest rate changes.

The impact on post-tax profit and equity of a 1% shift in the interest rate on liabilities that represent the major interest-bearing positions would be a R7 million (2017: R7 million) increase or decrease.

Variable interest rate

Loans and borrowings	806 372	912 302
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Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in two to five years	Due in longer than five years
Landbank Term loan	9,50 %	99 240	379 561	-
Landbank PEP loan	9,50 %	87 164	239 409	-
Absa Capital loan	9,25 %	1 620	6 480	5 805
Instalment sale agreement	8% - 10%	40 294	73 582	-
Fulcrum loan	8,08 %	2 644	-	-
Landbank Press loan	9,50 %	6 518	30 802	2 663

Foreign exchange risk

The Group operates in 3 geographical segments, namely South Africa, countries within the SADC and non-SADC regions. All sales transactions with customers in the SADC countries are denominated in SA Rand and do not expose the Group to currency risks. Transactions with non-SADC countries are denominated in US Dollar and Euro.

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 items denominated in USD or Euro were 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 foreign exchange 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 foreign exchange profit of R4.4 million (2017: R2.8 million loss) was realised. At the reporting date, forward exchange contracts of Euro 0 million (2017: Euro 0.7 million) were outstanding and the unrealised foreign exchange gain / (loss) on the forward exchange contracts was R0 million (2017: R0.2 million loss). At year end the company's foreign USD bank account amounted to USD 3.6 million (2017: USD 0.1 million and EUR 0.5 million).

All of the Group's subsidiaries are local, except for York Timbers Chile Limitada and York Timbers Botswana Proprietary Limited, which are incorporated and domiciled in Chile and Botswana. The Group has not hedged these investments as the entities do not trade.

The Group's borrowings and cash deposits are all denominated in SA Rand, USD and Euro.

A 100 basis point change in the Rand/USD and Rand/Euro exchange rates will result in a R0 million (2017: Rand/Euro and Rand/USD exchange rate will result in a R0.1 million) impact on profit or loss and equity on outstanding forward exchange contracts.

A 100 basis point change in the Rand/USD exchange rate will result in a R0.5 million (2017: Rand/Euro and Rand/USD exchange rate will result in a R0.1 million) impact on profit or loss and equity for foreign bank accounts at year end.

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38. 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 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 the reporting date.

Financial assets at fair value through profit or loss 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).
- 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:

Financial instrument	2018 Level 1	2018 Level 2	2017 Level 1	2017 Level 2
Other financial assets	-	39 707	1 500	30 465

The level 2 financial asset is not listed and an average interest rate of 5.50% (2017: 6.66%) was used to calculate interest earned on the deposit balance.

During the reporting period, no transfers were 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 9.5% (2017: 10%), at the reporting date.

39. Going concern

The consolidated annual financial statement have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

40. Events after the reporting period

The directors are not aware of any material events not in the ordinary course of business that occurred after the reporting date and up to the date of this report.

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Figures in R'000	2018	2017
41. Earnings per share		
The calculation of basic earnings per share is based on:		
Basic earnings attributable to ordinary shareholders	139 734	367 286
Reconciliation of weighted average number of ordinary shares (Thousands)		
Issued number of shares	316 048	316 048
Bonus element of share based payment	826	-
Shares repurchased	-	1 161
Weighted average number of ordinary shares	316 874	317 209
Earnings per share (cents)	44	116
Diluted earnings per share (cents)	44	116

The bonus element of the share based payment had a dilutive effect on the shares (2017: none).

42. Headline earnings per share

Reconciliation of basic headline earnings per share is based on:		
Basic earnings attributable to ordinary shareholders	139 734	367 286
Loss on sale of assets	178	175
Tax on profit on sale of assets	(50)	(49)
Impairment of plant, equipment and vehicles	-	1 666
Tax on impairment of plant, equipment and vehicles	-	(466)
Bargain purchase	(747)	-
Fair value adjustment on deemed disposal of joint arrangement	5 976	-
Headline earnings for the year	145 091	368 612
Weighted average number of ordinary shares	316 874	317 209
Headline earnings per share (cents)	46	116
Diluted headline earnings per share (cents)	46	116

The bonus element of the share based payment had a dilutive effect on the shares (2017: none).

43. Core earnings per share

Reconciliation of core earnings per share is based on:		
Basic earnings attributable to ordinary shareholders	139 734	367 286
Fair value adjustment on biological assets	(77 303)	(436 494)
Tax on fair value adjustment on biological assets	21 645	122 218
Core earnings for the year	84 076	53 010
Weighted average number of ordinary shares	316 874	317 209
Core earnings per share (cents)	27	17
Diluted core earnings per share (cents)	27	17

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