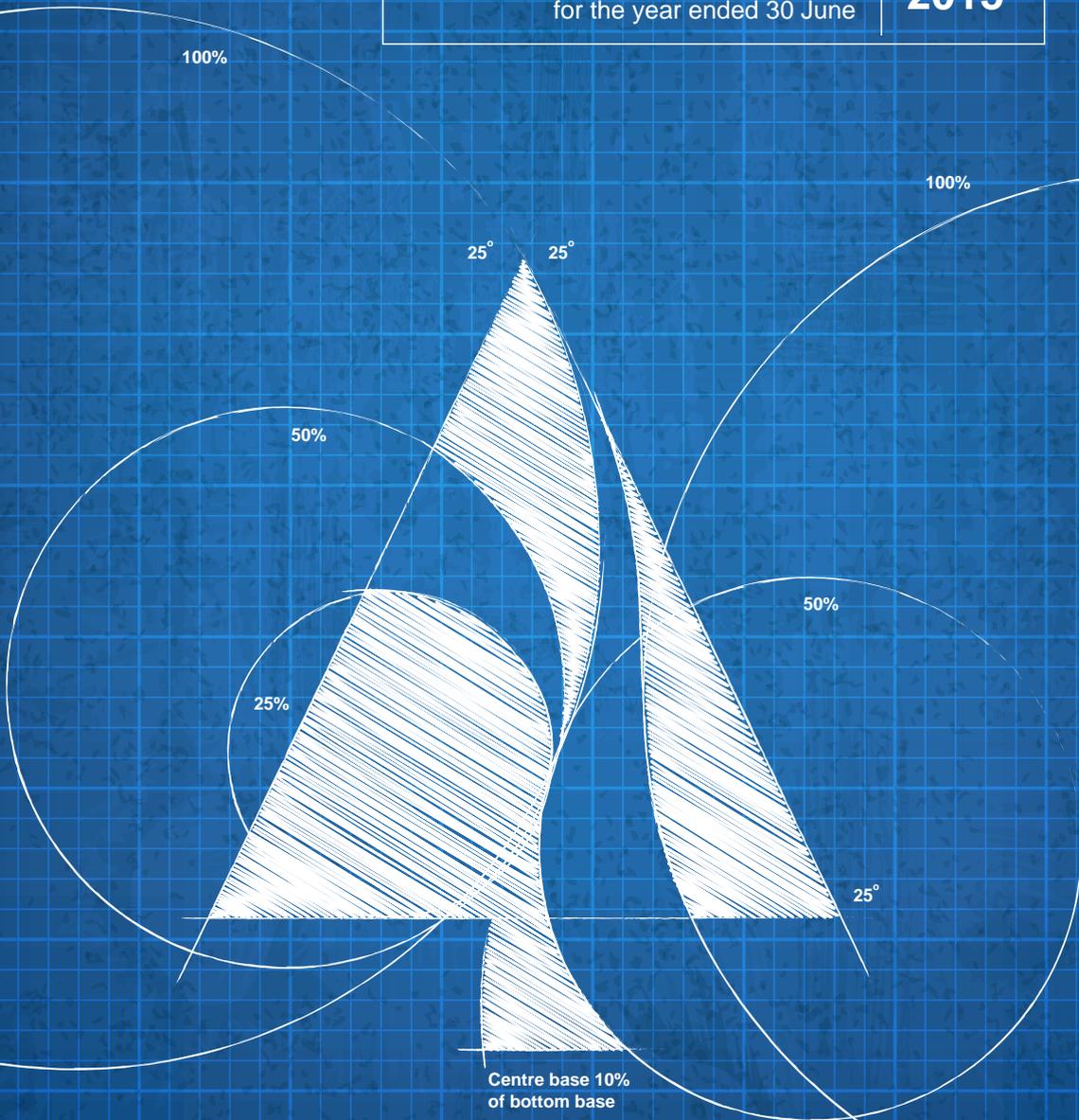


INTEGRATED ANNUAL REPORT
for the year ended 30 June

2015



ABOUT THIS REPORT

We are pleased to present to stakeholders our integrated annual report for the year ended 30 June 2015.

SCOPE

The scope of this report covers the performance of the Group in the period under review. We are confident that our integrated annual report will provide the basis for meaningful engagement with our stakeholders in the year ahead. This is our principal communication to stakeholders and is aimed primarily at providers of financial capital, being both our current and potential shareholders. In addition, we aim to inform all stakeholders interested in our ability to create value over time.

This report contains comprehensive information on our financial performance, stakeholders, governance, material issues, risks and opportunities and how these influence our strategic objectives. We show how we create value and how we will ensure that our value creation is sustainable.



See the section "About York Timbers", which starts on page 2.



See the section "Governance and sustainability", which starts on page 74.

RESPONSIBILITY FOR THIS INTEGRATED ANNUAL REPORT

This report was prepared under the supervision of the Company Secretary, Sue Hsieh LLB, and Chief Financial Officer, Pieter van Buuren BCom Hons CMA CA(SA).

The Board is ultimately responsible for ensuring the integrity of the integrated annual report, assisted by the Audit Committee and further supported by management, which convened and contracted the relevant skills and experience to undertake the reporting process and provided management oversight. The Board, after applying its collective mind to the preparation and presentation of the report, concluded that it was presented in accordance with the <IR> Framework and approved it for publication on 28 September 2015.

We are committed to improving our reporting further and would appreciate your constructive feedback. Please use our contact details, which can be found on the back cover or by email to: shsieh@york.co.za.

YOUR GUIDE

These icons serve as a guide as to where further information on key areas can be found:



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



This icon accompanies page number references of information in this integrated annual report

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements about York's operations and financial condition. The Company has prepared this report based on information available to it at the time of writing, including information derived from public sources. No representation or warranty, express or implied, is provided in relation to the fairness, accuracy, correctness, completeness or reliability of the information, opinions or conclusions expressed herein.

This report is not intended to be relied upon as advice to investors, potential investors or funders and does not take into account the investment objectives, financial situation or needs of any investor. All investors should consider such factors in consultation with a professional adviser of their choosing when deciding if an investment is appropriate.

The Company undertakes no obligation to update or revise these forward-looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events. Inevitably, some assumptions will not materialise, and unanticipated events and circumstances may affect the ultimate financial results.

Projections are inherently subject to substantial and numerous uncertainties and to a wide variety of significant business, economic and competitive risks, and the assumptions underlying the projections may be inaccurate in any material respect. Therefore, the actual results achieved may vary significantly from the forecasts, and the variations may be material.

CURRENT-YEAR ENHANCEMENTS

We have refined the structure and flow of the information with a clear picture of the **BUSINESS MODEL** and value creation. We also provide more details of our **STRATEGY**.

We have again examined our disclosure on **GOVERNANCE** and given attention to detailing the efforts of each of the Board committees.



The performance and future outlook section, which starts on page 32, provides a more detailed outlook of future plans and expectations, in addition to a critical evaluation of our performance over the past year.

ESTABLISHING MATERIALITY

We define material issues as those which have the potential to substantially impact our ability to create and sustain value for our stakeholders.

The process we adopted to determine the issues material to our business and our stakeholders is aligned with our organisational decision-making processes and our strategies. By applying the principle of materiality, we determined which issues could influence the decisions, actions and performance of the Group.



Material matters and focus areas are discussed on pages 26 and 27 of this report.

We describe the circumstances in which we operate, the key resources and relationships on which we depend, the key risks and opportunities we face and how our key priorities can affect our ability to create and sustain value over time.

REPORTING PRINCIPLES AND ASSURANCE

The information included in the integrated annual report is provided in accordance with International Financial Reporting Standards (IFRS), the South African Companies Act 2008 (Companies Act), the JSE Listings Requirements, as well as the King Code of Governance Principles 2009 (King III) and the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework (<IR> Framework).

We have implemented the Framework as far as practicable and our approach to integrated reporting will continue to evolve over time, in line with the <IR> Framework.

Our external auditor, KPMG Inc., audited the annual financial statements. The Group's broad-based black economic empowerment (BBBEE) rating and scorecard have been verified by an accredited rating agency, Premier Verification Proprietary Limited.

The Audit Committee had oversight of the preparation of the integrated annual report and recommended it for Board approval, which was obtained on 28 September 2015.



Blueprint to York's future

1

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Sustainability
and **quality of raw**
material are key parts
of the **York strategy**



A PLATFORM
FOR **FUTURE**
GROWTH



About **YORK** **TIMBERS**



Organisational overview



York Timber Holdings Limited (York or York Timbers) is listed on the JSE in the Forestry and Paper Index sector under the share code YRK. The Company was incorporated in 1916 and has been listed on the JSE since 1946.

York is an integrated forestry company, operating through its wholly owned subsidiaries, York Timbers Proprietary Limited that owns plantations, processing plants and Agentimber Proprietary Limited runs a wholesale distribution network.

YORK HAS THE LARGEST MARKET SHARE OF THE SOUTH AFRICAN TIMBER AND PLYWOOD MARKET.

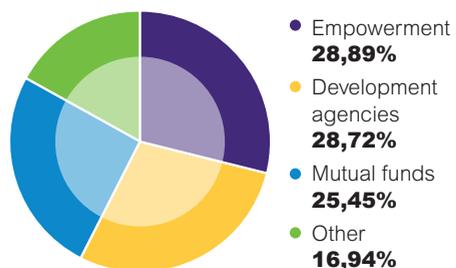
This share in the market is a result of York's sustainable biological assets, integrated with both primary and value-added processes.



SHARES

AUTHORISED: **600 MILLION**
ISSUED: **331 240 597**

SHAREHOLDING

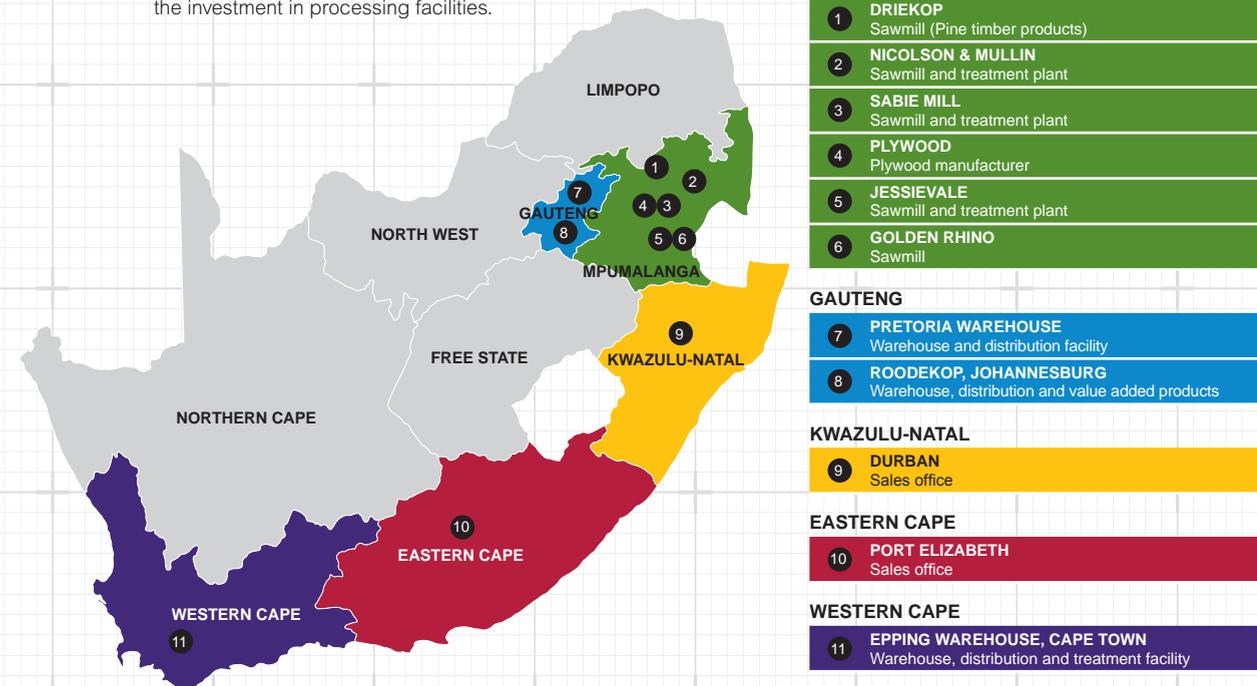


BOARD COMPOSITION



YORK'S OPERATIONAL FOOTPRINT

- Sabie and Jessievale sawmills are ideally situated next to timber supply from York as well as from external resources.
- Processing plants are well positioned to service the Southern African market.
- Sustainable raw material supply underpins the investment in processing facilities.



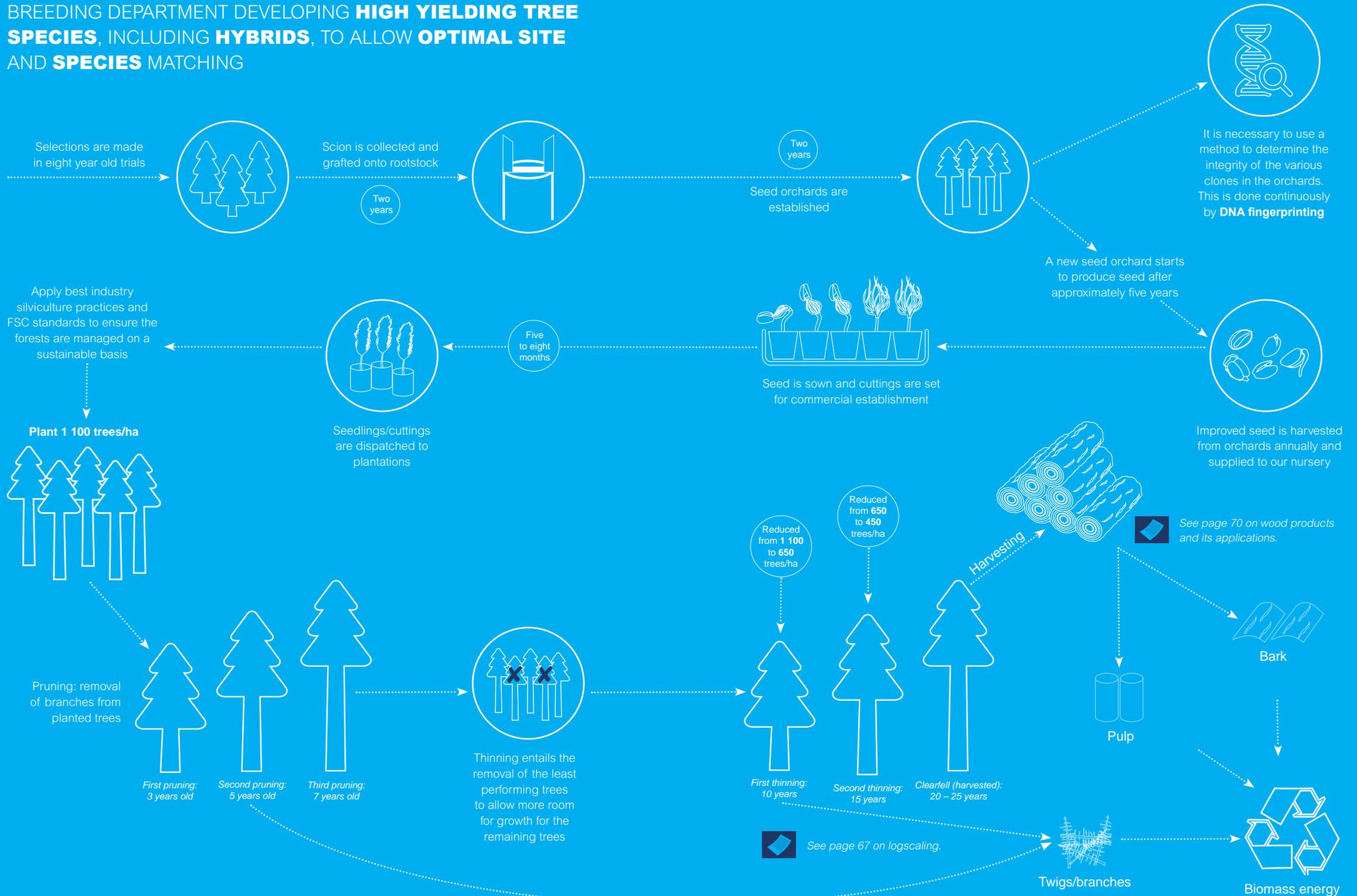
60 470HA
OF FOREST STEWARDSHIP
COUNCIL CERTIFIED
PLANTATIONS OF WHICH

54 136HA OF PINE
AND 2 906HA OF EUCALYPTUS
WERE PLANTED AT YEAR-END



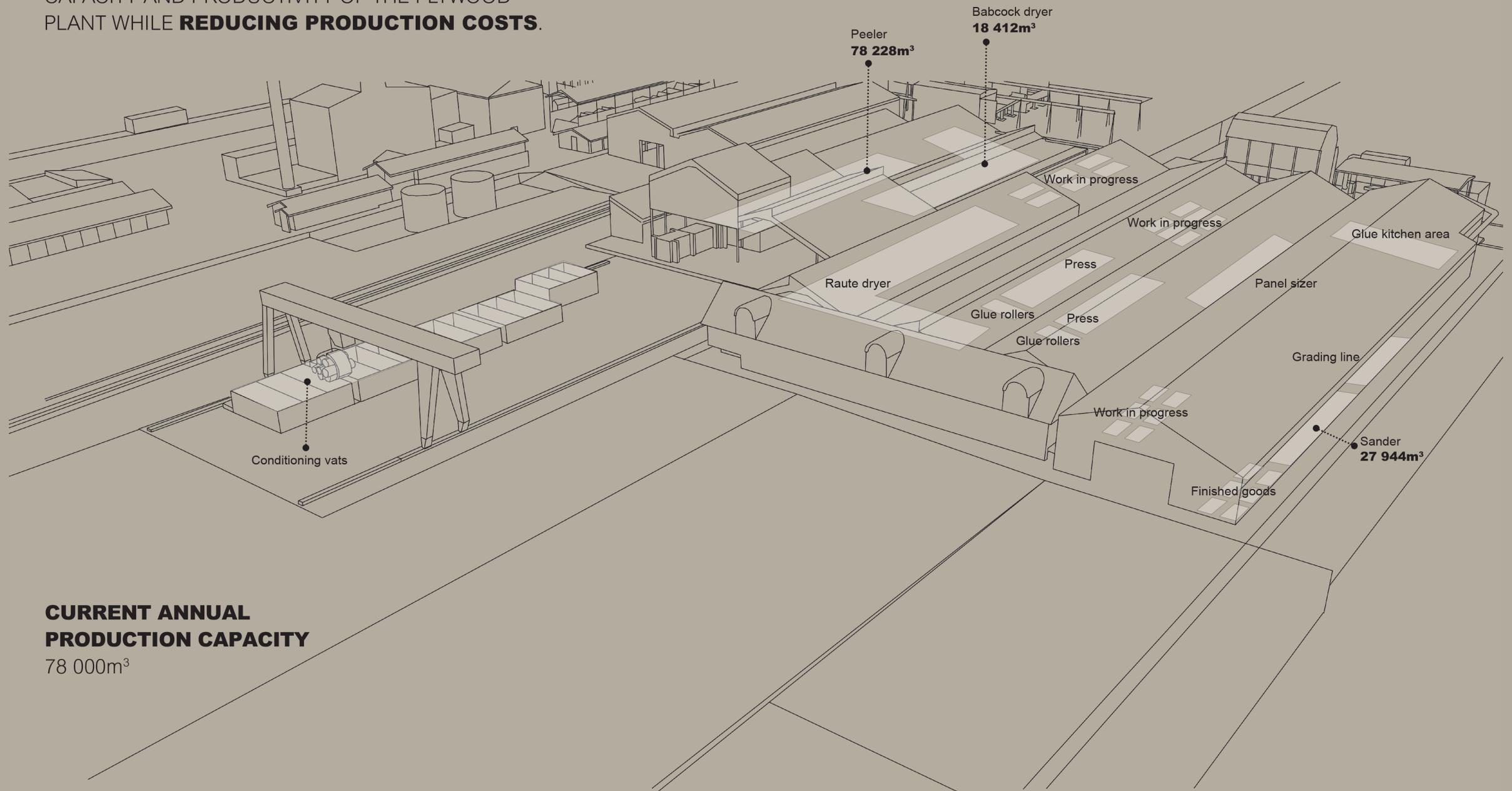
From seeds to sales

BREEDING DEPARTMENT DEVELOPING **HIGH YIELDING TREE SPECIES**, INCLUDING **HYBRIDS**, TO ALLOW **OPTIMAL SITE AND SPECIES** MATCHING



BEFORE

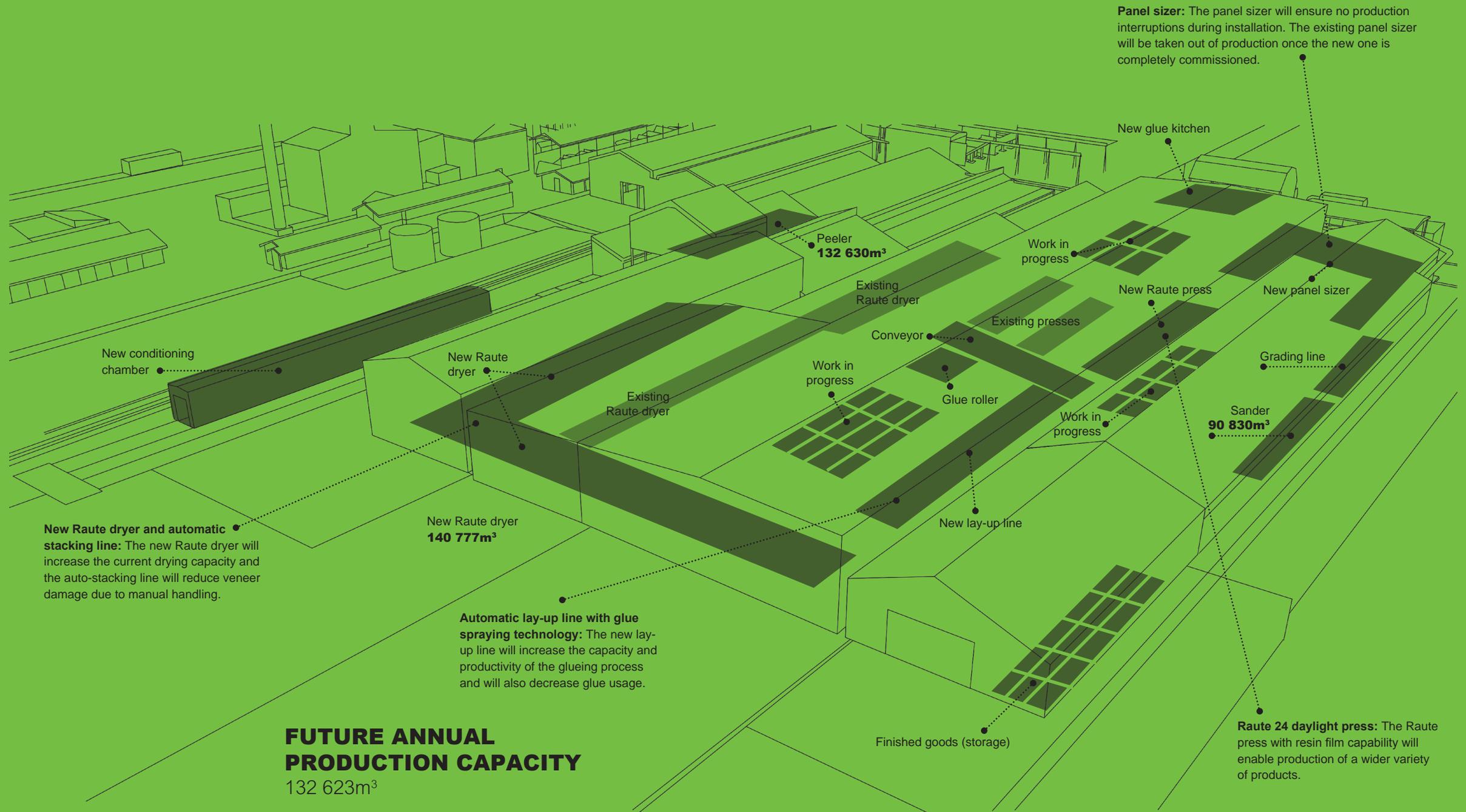
THE AIM OF THE **PLYWOOD EXPANSION PROJECT** IS TO **INCREASE COMPETITIVENESS** BY INCREASING THE OVERALL PRODUCTION CAPACITY AND PRODUCTIVITY OF THE PLYWOOD PLANT WHILE **REDUCING PRODUCTION COSTS**.

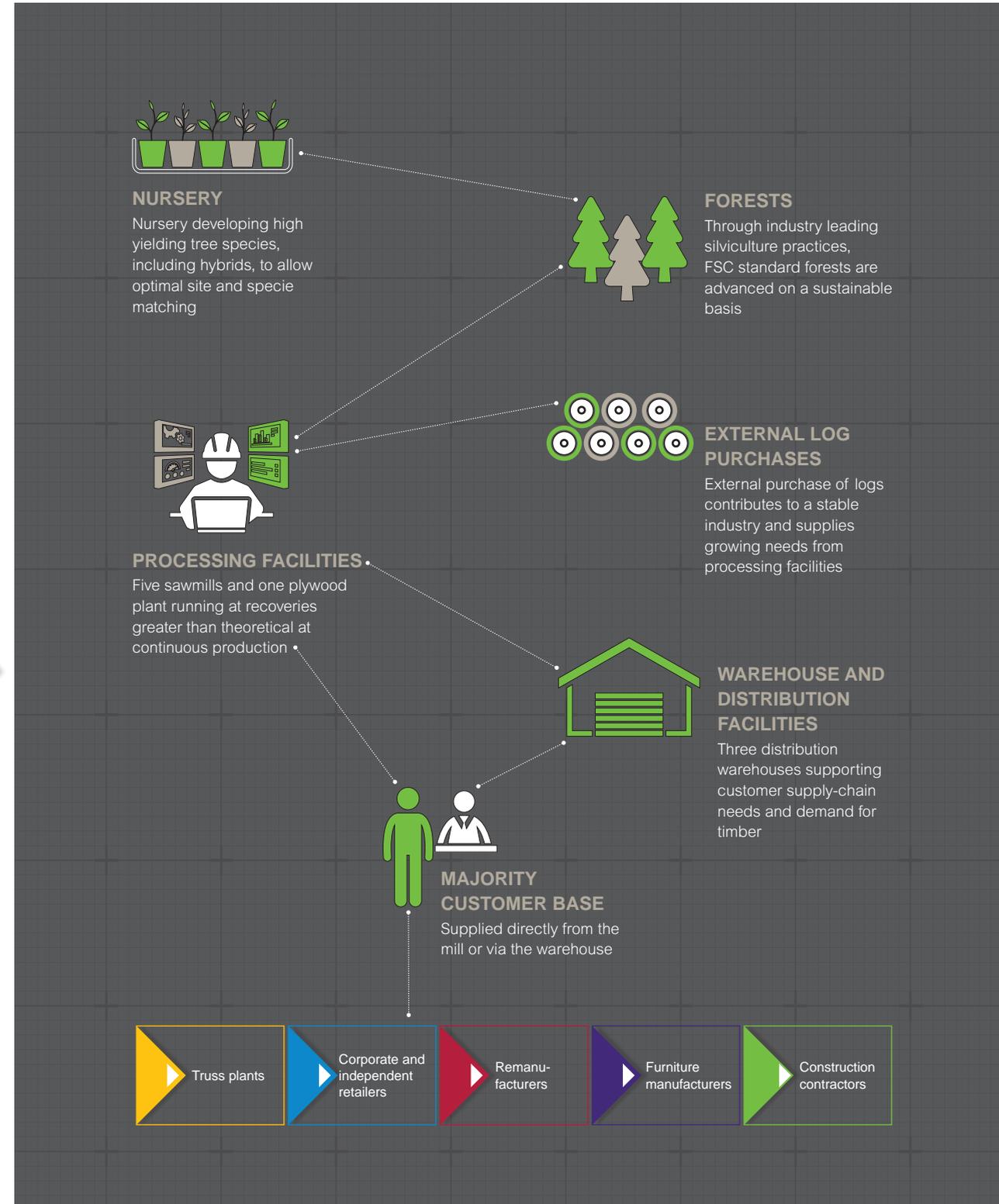


CURRENT ANNUAL PRODUCTION CAPACITY
78 000m³

Capacity is indicated next to the named equipment/machinery.

AFTER





York STRATEGY

Prioritise clear measurable milestones as **defined** within the growth path

Ensure alignment throughout York and strive for **goal congruence**

Tenaciously seeking **market growth** and **expansion opportunities**

Continuous **benchmarking** to remain **internationally competitive** and **enhance** competitiveness to **embed** the **sustainability** of York

Continue to **evaluate** and manage our **business** on a **performance driven** basis

Strategy

Capitals	Strategic objectives	Material issues	Strategic response	Key performance indicators (KPIs)*	Stakeholders**
 NATURAL	Protect and grow the biological asset in order to extract optimal use on a sustainable basis	<ul style="list-style-type: none"> • Fire • Animals • Stock control • Locality • Quality • Log mix 	<ul style="list-style-type: none"> • Fire protection • Site optimisation • Species • Hybrids • Yield/fibre optimisation • Value-added products • External log purchases 	<ul style="list-style-type: none"> • Value of biological asset • Yields • Total forestry area under control • Temporary unplanted area (TUP) 	<ul style="list-style-type: none"> • Investors • Community
 MANUFACTURED	Expand and utilise facilities optimally, both in function and in location	<ul style="list-style-type: none"> • Load shedding • Strikes • Locality 	<ul style="list-style-type: none"> • Capital expenditure • Single site • Plywood plant upgrade • Biomass power plant • Distribution channels • Service levels • Locality 	<ul style="list-style-type: none"> • Capital expenditure • Average selling price • Market share • Energy and other utility utilisation 	<ul style="list-style-type: none"> • Investors • Customers • Suppliers • Staff
 INTELLECTUAL	Deliver the best products as efficiently as possible	<ul style="list-style-type: none"> • Fibre optimisation • Efficiency 	<ul style="list-style-type: none"> • Hybridisation • Digitisation • Mechanisation • Diversify earnings base 	<ul style="list-style-type: none"> • Value of biological asset • New products launched • Diversified product mix 	<ul style="list-style-type: none"> • Investors • Staff
 HUMAN	Attract, develop and stimulate the right minds	<ul style="list-style-type: none"> • Unions • Political activity • New skills 	<ul style="list-style-type: none"> • Skills in line with manufacturing • Environment 	<ul style="list-style-type: none"> • Staff turnover • People trained • Safety statistics • Clinic statistics 	<ul style="list-style-type: none"> • Staff
 SOCIAL	Mindful of the greater community affected by our operations	<ul style="list-style-type: none"> • Community involvement • Upliftment • BBBEE 	<ul style="list-style-type: none"> • Community • Social club 	<ul style="list-style-type: none"> • CSI spend • Training programmes 	<ul style="list-style-type: none"> • Staff • Community • Media
 FINANCIAL	Deliver a sustainable return to shareholders	<ul style="list-style-type: none"> • Return on investment • Sustainability 	<ul style="list-style-type: none"> • Expansion • Dividend policy • Cost efficiency/optimisation 	<ul style="list-style-type: none"> • Cash profits • EBITDA • Total shareholder return 	<ul style="list-style-type: none"> • Investors • Financial institutions • Government

 * For a review of the Group's performance against these key performance indicators (KPIs), see page 34.
 ** For more information on the Group's stakeholder engagement, see page 24.

continued



NATURAL CAPITAL

Protect and grow the biological asset in order to extract optimal use on a sustainable basis.



SUSTAINABILITY AND QUALITY OF RAW MATERIAL ARE A KEY PART OF THE YORK STRATEGY.

Continuous improvement and **optimisation of our biological asset** is being strengthened with closer relationships and partnerships forged with various research institutes and expert bodies such as Forestry and Agricultural Biotechnology Institute (FABI), Tree Protection Co-operative Programme (TCP), Institute for Commercial Forestry Research (ICFR), Camcore and various others. This adds substantial value towards York's programme of tree improvement via **selective breeding, hybridisation and genetic optimisation**, which is starting to generate substantially improved yields.

YIELDS

In a recent optimisation exercise by industry expert Martin Herbert, it was indicated that the annual pine offtake in the Escarpment area could increase from the current normalised value of 556 987m³ per annum to 856 099m³ per annum. This represents a 54% increase, of which 27,8% can be ascribed to using better genetic material and by planting the right material on the right site. A further 25,9% volume gain is possible through better site utilisation (the regime impact) and this is realised through

THE MAIN OBJECTIVE OF THE BIOMASS POWER PLANT PROJECT IS TO **ACHIEVE OPTIMAL VALUE EXTRACTION OF BIOMASS**. THIS WILL BE DONE BY **CONVERTING** THE BIOMASS INTO **USABLE** OR **SELLABLE ELECTRIC ENERGY**.

planting more (an optimised number of) trees per unit area and thinning optimally in terms of timing and intensity.

OPTIMISATION

A biomass power plant is proposed for the Sabie site, utilising forest biomass (pulp logs, tree tops and branches/ foliage) and processing by-products as fuel. Forest biomass comes from pulp logs, tree tops, branches and foliage, whilst processing by-products include rejected logs, bark, chips and sawdust.

The main objective of the project is to achieve optimal value extraction of York biomass. This will be done by converting the biomass into usable or sellable electric energy.

The biomass power plant will furthermore **reduce the risk of fires** by dramatically reducing fuel loads in the plantations, whilst also creating opportunities through the value created for biomass, thereby allowing for alternative forestry regimes, which will lead to a substantial increase in the biological value.

FIRE PROTECTION

Following the unusual losses suffered by the whole of the South African forestry industry during 2007 and 2008, the forestry industry in Mpumalanga again experienced severe losses during the 2014 fire season when 10 144 hectares of plantations were burnt. York had 61 fires over the reporting period. Total area burnt was 2 072 hectares of which 1 406 was planted to trees. York's annual fire protection expense amounts to

UNCONTROLLED WILDFIRES REMAIN THE BIGGEST RISK TO THE SUSTAINABILITY OF YORK'S PLANTATIONS.



See page 59 for more information on York's efforts to increase tree optimisation.

R22 million, aimed at minimising the effect of these inevitable events.

The greatest amount of time spent on veld and forest fire protection takes place prior to the fire season on fire prevention (identifying hazards and risks, fuel load management, constructing and burning of fire breaks, awareness campaigns), planning, training and other fire suppression activities.

The probability of large fires is related to fuel hazard, topography, fire weather and the initial attack (IA) fire size when first resources arrive at a fire. One of the measures to minimise the IA fire size and response times is through efficient fire detection and by deploying appropriate suppression resources rapidly from bases in locations that provide optimised geographical spread and coverage.



See page 100 for more information on York's fire prevention efforts.

The key focus areas of fire protection are fire detection, construction of fire breaks, fuel load management and fire standby. Of the total fire protection budget for the current financial year of R22 million, 16% (R3,6 million) is allocated to detection, 28% (R6,1 million) to firebreaks and controlled burning and 56% (R12,3 million) to fire standby, which covers fire crews, fire trucks and aerial resources.



continued



MANUFACTURED CAPITAL

Expand and utilise facilities optimally, both in function and in location.

YORK'S STRATEGY IS TO CONTINUOUSLY IMPROVE VALUE EXTRACTION FROM ITS RAW MATERIAL.

servicing a broader portion of the market whilst also creating the basis for York's strategy of moving up the value chain by adding value-added products to its product offering. The upgrade of the plywood plant will increase throughput of the plant whilst increasing automation and mechanisation, leading to improved productivity.

Based on the increasing production capacity, as well as improved yield from its plantations, York is planning to enter the biomass electricity production area as part of the Department of Energy's renewable energy programme. York expects to submit a bid under the REIPPPP programme during the first half of the next financial year for a **biomass power plant**, which will be the next phase of optimal value extraction from its assets.

Submitting a bid under the REIPPPP programme presents a unique opportunity to diversify York's income streams, thereby



To this end York embarked on its course of investment in processing technology to extract maximum value. This is starting to take shape with the first part on the route of execution being the **plywood expansion project**. After an initial delay from the Mpumalanga Department of Economic Development, Environment and Tourism to provide the necessary authorisations the project is now in full swing and progressing well without any interruptions, to current operations. This project will be completed in the next financial year, with full production expected to come on line during the fourth quarter.

CAPITAL EXPENDITURE

The initial capital expenditure as part of the overall integrated site project, being in respect of the upgraded plywood plant, will allow York the flexibility of

THE INITIAL **CAPITAL EXPENDITURE** AS PART OF THE OVERALL INTEGRATED SITE PROJECT, BEING IN RESPECT OF **THE UPGRADED PLYWOOD PLANT**, WILL ALLOW YORK THE FLEXIBILITY OF **SERVING A BROADER PORTION OF THE MARKET** WHILST ALSO CREATING THE BASIS FOR YORK'S STRATEGY OF MOVING UP THE VALUE CHAIN BY **ADDING VALUE-ADDED PRODUCTS** TO ITS PRODUCT OFFERING.

establishing an additional market for its raw material. This project will provide York with viable solution for its by-products and substantially improve York's raw material optimisation capability. At the same time the risk presented by **load shedding will be minimised** since York will be a key customer feeding into the national grid.

York's processing strategy will continue focusing on **cost optimisation** and, with



See page 60 for more information on York's Processing division.

load shedding unfortunately becoming a reality, efficiency is currently high on the agenda.

The addition of value-added products through remanufacturing will be strengthened via a focus on manufacturing and **value addition close to the market** on a continuous basis – deviating from the traditional interrupted stop-start process, thereby reducing cost and delivering according to market requirements.

THE **BIOMASS POWER PLANT** IS A STRATEGIC PROJECT IN TERMS OF **YORK'S GROWTH PLAN**, WHICH **INCLUDES THE OPTIMAL UTILISATION** OF THE AVAILABLE BIOMASS FIBRE.

It is also aligned with York Timbers' processing strategy, which entails the development of a new integrated sawmill. The new sawmill will generate a large amount of residue and the biomass power plant will ensure optimal value is extracted from all available fibre once the plant is operational.

ENERGY AND OTHER UTILITY UTILISATION

In light of the ever increasing cost of utilities throughout the York operations, significant attention is being paid to reducing usage and cost. Apart from various small energy efficiency projects, York has already implemented the following, which resulted in substantial cost savings:

- The dust extraction lines at Driekop sawmill were consolidated to reduce the number of extraction fans, which resulted in significant savings at the sawmill.
- Sabie and Jessievale sawmills were transferred from Eskom's Nightsave Rural tariff to Ruraflex tariff. This not only resulted in immediate savings, but allowed York the opportunity to further reduce cost by transferring load from peak periods to off-peak (cheaper tariff) periods via better planning and scheduling. This has had a significant impact on York's operating utility costs, with various options for further improvement being investigated.
- The new plywood expansion project required the installation of new roofs to house the various machines. These roofs will be fitted with LED lighting, replacing the conventional lighting used in the older buildings, which will be much more energy efficient.



continued



INTELLECTUAL CAPITAL

Deliver the best products as efficiently as possible.

Digitisation of the value chain in order to extract maximum value is becoming of strategic importance. This means the capability of being able to model characteristics of the timber as it moves through the production process to ensure optimal value is extracted based on customer needs being matched to raw material characteristics.

By utilising various parts of raw material inputs optimally, this will also allow for the improved capability to increase product development to better serve market needs and diversify products and markets served.

The forward-looking outlook on intellectual capital is to shift the mind-set of traditional application for lumber

in Southern Africa. York is positioning itself to provide design solutions and manufacture specialised building material for commercial buildings made entirely from wood.

Wood is a renewable resource and responsible choice as it reduces the environmental impact of buildings. When selecting building materials, wood should be considered as it has lower costs to the environment and delivers more.

IMPROVEMENTS IN TECHNOLOGY AND PRODUCT DEVELOPMENT HELP MAKE WOOD PRODUCT MANUFACTURING A ZERO-WASTE INDUSTRY.

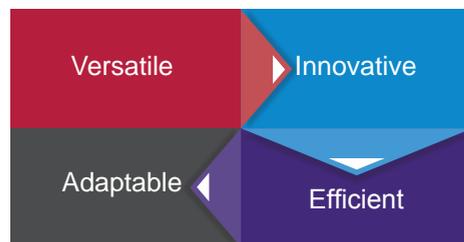
NORMAL CONSTRUCTION entails **7 MILLION TONNES** of greenhouse **GASES AND TOXIC EMISSIONS**, water pollutants and some forms of waste. Wood products have a lighter footprint since they produce lower greenhouse gas emissions, less air pollution and lower volumes of waste.

5-STORY WOOD-FRAME CONSTRUCTION STORES 12 410 TONNES OF CO₂

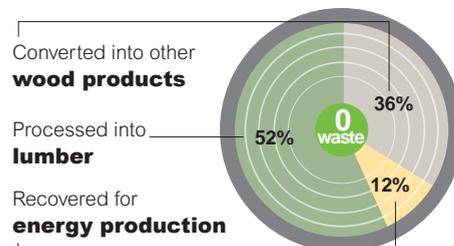


15% LESS ENERGY to build houses when using wood

BENEFITS OF USING WOOD:



WOOD SEQUESTERS CARBON, making it the ideal input material to a real green building



HUMAN CAPITAL



Attract, develop and stimulate the right minds.

The main enabler for the execution of strategy is people and to this end York has implemented Project Evolve, in conjunction with strategy partners, Alexander Proudfoot, to evaluate and effect resource balancing throughout all operational business units. This project is expected to start contributing to the bottom line early in the new financial year.

The Human Resources (HR) environment in York is driven by the need to attract and develop talent appropriate to the growth strategy while maintaining an engaged and productive workforce that can deliver on present business requirements.

Initiatives to develop both leadership and technical skills in various divisions continue. Remuneration benchmarks on the wage staff pay rates at each site and for the artisans were conducted to evaluate York's position in the industry.

The HR team has centralised many activities and adopted a shared service approach to improve controls and compliance as well as to improve the business partner relationship between HR and its internal customers. All recruitment has been centralised as well as induction, on-boarding, exit analysis and employee transfers.

Critical positions and talent pools for each role have been identified and the professional development pathways of these talent pool employees are monitored monthly. Stretch assignments and external training as well as industry exposure and business coaching are included in this development.

York's BBBEE score was verified as Level 4 in March 2015. A strategy to ensure the Company's BBBEE score under the new BEE codes is optimal, without excessive expenditure, is being addressed by the Finance and HR teams jointly.



YORK'S CHALLENGES

Labour relations challenges remain a priority.

There is an agitated climate around worker rights nationally, which is impacted by union and political rivalry. A number of matters will be addressed with the relevant trade unions, including the large differences between wage demands and what is sustainable, equal pay for equal work legislation and finalisation of the provident fund agreements.

The need to ensure talent pipelines for key roles and relevant training that engages high performers is critical. A solid labour relations climate and focused control on employee costs will be key factors in York's success in the next financial year.

Production costs, affordable wage rates as well as productivity and a smooth industrial relations climate where employees are focused on quality and efficiency in achieving throughput will be focal areas for HR to support.

The need to build cross-functional alliances and deepen inter-departmental co-operation, thus eliminating silos, will contribute positively to York. This will be achieved through ensuring departmental evaluations are included in the performance management system.

The revision of the performance management system is in process to address shortcomings in its usefulness as a motivation and remediation tool.

TRADE UNION ACTIVITIES

Although the year under review has seen a rise in industrial action, this has not caused any disruptions to York's business. While there has been some inter-union rivalry and York has felt the pressure of national social political issues, this has not interfered with business.



See page 110 for more information on York's care for the upliftment, training and health of its employees.



SOCIAL CAPITAL

Mindful of the greater community affected by our operations.



For more information on York's activities in uplifting the community, refer to page 113.

In its role as a good neighbour, true participation and involvement is intrinsic to the way York sees corporate social investment (CSI).

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

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

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

York is involved with major events such as the York Long Tom Marathon and the York Enduro Mountain Bike Rally which, other than for direct CSI projects such as with Sasol, also bring people from all over the country to visit the community and experience York's people and its environment. These exciting events, organised by the York Adventure Club, bring much needed visitors and accompanying spending and investments to the region.



For more information on the activities of the York Adventure Club, refer to page 122.

YORK IS PASSIONATE ABOUT ITS ROLE AS A SOCIAL SUPPORTER AND PROMOTER OF VARIOUS COMMUNITIES AND FAMILY VALUES IN BOTH THE LOWVELD AND THE HIGHVELD REGIONS.



FINANCIAL CAPITAL



Deliver a sustainable return to shareholders.

Once the plywood expansion project has been completed, a volume of 132 623m³ per annum will be available from own production against the current production of 78 000m³ at York's plywood plant. Sales into the market by York, including imported plywood via the Wholesale division, is currently at 100 000m³ per annum. Total SA market size is estimated at between 132 000m³ and 161 000m³. This is made up mainly of shutter ply. The volumes currently sold include sales to South Africa, Mozambique, Namibia, Botswana and Zambia. Competitors currently import approximately 17 000m³ per annum. New and alternative markets will be serviced for the additional 45 131m³ per annum that will be available to York, which include:

- Replacement of imported plywood from competing overseas markets;
- Production of resin film board, with the target market being "form work specialists";
- An introduction of a combi board. This is a board that is either made up of a hardwood core and pine faces for increased strength properties, or it can be produced with a pine core and hardwood faces for decorative use;
- Export opportunities into the UK and Europe. With York already having the CE mark, which is the standard required in the UK and Europe, as well as FSC certification, the barrier to entry is reduced;
- Decorative products that can be used in flooring and panelling; and
- Dedicated focus to develop the plywood market extensively to ensure access to international markets.

PLYWOOD

CURRENT PRODUCTION CAPACITY PER ANNUM

78 000m³

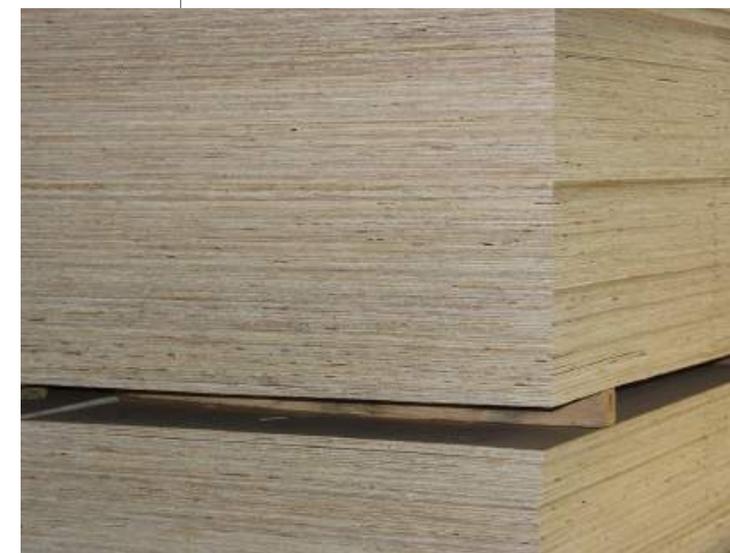
PRODUCTION CAPACITY PER ANNUM ONCE PROJECT COMPLETED

132 623m³



See page 35 for more information on York's financial highlights.

York's strategy of **consolidating various distribution channels** is starting to bear fruit with its Wholesale division now well established and ready to increase its footprint in the market while focusing on the addition of value-added products. This also creates the opportunity of **improved service delivery** thereby strengthening alliances with key customers.



We believe that the strength of our relationships with all our key stakeholders is critical in the achievement of our strategic objectives and creating sustainable long-term value for the Company and its stakeholders. Stakeholder engagement involves gaining a thorough understanding of key stakeholder groups and assessing the issues that are material to them in order to respond appropriately. The Board of Directors oversees the process, while management is responsible for the implementation and monitoring thereof.

The table below provides an overview of our stakeholder engagement activities and how they impacted the formulation and delivery of our strategy:

Interaction and impact	Through a programme of meetings with major shareholders and analysts, shareholders are kept appropriately informed on matters relevant to the business. Conference calls and meetings are held twice a year following the release of the interim and annual results. Results are distributed to shareholders, hosted on the Company website and communicated via SENS	<ul style="list-style-type: none"> Electronic communications and face-to-face visits Identify opportunities where we can help 	Face-to-face and electronic communication	Face-to-face and electronic communication	Interaction and impact
Material needs	<ul style="list-style-type: none"> Growth Sustainability Operational performance Clear strategy Optimal gearing 	<ul style="list-style-type: none"> Financial inclusion Enterprise development BBBEE 	<ul style="list-style-type: none"> Good customer service expectations Reliable product supply Serving product needs 	Prompt payment	Material needs
Key stakeholders	SHAREHOLDERS AND ANALYSTS Including both present and potential future investors	COMMUNITIES in which Group companies operate	CUSTOMERS	SUPPLIERS	Key stakeholders
Key stakeholders	GOVERNMENT AND REGULATORY BODIES	FINANCIAL INSTITUTIONS AND OTHER PROVIDERS OF FINANCE	MEDIA	STAFF Permanent staff, temporary staff and contractors	Key stakeholders
Material needs	<ul style="list-style-type: none"> Optimal management Pay all taxes on time 	Prompt payment	Results announcements	<ul style="list-style-type: none"> Staff engagement and communication – the importance of open and honest feedback Training Health and safety 	Material needs
Interaction and impact	We strive to engage with government and regulatory bodies in a proactive and transparent manner	Face-to-face and electronic communication, mostly by the Chief Financial Officer		We operate in a solutions-driven culture, where teamwork, individual achievement and continuous learning are encouraged. We rate and reward our people on their ability to add value to the business. Our people are critical to the long-term sustainability of the business	Interaction and impact

Adding value to our stakeholders



Material matters and focus areas

The top 10 risks that York faces, together with the probability of these events occurring and the impact thereof (high/medium and low), are listed below. The mitigating strategies, together with opportunities arising therefrom are listed alongside each risk.

■ High
■ Medium
■ Low

Key risks	Probability	Impact	Mitigating strategies and opportunities arising
ELECTRICITY SUPPLY/LOAD SHEDDING <ul style="list-style-type: none"> Eskom short supply of electricity demand Eskom not keeping to load shedding schedule and/or short notice of load shedding changes 	■	■	<ul style="list-style-type: none"> Negotiated for certain site to be treated as load curtailment, not load shedding, customer Power generators at remaining mills to keep servers operational Biomass electricity plant prioritised
FIRE <ul style="list-style-type: none"> Plantation fire – loss of juvenile timber Fire at processing plants – physical loss and business interruption Fire risks at warehouse operations Skew age distribution in escarpment due to 2007 fires, resulting in increased pruning and thinning operations leading to higher fuel load 	■	■	<ul style="list-style-type: none"> New fire trucks ordered (capacity and response improve) Fire risk management system improved Insurance cover including business interruption. Reduce fuel load prior to new planting Improved water refilling capacity at airstrips (quicker turnaround of aircraft and reduction in costs) Fire plans in place for all processing plants – audited and approved Implementing fire audits and plans for warehouse sites Enhanced resource coverage on aerial resources Focus on identification of high risk areas, fuel load reduction, early detection and rapid initial attack of fires Annual review by independent risk engineer
EXTERNAL LOG SUPPLY AND PRICES <ul style="list-style-type: none"> Limit in log supply has the effect of increase in log prices 	■	■	<ul style="list-style-type: none"> Pursuing alternative log supply options Sourcing veneer logs from York's Highveld plantations
HIGH/ESCALATING LABOUR COST <ul style="list-style-type: none"> Further increase to minimum wage proposed with continued pressure on wage rates Ripple impact of minimum wage increases on semi-skilled and skilled rates No commensurate productivity/efficiency increases 	■	■	<ul style="list-style-type: none"> In-sourcing of contract labour with increased efficiencies Increased mechanisation Sabie integrated site to be less labour intensive Continuous consultation and communication with unions
PLYWOOD PROJECT <ul style="list-style-type: none"> Execution of plywood project in full swing whilst keeping existing plant operational 	■	■	<ul style="list-style-type: none"> Dedicated project manager and project engineer Daily co-ordination between operations and project team to ensure continuous operations Continuous monitoring against project plan

Key risks	Probability	Impact	Mitigating strategies and opportunities arising
PLYWOOD DEMAND <ul style="list-style-type: none"> Increased imports by competitors Competing alternative products 	■	■	<ul style="list-style-type: none"> Expanding market penetration to Southern Africa Development Community (SADC) and other African countries Investigating other export markets Production shift to higher value, lower volume products
INDUSTRIAL ACTION <ul style="list-style-type: none"> Direct impact largely addressed through agreements Increased politicisation New rival union impacting existing union behaviour and relationships Indirect cost impact of industrial action on wages and input costs Industrial action impacting the economy, reducing disposable income and spending in the building sector 	■	■	<ul style="list-style-type: none"> York has functional relationship with unions and York staff Favourable outcomes in past wage negotiations led to fair settlements due to skilled and experienced negotiators Implemented training and direct communication for labour on ethics and basic business understanding (implications and damage of industrial action to the business and individual employees)
LOG MIX AND QUALITY <ul style="list-style-type: none"> Impact of decisions made in-field on type of logs to be cut from each tree Reduced tree size in the escarpment due to 2007 fires 	■	■	<ul style="list-style-type: none"> Implemented improved log quality measurements/checks at roadside Reports made available for managers to evaluate log production against targets and implement corrective action where and when needed Planned merchandising log yard in order to optimise bucking operations
ANIMAL DAMAGE <ul style="list-style-type: none"> Animal damage to trees resulting in poor growth or early mortality Damage to trees results in lower recoveries when processed due to defects Baboon population exploded far higher than area can support Existing measures becoming less effective 	■	■	<ul style="list-style-type: none"> New large cage concept implemented and now being expanded significantly Developing increased contractor capacities (shared by York and Komatiland Forest) Existing initiatives ongoing but expanded Research project underway, funded and driven by Forestry South Africa to investigate alternative sustainable solutions. York is fully participating in study Agreement reached to "custom cut" reject sawlogs (animal damage), resulting in higher value extraction
FAILURE OF ERP SYSTEM <ul style="list-style-type: none"> Capacity constraints emerging Limited resources available for support 	■	■	<ul style="list-style-type: none"> Constant monitoring – system stable Project implemented to specify replacement system

Board of Directors



Dr Jim Myers
Chairman



Pieter van Zyl
Chief Executive Officer



Dinga Mncube
Non-executive director

Independent



Paul Botha
Non-executive director



Gavin Tipper
Non-executive director

Independent



Shakeel Meer
Non-executive director



Pieter van Buuren
Chief Financial Officer



Maserame Mouyeme
Non-executive director

Independent



Thabo Mokgatlha
Non-executive director

Independent



Dr Azar Jammine
Non-executive director

Independent

DR JIM MYERS (75) US citizen

Chairman
Appointed: 26 February 2007

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

Skills and experience: Jim has over 30 years' international business experience, specialising in the telecommunications industry. Jim's wide ranging experience includes the definition, development and implementation of management systems for the finance, engineering and production disciplines. He first came to prominence in Africa when he led the team that acquired MTN South Africa in the early 1990s on behalf of the giant American company before it later sold it. He was the principal driver behind the establishment and promotion of the consortium that acquired the SBC/Telekom Malaysia equity stake in Telkom SA. Jim's vast international deal-making experience is both inspiring and valuable in the next phase of York's growth.

PIETER VAN ZYL (52)

Chief Executive Officer
Appointed: 8 April 2009

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

Skills and experience: Pieter has considerable experience in the manufacturing and the solid wood processing industry. He has a successful track record in delivering complex change and returning companies to profitability. His leadership in cost optimisation and knowledge of market dynamics distinguishes him in the industry. His vision and ability to inspire teams are significant in executing growth strategies. This, coupled with his skill in identifying strategic investment opportunities, provides a solid platform for York's success. Piet brings a wealth of timber and sawmilling industry knowledge and expertise to York. His diverse skills cover manufacturing, marketing, change management, investment banking, people and strategy development. Pieter's executive management style is completely hands-on, ensuring an accurately executed strategy.

DINGA MNCUBE (55)

Independent non-executive director
Appointed: 6 March 2014

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

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

PAUL BOTHA (52)

Non-executive director
Appointed: 4 September 2007

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

Skills and experience: Paul has an outstanding record in executing many transactions involving private-equity transactions, stock exchange related transactions, mergers and acquisitions and entrepreneurial multi-disciplinary transactions. He also carried out a substantial amount of cross-border mergers and acquisition work across a number of industries throughout Africa. Paul is a committed and effective deal-maker and Board member with a reputation for getting things done to the highest standards of professionalism.

GAVIN TIPPER (50)

Independent non-executive director
Appointed: 12 May 2010

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

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

SHAKEEL MEER (53)

Non-executive director
Appointed: 4 September 2007

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

Skills and experience: Shakeel is an executive at the Industrial Development Corporation (IDC) with overall responsibility for corporate strategy, management of listed equities, marketing and communications, assets and liabilities management, procurement, information technology and research as well as overall responsibility for managing off-balance sheet and ring-fenced funds. He has previous experience in investments in various sectors of the economy, including mechanical engineering – design and maintenance of systems. Shakeel's experience and familiarity with the workings and people in the South African financial markets arena are important to York.

PIETER VAN BUUREN (45)

Chief Financial Officer
Appointed: 1 October 2013

Qualifications: BCom Hons (RAU, now known as UJ); CMA; CA(SA)

Skills and experience: Pieter is qualified as a chartered accountant and chartered management accountant. He has more than 20 years' professional experience, with 14 years in senior financial management roles, mostly in the construction, manufacturing and related industries. He also has extensive regulatory compliance experience. Pieter has proven a real asset in the effective delivery of timeous and actionable management information.

MASERAME MOUYEME (49)

Independent non-executive director
Appointed: 22 May 2015

Qualifications: BSocSci (UCT); MBA (Thames Valley University, UK)

Skills and experience: Maserame is a senior business executive with widespread management and operations experience of 24 years in multi-disciplinary roles with some of the world's leading corporates. She has commercial, customer and consumer marketing experience gained from the FMCG and advertising industries. Maserame has led multi-functional teams across different geographies. She is passionate about community affairs and sustainability and has partnered with NGOs and governments across Africa to drive corporate initiatives. York welcomes Maserame on board, especially for her experience in dealing with marketing, people and social objectives.

THABO MOKGATLHA (41)

Independent non-executive director
Appointed: 6 March 2014

Qualifications: BCom Accounting (North-West); BComp/CTA Honours (Unisa)

Skills and experience: Thabo has many years experience and expertise in serving in board and leadership positions in various sectors such as mining, telecommunications, finance and manufacturing. He also has extensive experience in mergers and acquisitions and is qualified as a chartered accountant. Thabo complements the Board's financial and deal-making skills.

DR AZAR JAMMINE (66)

Independent non-executive director
Appointed: 5 October 2010

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

Skills and experience: Azar started his career as an investment analyst and has more than 30 years' experience in economics. He specialises in macroeconomics and financial markets and is co-author of the books *McGregor's Economic Alternatives*, *Trends Transforming South Africa* and *Mindset for the new generation in South Africa*. York is fortunate to have Azar with his distinguished reputation guiding its approach to its economic challenges.

- Audit Committee
- Social and Ethics Committee
- Remuneration and Nomination Committee

- Risk and Innovation Committee
- Executive Committee

People of York

YORK BELIEVES THAT A COMPANY IS ONLY AS GOOD AS ITS PEOPLE.



Pieter van Zyl
CEO

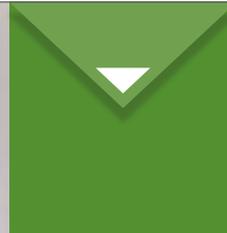
York held a strategy session with its employees during November 2014. All quotes below were given by York's employees who participated in the strategy session.



Gerald Stoltz
Financial Manager: Corporate and Processing



Pieter van Buuren
CFO



Pieter van der Merwe
General Manager: Forestry



Africa White
Groundsman



Rakesh Bhagwandhin
Logistics Manager

"York is a timber company with the technical depth and know-how to solve your ideas innovatively by using renewable and sustainable product in construction and lifestyle products."

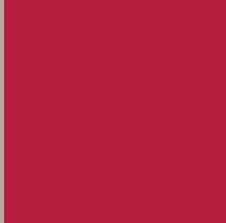


Eric Droomer
Corporate Adviser



Lena Mabuwa
Office Caretaker

Sue Hsieh
Corporate Legal Adviser and Company Secretary



"York takes care of its employees and families... it feels like you are part of something great."



Koot van der Walt
Wholesale division Manager

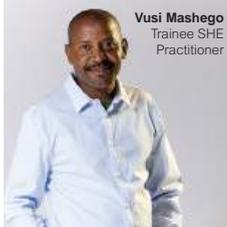


Greta Ndinisa
Receptionist

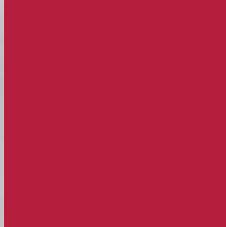


Oscar Tait
Sabie Site Manager

"Be responsible in all your actions and let the core values of York guide your behaviour."



Vusi Mashego
Trainee SHE Practitioner



Simon Mathebula
Creditors Clerk



Frans Mgwambe
Site Safety Officer



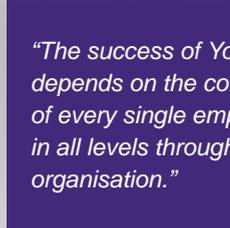
"York sees the light in others."



Rams Hlope
HR Officer



Cyril Motha
IT Technician



"The success of York depends on the contribution of every single employee in all levels through the organisation."



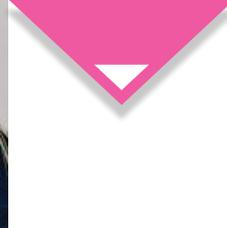
"York recognises people's potential and gives them the opportunity to grow and develop."



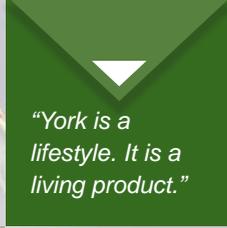
Khathu Ndlela
Production Foreman



Andrew Brand
Wholesale division Sales Manager



Mapule Manzini
Office caretaker/Receptionist



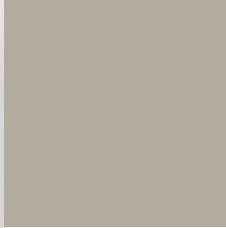
"York is a lifestyle. It is a living product."



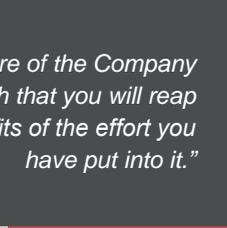
Kirsten Coetzee
Chief Human Capital Officer



Sam Bhila
Account Executive



Reinhard Mulder
Strategic Development Manager



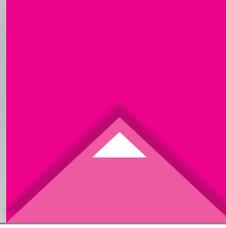
"The culture of the Company is such that you will reap the benefits of the effort you have put into it."



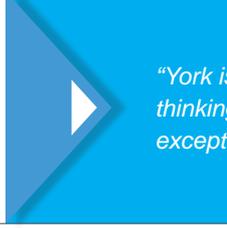
Jackie Ndllovu
Creditors Clerk



Schalk Grobbelaar
Group Engineer



Keagan Moodley
Despatch and Logistics Co-ordinator



"York is a forward-thinking company led by exceptional leadership."



Rudi Röhrs
Executive Sales Manager



Deon Breytenbach
General Manager: Processing

York's strategy of consolidating various **distribution channels** is starting to bear fruit



EXPAND
AND **UTILISE**
FACILITIES
OPTIMALLY



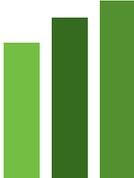
PERFORMANCE and **FUTURE** outlook

Key performance indicators

Capitals	Strategic objectives	2015	Year-on-year		2014	2013
			CAGR %	%		
 NATURAL	Value of biological asset (R'million)	2 140	1	2	2 103	2 101
	Yields (%)	12,14	(1)	(2)	12,34	12,44
	Total forestry area under control (hectares)	93 988	0	0	94 098	94 028
	Conservancy areas (hectares)	28 938	0	0	28 938	28 938
	TUP – hectares	3 428	(2)	25	2 739	3 629
 MANUFACTURED	Purchase of property, plant and equipment (R'million)	203	58	207	66	52
	Average selling price (R/m³)	2 958	4	7	2 776	2 653
	Market share					
	– Lumber	22,1	2	8	20,5	21,2
	– Plywood	56,0	0	0	56,0	55,3
Electricity consumption (kWh)	49 062 334	(1)	(1)	49 651 483	51 047 771	
 INTELLECTUAL	New products launched (R'million)	36	125	17	30	3
	LogTrace accounting system (R'million)	3	7	13	2	2
	FSC certification	Yes			Yes	Yes
	Diversified product mix – Lumber:plywood (%)	81.6:18.4			80.7:19.3	80.7:19.3
 HUMAN	Staff turnover (%)	2,57	(23)	(61)	6,67	5,60
	People trained – number of people	1 835	(6)	7	1 719	2 218
	Safety – lost time injury frequency rate (factor)	1,75	10	43	1,22	1,33
	Clinics – number of people seen at York clinics	15 568	(2)	(8)	16 985	16 416
	– primary health care	12 959	(3)	(9)	14 242	14 018
– occupational health care	2 609	3	(5)	2 743	2 398	
 SOCIAL	CSI spend in community programmes (R'million)	9,5	9	0	9,5	7,3
	Training programmes spending (R'million)	3,5	7	(25)	4,7	2,8
 FINANCIAL	Profitability – EBITDA/revenue (%)	13	(8)	9	12	17
	Gearing (%)	19	6	19	16	16
	Total cost excluding external log purchases (%)	77	2	(1)	77	73
	Net cash from operating activities (R'million)	121	28	20	101	58
	Market capitalisation (R'million)	894	(9)	(23)	1 159	1 192

Financial highlights

 **EBITDA**
R199
MILLION

 Industry lumber sales volume grew 3,0% year-on-year whereas **YORK SALES VOLUME GREW 13,6% OVER THE SAME PERIOD**

REPAID R29 MILLION IN CAPITAL and **SERVICED** R54 MILLION INTEREST on the Land Bank loan

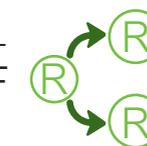


TANGIBLE NET ASSET VALUE PER SHARE
R7,31

CASH
R192 MILLION



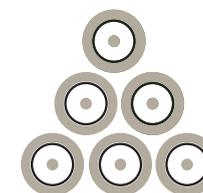
CONTINUED CAPITAL INVESTMENT OF **R203 MILLION**



Strategy implemented to **INCREASE INDEPENDENT CUSTOMERS** in all regions has shown to be very successful



REVENUE
R1,5
BILLION



8% ADDITIONAL external logs purchased totalling R384 MILLION **impacted EBITDA by R37,5 million**



CASH GENERATED FROM OPERATIONS INCREASED BY 21%

BIOLOGICAL ASSETS INCREASED IN VALUE BY **R37 MILLION**

EARNINGS INCREASED BY 99% to
R101 MILLION



Financial highlights

continued

	2015 R'm	CAGR %	Year-on- year %	2014 R'm	2013 R'm	2012 R'm	2011 R'm
FINANCIAL PERFORMANCE							
Revenue	1 543	10	17	1 324	1 132	1 113	959
Revenue growth (%)	17	23	–	17	2	16	6
EBITDA	199	–	28	156	187	194	195
EBITDA margin (%)	13	(8)	8	12	17	17	20
Net profit	102	22	100	51	107	138	38
Net profit margin (%)	7	12	75	4	9	12	4
Headline earnings per share (cents)	29	13	107	14	33	42	16
FINANCIAL POSITION							
Total equity	2 420	4	4	2 327	2 277	2 170	2 026
Return on equity (%)	4	16	111	2	5	6	2
Total assets	4 071	4	9	3 720	3 658	3 504	3 316
Return on assets (%)	3	20	151	1	3	4	1
Total debt	743	4	32	563	597	558	614
Cash	192	13	75	110	159	145	103
Operational cost per annum	1 188	9	16	1 025	824	825	766

FINANCIAL GOALS AND OUTCOMES

Some of York's financial goals and the outcomes during the year include:

Financial goal	Outcome
Maintain productive levels of working capital	Cash cycle days (length of time between buying and selling) improved from 42 to 31 days year-on-year, a strong indication of improved working capital management
Ensure sufficient capital is available to fund capital expansion projects	Exceeded all loan covenants; continued to service current-term loan agreement to agreed terms; entered into a new R280 million bridge and term loans to fund the plywood plant expansion project
Productive cash-generating assets	Closed the Golden Rhino sawmill due to loss-making contribution; continue to realise value from York sawlogs through a new custom cut arrangement
Reduce cost of debt and banking	Project initiated to refinance current debt; alternative transactional bankers engaged
Effective and real BBBEE structure	Initiated project to revisit and potentially amend BBBEE structure
Expense management and control	Reduced fixed costs on a real basis year-on-year by 3%; initiated Project Evolve to drive continued improvement of processes, people and productivity
Industry leading management information systems	Improved LogTrace log accounting system controls; initiated a project to upgrade management information systems
Improved internal control environment	Fraud schemes identified and eradicated before value could be destroyed
Staff development, retention and succession	Rewarding career paths mapped for high performing individuals with focused training to ensure skills contribution; new project initiated to review short, medium and long-term incentives

EARNINGS

Strong growth in Group revenue of 17% year-on-year and **10% CAGR** (2015 to 2011) is testimony to growth in **MARKET SHARE DRIVEN BY FOCUSED SELLING EFFORTS**, also coming through from the Wholesale division where **external sales grew by 44%**. Gross profit however reduced due to the mix of sales with a larger contribution coming from the wholesale business.

Operating profit improved year-on-year by 23% driven by **improved processing plant performance** (including successful turnaround efforts at loss making sawmills and warehouse operations), also supported **BY A RECOVERY IN THE AVERAGE SELLING PRICES** year-on-year. The operating margin of 9% however is testimony to the impact the lower margin wholesale business has on the overall Group, but is in line with prior year performance.

NET CASH FINANCE COST INCREASED year-on-year driven by the utilisation of surplus cash in the early part of the plywood expansion project. **Cash flow from operations** however increased by **21%** year-on-year, and on the same basis as per 2011 base, reflecting continued **STRONG CASH GENERATING ABILITY** of the underlying operational businesses.

BALANCE SHEET

Total assets increased by 9% year-on-year, and **4% CAGR** on the 2011 base driven predominantly by the **plywood plant expansion project** investment.

The **biological asset increased by 2%** year-on-year, and also per CAGR on the 2011 base indicating continued progression in the underlying asset value where **GROWTH STILL EXCEEDED HARVESTING** as well as external log procurement.

With the receipt of the plywood project term loan during the year, **interest bearing borrowings increased by 32%** year-on-year, and **3,9% on the CAGR** 2011 base. The productive use of leverage through the plywood expansion project investment is achieved via a term loan receipt from the Land Bank.

Although **net working capital** only **increased 3%** year-on-year, this is off a high base of the comparable year ended on **HIGH LEVELS OF LUMBER INVENTORY**. Plywood inventory ended higher at June 2015 as market demand for especially imported plywood softened.

CASH FLOW

Marked improvement in **cash generated from operations** demonstrated by the **INCREASE BY R31 MILLION** year-on-year.

Actual **cash tax payment** made of R7,2 million during the year is indicative of the utilisation of assessed tax losses and a **RETURN TO IMPROVED PROFITABILITY**. Purchase of property, plant and equipment includes the plywood expansion project investment as well as **FOCUSED OPPORTUNITIES** in **capital equipment** to increase profitability.

Acquisition of subsidiary relates to the purchase of Mbulwa Lodge (including **increased firefighting facilities** through the associated Maggsleigh Dam's portion) at a 50% share from Mondi.

The purchase of financial asset includes additional contribution to the newly established assets and vehicles insurance excess self-insurance fund of R3,75 million, as well as a **R14 million contribution** to the existing **plantation fire risk self-insurance fund**.

Sale of financial asset includes recovery from the self-insurance fund for firefighting costs, In De Diepte fire and for the Roodekop warehouse fire.

CORPORATE ACTION

During the year York launched **PROJECT EVOLVE** in partnership with **Alexander Proudfoot** (a consultancy) focusing on efficiency, processes and productivity. Initial indications are that a successful implementation of project deliverables continue to **drive improved utilisation of people and equipment**.

YORK CONTINUES TO EVALUATE VARIOUS OPPORTUNITIES TO CONSOLIDATE THE INDUSTRY THAT WILL ENHANCE STAKEHOLDER RETURNS.



Dr Jim Myers (right)
Chairman

TECHNOLOGY IS CRUCIAL FOR COMPETITIVE EDGE

OPERATING ENVIRONMENT

The general economic environment in which York will operate during the second half of 2015 and first half of 2016 will challenge management to continue unlocking growth opportunities.

Slow economic growth in South Africa

Investment in the private sector, which accounts for nearly 66% of overall fixed capital formation, has sustained marginally positive growth of just below 2% year-on-year. Fortunately, government itself carried on investing in infrastructure, but as a proportion of overall capital formation, this is relatively small. To the extent that timber production is correlated with building plans passed, the outlook for the year ahead seems in line with GDP expectations. Year-on-year growth in residential building plans passed weakened year-on-year from 21,1% in 2014 to 15,6% (in Rand terms) and non-residential building plans passed have risen year-on-year from 1,4% in 2014 to 21,2% (in Rand terms).

A key economic measurement applied by York when considering the environment in which it trades, is to consider the trend of manufacturing production of timber and compare it with the trends in building plans passed. There is a correlation between the timber production and building plans passed. The growth in timber production can be seen to be less volatile than that of building plans passed. This is geared towards a number of different industries whose business cycles vary.

The loss of confidence by property developers to keep investing in the face

of perceptions of deteriorating longer-term economic prospects has, however, brought down the growth rate of building plans passed in line with building plans completed. Year-on-year growth in residential building plans completed improved from 7,8% in 2014 to 23,2% (in Rand terms) and non-residential building plans completed deteriorated from 9,9% in 2014 to -7,3% (in Rand terms). Production (in volume) of timber could therefore see continued growth in lumber sales by around 2% to 5% during 2016.

Timber production

Plantations in South Africa are a limited resource, facing the challenge of the continual change in land claim policies and this impacts the perception of the industry's sustainability. York has a warehousing community trust that will address any successful land claims. Fragmentation of sawmills and the industry supply chain kept margins under pressure. The pricing peg lies with the wholesaler and retail customers are taking advantage of the fragmentation, often eliminating the benefits of volume sales. South African sawmillers have thus far not been able to capitalise on international market opportunities given our weak currency. Consolidation represents an opportunity for capital-invested returns to enhance the industry, ultimately resulting in the same ideal situation of having a smaller number of strong, sustainable suppliers. Fewer suppliers of a reduced finite resource will assist in the balancing of market forces, which will result in improved price and quality. This will lead to a more equitable share of value from the forest to the customer.



Approximately 73% of timber sales from structural mills are destined for the local building industry, with the remainder going to remanufacturing, packaging and export.

The increased cost of capital equipment as a result of the continued weakening of the Rand remains a challenge. Future capital expansion will have to be balanced against the weakening of the Rand and achieving sufficient returns.

Energy

Eskom, which supplies 95% of South Africa's electricity, has a net generating capacity of 41 995MW. As a result of the ageing infrastructure of its generating plants, Eskom has had to shed the generating capacity by between 1 000MW and 2 000MW per interval. Disruptions in the production process as a result of load shedding have not only impacted York's ability to meet market demand in 2015, but have also increased cost of production throughout the value chain. South Africa's generation capacity is expected to increase to 80 000MW by 2030 to meet the projected demand growth. The South African government has therefore defined strategies to increase power generation capacity through the Integrated Resource Plan in 2013 and has launched "The Green Agenda". This plan advocates the government's aspiration for a sustainable future by changing the country's electricity generation mix from high coal dominance (85%) to a moderate one (48%). That will include a high level of renewable energy and also nuclear power plants in order to reduce its carbon footprint. York is well positioned to participate in the Renewable Energy Independent Power Producer Procurement Programme.

Labour

Plans to counter the energy and labour risks include the construction of a technologically advanced integrated

Timber processing requires intensive capital investment in technology to optimise sawlog recovery and throughput at the lowest unit cost of production.



Maserame's abbreviated curriculum vitae, together with those of the rest of the Board members, can be found on pages 28 and 29.

site, including a biomass power plant that will supply renewable energy into the South African electricity grid. To this end, York will be able to enhance overall competitiveness of its solid wood processing facilities on a global scale.

Social and other issues

York plays a leading role, working together with Sector Education Training Authority (SETA) in developing skills in local communities that counter levels of unemployment in the Mpumalanga region.

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

APPRECIATION

I wish to thank our outstanding Board of Directors for their continued dedication in the past year. We welcome Maserame Mouyeme as the newest member to the Board and look forward to working with her.

York has a vibrant management team, led by a strong Chief Executive Officer in Pieter van Zyl, capable of delivering on our strategy.

I thank them for their efforts in the last year and wish them every success in facing the challenges ahead.

Dr Jim Myers
Chairman

28 September 2015

THE **BIOMASS PLANT** WILL
ENABLE **YORK** TO **DIVERSIFY**
ITS REVENUE CHANNEL,
UTILISE ALL OF ITS **FIBRE** AND
MORE **EFFECTIVELY** MANAGE
INFLATION.





Pieter van Zyl (right)
Chief Executive Officer

CEO's REVIEW

PERFORMANCE IN 2015

York Timbers is a well-established organisation with a growth plan for optimisation, focusing on six income generating streams: forestry, lumber, plywood, wholesale, remanufacturing and now energy production.

We achieved an increase of 17% in turnover and 99% improvement in profit for the year ending 30 June 2015. Cash at year-end was R192 million, which is R81 million (74%) better than the prior year. As at 30 June 2015, York traded at a 63% discount compared to the tangible net asset value (TNAV), which had improved from 707 cents to 739 cents per share. York has repurchased 3,7 million of its issued shares at year-end. Given this large discount, York will continue its repurchase programme.

The volume of lumber sold by York increased by 13,6% year-on-year, with the lumber market growing year-on-year by 3%. A portion of additional volumes sold is attributable to imports and external purchases by the Wholesale division. The average selling price for lumber increased by 5% year-on-year. Plywood volume sold by York increased by 7% year-on-year and the average selling price increased by 14% year-on-year. Production at our processing plants increased by 3% from the previous year, in spite of the August 2014 industrial action by wage earners. Load shedding further reduced production by 1,34%.

The Forestry division EBITDA decreased year-on-year by 29%, in line with York's sustainable forestry management practices and outside procurement strategy. Industry log prices for solid wood processing continue to increase for larger diameter logs, at the same time the number of hectares managed for pine long saw log rotation continues to reduce. The York biological asset increased with fair value adjustments of R37 million. The net movement of additional volume due to growth, price increases and costs added R59 million, but was negatively impacted by the change in the discount rate to the value of R22 million.

The Forestry division delivered 1 134 358m³ of own and purchased volumes, 7,2% more than the previous year. York experienced a fire at its Taurus plantation that resulted in a higher temporary unplanted area of 3 428 hectares. Targeted

temporary unplanted area for the 2016 financial year is 2 238 hectares. York will continue to procure external raw material to conserve our own plantations to obtain a sustainable age class distribution in our plantations. In line with this strategy, the Forestry division purchased 8% more external logs than the previous year. External purchases represented 35% (previous year 35%) of total available processed volumes. These external purchases have a negative impact of R28,8 million on the Forestry division's EBITDA. The standing volume of trees increased by 4%, enhancing the long-term value of the biological asset.

The insourcing of various forestry activities has and will continue to deliver benefits to York. The pursuit of more cost-effective operational procedures will remain a priority. The investments made in the current and previous years to increase efficiencies and production flow are already evident in this year's results.

Improved supply chain functionality and traceability were key outcomes of the LogTrace system, resulting in more efficient log inventory control.

INVESTMENT IN FUTURE GROWTH

We embarked on a R300 million upgrade of the plywood plant, which is the first step towards the expansion of the Sabie integrated site and enhancing York's EBITDA generating ability. This project will be completed in the last quarter of 2016. Plywood, apart from diversifying earnings, is an attractive income source with few local manufacturers, and is

sold in a different commodity cycle to the rest of York's products. The plywood upgrade will be commissioned during the last quarter of 2016 and its full EBITDA benefit is to be expected in 2017.

The project is funded by a R280 million term loan of seven years from Land Bank. The funding rate is similar to the existing term loan, interest is capitalised over the first 12 months and no capital repayments are required for the first 24 months of the project. This will allow sufficient time for completion of the capital investment before servicing of the loan commences.

In a cyclical industry it is of utmost importance to find ways to manage this cyclical nature. York is committed to develop a more diversified earnings base.

As a result, York will participate in the Department of Energy's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) in the expedited window bid that closes on 11 November 2015. A bid for a twenty five megawatt electrical biomass power plant will be submitted. This project will strengthen York's EBITDA generating capability and extract increased value from available biomass in the Group. This presents a unique opportunity with a 20-year annuity income stream, backed by a government guarantee. This project will provide York with a viable solution for its by-products and substantially improve York's raw material optimisation capability. At the same time, York will be a contributor into the national power grid and provide stability to the electrical network in Mpumalanga.

PROJECT EVOLVE

York embarked on Project Evolve to improve planning and scheduling, contractor engagement, management and supervisory effectiveness, problem solving as well as improve reaction times to variations in performance achieved by the implementation of management operating systems. Benefits of this project create a dynamic platform to build York's growth strategy. Attention to the quality of training, as a key component for change, was used to drive

THROUGH THE **INNOVATIVE APPLICATION OF TECHNOLOGY ENABLERS, IMPROVED INVENTORY CONTROL OF LOGS FROM INFIELD HARVESTING TO TRANSPORT TO LOG YARD STOCK MANAGEMENT HAS BEEN ACHIEVED.**

a continuous improvement philosophy that is embraced by the organisation.

VALUES

York is an organisation that thrives on commitment, innovation, connectivity, integrity and responsibility. These values are driven by our passion for our country, business environment and colleagues. This year our staff were truly tested and for this reason have matured as an organisation that equipped us to embark on the next growth phase. Thank you for your commitment and loyalty towards York. The drive and determination of our team with its combined skillset will ensure the execution of York's growth strategy.

I thank our Chairman and the directors for their support and governance of the organisation.

Pieter van Zyl
Chief Executive Officer

28 September 2015

We are fortunate to have a strong and dynamic Board of Directors that have guided and assisted us in creating a vibrant organisation.

continued

FUTURE OUTLOOK

York's focus over the short to medium term will be on the following:

Capitals	Strategic objectives	Strategic initiatives (to be) undertaken
 NATURAL	<p>Protect and enhance the biological asset in order to extract optimal value on a sustainable basis</p> <p>Increase plantation landholdings in Southern Africa</p>	<ul style="list-style-type: none"> Improvement on tree breeding Conduct research in association with universities and research centres Improved silviculture practices and regimes Pests and disease resistant species Weather fluctuation tolerant species Development of forestry health index
 MANUFACTURED	<p>Expand and utilise facilities optimally, both in function and in location</p>	<ul style="list-style-type: none"> Execution of the plywood expansion project Consolidation of sawmilling operations in the Escarpment Expanding sawmilling operations in the Highveld Diversify earnings base with the biomass power plant project Investment in remanufacturing capabilities
 INTELLECTUAL	<p>Deliver the best products as efficiently as possible</p>	<ul style="list-style-type: none"> Product development, including value-added wood products to increase product offering Focus on service levels with initiative, versatility and adaptive to market developments Improvements in controls in systems
 HUMAN	<p>Attract, develop and stimulate the right minds</p>	<ul style="list-style-type: none"> Establishment of CEO forum – internal stakeholder engagement York Action System with focus on key performance areas Establishing Training Academy with main focus on technical skills Growth of talent and succession plans Leadership development Development of organisational health index
 SOCIAL	<p>Mindful of the greater community affected by our operations</p>	<ul style="list-style-type: none"> York Adventure Club, Sasol Rally, York Long Tom Marathon, York Enduro and various other adventure activities Community forums and projects. Upgrade of the Sabie Country Club facilities Healthcare, infrastructure and education
 FINANCIAL	<p>Deliver a sustainable return to shareholders</p>	<ul style="list-style-type: none"> Improve total shareholder return Continual growth of TNAV Compounded growth in EBITDA Optimal use of capital structures

BIOLOGICAL ASSET RECONCILIATION

	2015 R'000	2014 R'000
Prior year value	2 103 092	2 100 870
Change in value	42 452	2 222
Purchased plantations	–	4 206
Growth	67 584	131 897
Revenue and price	152 217	53 659
Operating costs	(155 413)	(35 314)
Discount rate	(21 936)	(152 226)
Closing value	2 140 067	2 103 092

INTRODUCTION

The area under commercial forestry in South Africa has declined by 249 695 hectares because of the exit strategy implemented by the Department of Agriculture, Forestry and Fisheries (DAFF), which resulted in the removal of state-owned plantations in ecologically sensitive and marginal forestry areas that are being returned to their natural state, as well as the removal of forest around designated streams and wetlands. Furthermore, a number of private growers have converted from forestry to other crops. All primary catchments in Mpumalanga are closed for new afforestation.

Factors impacting tree growth

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

The main criteria for consideration when investigating a site's ability to support tree growth are climate and soils/lithology. Mean annual rainfall is one of the most limiting factors in South Africa and needs to be considered in conjunction with ambient air temperature and altitude when selecting a species for commercial production. Each species has a particular optimum range of physiological activity for fast and continuous growth. Frost tolerance, therefore, is an important consideration to ensure tree survival post-planting at higher elevations. Certain plantation areas are prone to hail.

MOST PESTS HAVE BEEN **SUCCESSFULLY MANAGED** **BIOLOGICALLY** WHILE DISEASES ARE MANAGED THROUGH **BREEDING PROGRAMMES.**

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

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

York has been experiencing baboon damage for a number of years, which negatively impacts on lumber recovery.

Silviculture systems and regimes

Directly after planting, young seedlings are unaffected by other vegetation and grow as free standing trees. This growth, however, depends on the necessary weed control. As trees continue growing, they start competing with each other for space and other essential resources. Initially, this competition could be advantageous



Biological assets

continued

as it could stimulate growth, but it does become negative when the resources are over-utilised. Tree spacing that is too tight will suppress diameter growth and lead to tall slender trees, whereas more open tree spacing will provide room for the trees to add girth. The above principle is used by forestry companies to optimise volume and log dimensions to suit their specific needs.

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

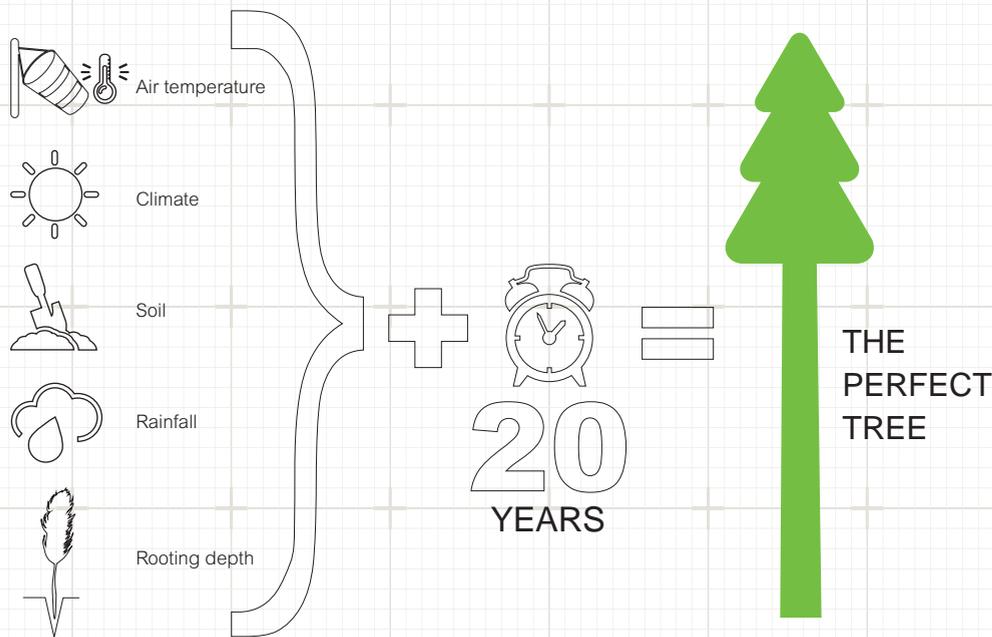
The growth potential of a site as well as the actual growth rate is referred to



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

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

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



Planning and management of typical compartment

The life cycle of a sawlog regime is 1,5 to 2 times longer than that for pulp in order to yield logs suitable for solid wood processing. This is in contrast to pulp growers that plant more trees per hectare over a shorter rotation period. In order to optimise value of logs for solid wood processing, longer growth periods are required to transform trees into higher value logs. Log diameter translates into higher value logs, in that the greater the diameter, the better potential solid wood processors have in extracting value.

The importance of tree breeding in the forestry value chain

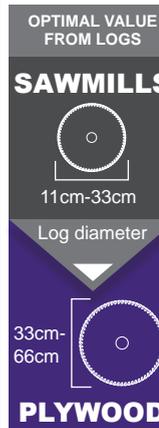
Tree breeding directly and indirectly impacts the forestry value, due to the heterogeneous characteristics of biological stocks and the diverse growing conditions to which plantation forests are subjected. These attributes can be directly related to the tree health, stand development, productive growth and wood quality characteristics. In addition, physical tree characteristics will indirectly impact operational productivity and costs.

Nursery

Tree breeding has a direct impact on the survival, productivity and physical development of seedlings and cuttings produced in the nursery. Different pine species vary in their susceptibility to pests, disease and frost damage. Therefore the hybridisation of commercially planted pine species with more resistant variants will have a direct impact on the survival and quality of reproductive stocks. Hybrids produced from cuttings might be more resistant to pest and disease. However, the rooting network will be less developed than that of seedlings, warranting careful site specie matching and planning prior to establishment.

Silviculture

Silviculture refers to the establishment and management of a plantation to ensure that biological stocks are healthy and producing high quality timber. This will include the establishment



method to ensure high seedling survival rates, the application of herbicides and pesticides to reduce seedling/cutting growth strain, pruning of branches to improve timber quality and the thinning of trees to remove inferior quality trees, manipulate tree form and promote higher growth rates.

Tree breeding promotes the production of trees with superior wood quality, growth and resistance to biotic risks (pest and diseases) and abiotic risks (frost, wind and fire). By selectively breeding and hybridising more resistant pine species, trees with superior wood quality can be established at previously growth limiting and high-risk sites, leading to improved growth rates of up to 30% (site species matching).

Low seedling mortality will also reduce establishment costs and therefore lead to higher productivity during establishment, as the re-establishment of seedlings/cuttings will be reduced. In addition, physical characteristics such as branch angle, frequency and size vary between pine species. By selectively breeding and hybridising trees with smaller branches, pruning productivity could also be improved.

Frequency and intensity of silviculture regimes will also be influenced by the breeding of trees with greater growth rates. Canopy closure will be reached earlier in the compartment's life cycle, reducing weeding frequency. Pruning

Biological assets

continued

and thinning of trees are also dependent on tree size. Therefore, faster growing trees will reduce the time lapse before pruning and thinning is initiated.

Harvesting

Harvesting productivity is a function of tree size. With increasing tree size, harvesting productivity increases and cost decreases. The breeding of faster growing trees will ensure that trees are larger at the time of felling and therefore will reduce harvesting costs.

When harvesting trees with a harvesting head, poor form will cause feed roller slippage due to irregular feed roller traction. De-limbing knives could also potentially cut into the log surfaces when trees with poor form are encountered.



TREE BREEDING CAN REDUCE RESIDUAL DAMAGE TO LOGS DURING MECHANICAL CUT TO LENGTH HARVESTING BY IMPROVING TREE FORM.

Wood quality characteristics vary throughout individual trees. Wood density increases from the central pith outwards and with tree height. Clear wood proportions decrease with tree height due to branches located in the canopy giving rise to live knots. Branch frequency, size and distributions also vary between different pine species (branch whorls versus distributed). When breeding trees, it is always important to keep the end product in mind, as product specifications vary according to different production lines and are often influenced by wood quality. Therefore, tree breeding has an impact on tree optimisation as it is closely related to product quality.

Mortality of mature trees due to biotic and abiotic risks will also lead to waste, as these entities will often not meet the desired quality specifications. In addition, these trees will still be harvested, as the compartment block will need to be clearfelled for re-establishment of seedlings after harvesting, leading to additional harvesting costs.

Mill

Tree breeding impacts tree growth, tree form and wood quality in relation to wood density, the amount of compression wood produced and knot characteristics. Log recovery and product quality are directly influenced by physical log properties such as log size, form and wood quality.

Larger base and middle section logs are often suited for more diverse production lines, which could potentially lead to greater recovery rates due to more homogeneous wood characteristics and higher levels of clear wood.

Log shape in relation to log taper and form will influence recovery as it will impact the available homogeneous cutting plane along the log length and the wood stability as log shape reflects the homogeneity of grain distributions (wood stability) throughout the tree. Wood modulus of elasticity (MOE) or wood stiffness also decreases with increasing log taper. Irregular grain distributions lead to irregular wood drying rates, therefore leading to cracking, twisting, warping, crook and sweep of structural timber during drying.

Tree growth rates, form and wood quality vary across pine species. Therefore pine species with superior wood quality and form will always receive highest priority in the breeding programme.

Tree improvement

There are various tree improvement methods available, including selective breeding, hybridisation

and genetic modification. Currently only selective breeding and hybridisation are implemented at York. Genetic modification is excluded due to FSC policies.

Selective breeding

Tree breeding by artificial selection of a specific individual in a tree population to produce offspring, with the aim to develop specific phenotypic traits in relation to tree growth rates, form and wood quality, is referred to as selective breeding. Selective breeding is an interspecies breeding process and produces the largest quantities of reproductive stock in the York breeding programme.

Hybridisation

York Timbers currently implements interspecific hybridisation between different pine species. Pine species with desired characteristics in relation to growth, tree form, wood quality, biotic and abiotic resistance are hybridised to improve tree growth, timber quality, biotic and abiotic resistance.

Genetic modification

Genetic modification refers to the engineering of a tree's DNA to include genes into the tree's DNA which do not occur in its natural state. Genetic engineering has previously been implemented to improve:

- Tree growth;
- Wood quality;
- Disease resistance;
- Pest resistance;
- Drought and salt resistance; and
- Conservation efforts of endangered species.

Selective breeding

In 2011, York took over the Mondi pine breeding programme. Improvement of *P. patula*, *P. elliottii* and *P. taeda* stocks via selective breeding was included in the programme. However, York is continuously looking for new species to incorporate into the selective breeding programme. From the first introduced *P. patula* stock, growth performance was improved by up to 45%.

Hybridisation

York is continuously producing new pine hybrids, with the aim to improve tree growth, wood quality, biotic and abiotic resistance. Hybrids produced are also planted and regulated in diverse growing conditions in the form of progeny trials. Hybrid pines outperform pure pine species by up to 30%



due to growth vigour and therefore hybrids are of utmost importance for the future of quantitative and qualitative mill timber stocks. The two most important hybrids identified were *P. patula* × *P. tecunumanii* and *P. elliottii* × *P. caribaea* hybrids. *P. elliottii* × *P. caribaea* outperforms *P. patula* × *P. tecunumanii* hybrids on warmer sites in terms of growth. However, the timber quality of *P. elliottii* × *P. caribaea* trees is inferior to that of *P. patula* × *P. tecunumanii* trees. *P. patula* × *P. tecunumanii* trees, on the other hand, produce high quality timber, which is comparable in quality to timber produced from *P. patula*, as *P. tecunumanii* trees also produce high quality timber. In addition, *P. tecunumanii* trees are more resistant to *Fusarium circinatum*, giving the *P. patula* × *P. tecunumanii* hybrid the added benefit of disease resistance. *P. tecunumanii* trees from low and high elevation ecotypes are currently used in the hybrid programme for more effective site species matching in relation to frost resistance.

VALUE ADDING FACTOR TO THE BIOLOGICAL ASSET: GENETIC BREEDING

Breeding methods

Before starting a breeding programme to improve a particular species, it is important to thoroughly study the species. An understanding of the variation within and between individuals, as well as the causes of variation, will aid in deciding which breeding methods will be successful. Furthermore, the success of breeding efforts to improve a particular trait depends on the heritability of that trait. Heritability can be defined as the "measure of the relative degree to

Biological assets

continued

which a character (or characteristic) is influenced by heredity as compared to the environment”.

Classical breeding

Classical breeding methods include mass selection, interspecific (between species) hybridisation and intraspecific (within species) hybridisation. York's *Pinus patula* breeding programme was started using mass selection. This method involves selecting outstanding individuals in native forests and then establishing first generation provenance trials. After eight years, selections can be made. Seed of these trees are then used to establish second generation progeny trials. The first generation selections can also be grafted into a seed orchard that will provide improved seed. This cycle of selection, testing and seed orchard establishment is repeated for each successive generation.

Good performing individuals within a species (intraspecific) can also be crossed through controlled pollination. This process is currently being used in our pure species programmes. New traits such as disease resistance or cold tolerance can be introduced by crossing two different species (interspecific hybridisation). York has an extensive hybrid programme, which is elaborated on below.

New possibilities: modern breeding

With the development of molecular technologies such as genome sequencing, marker assisted selection and transgenic technologies, improvements can be made over a much shorter period of time. Once the genome has been sequenced, markers are developed that can identify certain genes that influence a particular trait. Individuals can then be selected based on their genetic make-up without having to wait to evaluate their performance in-field.

Through genetic modification, genes that improve yield and/or disease resistance can be taken from a different species and inserted into the species desired to be improved. This then produces a transgenic plant.

Through York's association with the Forest Molecular Group (FMG), we may have access to these technologies in the future.

VALUATION PRINCIPLES

Valuation methods

International Financial Reporting Standards (IFRS) require a biological asset to be measured in accordance with International Accounting Standard (IAS) 41 Agriculture, and valued according to IFRS 13 Fair Value Measurement. A valuation model is used

to determine the value of the biological asset. A discounted cash flow model is used based on the expected revenue and costs to sell the plantation forests. These values are then discounted into today's value using an appropriate discount rate.

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

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

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

Valuation approaches and techniques allowed are:

Market approach

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

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

Income approach

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

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

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

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

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

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

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

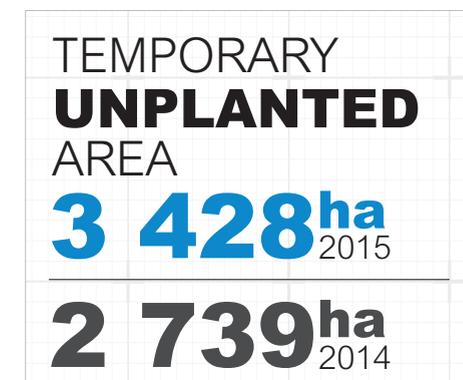
Cost as an approximation of fair value

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

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

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

There are various factors that can affect biological assets. As previously mentioned, genetic breeding is a value-added factor to the biological asset as it improves the yield of our plantations. Temporary unplanted area (TUP) is also a factor influencing the biological asset. Additional gum clearfelling during the past year and fires contributed to the year-end TUP being higher than planned and ended at 3 428 hectares. The increased TUP had a negative impact on the biological asset valuation. We plan to achieve the target TUP of 1 720 hectares by the end of 2016. These areas will all be planted according to the right site species matching that will contribute to improve the biological asset.



IT ALL STARTS WITH A SEED



INCREASE

IN GUM PULP PRICE LED TO HIGHER GUM PULP SALES WITH A POSITIVE IMPACT ON EBITDA



FIRE

remains the main threat TO PLANTATIONS

IMPROVED PLANNING AND EFFICIENCIES IN WEED CONTROL LED TO BETTER GROWTH AND REDUCED WEED INFESTATION



0,5% STOCK GAIN OF TIMBER LOGS AT ROADSIDE OR ON DEPOT **DUE TO IMPROVED CONTROL MEASURES THROUGH THE LOGTRACE SYSTEM THAT WAS DEVELOPED IN-HOUSE**



HYBRIDS ARE THE FUTURE

2 737 HECTARES PLANTED DURING THE PAST YEAR, OF WHICH **1 016 HECTARES WAS PLANTED WITH PINE HYBRIDS** THAT COULD YIELD **20% TO 30% MORE GROWTH** THAN PURE PINE SPECIES PLANTED.

2015 HIGHLIGHTS

- The in-field surveys to update the forestry site data base have been completed on the Highveld. The initial surveys started in 2012 and all of York's landholdings have now been completed. Refinement of the project is ongoing and the current focus is to complete detailed frost maps for all the landholdings.
- Increase in gum pulp prices continued, which led to higher gum pulp sales from our Highveld plantations, with a positive impact on EBITDA.
- Substantial improvement on control measures of animals and insects causing damage to trees was implemented over the past year. We are continuously monitoring damage and implementing mitigating measures.
- Improved planning and efficiencies in weed control of especially young plantings continued, which led to better stocking and growth and reduced weed infestation of the plantations.
- The water loading facilities of all airstrips in the Escarpment have been upgraded. This will lead to reduction



Improved **WATER loading** facilities at air strip = improved firefighting ability

in time to refill aircraft with water during firefighting operations, with improved turnaround time and better utilisation of aircraft.

- The Forestry business unit successfully passed its annual FSC audit during November 2015. This was the third audit in a second five-year cycle at York and is very encouraging as we look towards the future, striving for continuous improvement and efficiency in all our operations.
- Procured sufficient volume of timber from external timber growers to fill the shortfall that could not be supplied from own landholdings, and therefore met the demand of the York processing plants. Will continue to secure timber standing from private growers and in negotiations for multi-year contracts.
- Over the financial period, had a 0,5% stock gain of timber logs at roadside or on depot due to improved control measures through the LogTrace system that was developed in-house.
- As part of the modernisation project York procured equipment for road maintenance and construction as well as a forwarder to short haul pulp logs to depots.
- Completed a detailed soil survey of the Goedgeloof plantations that was outstanding.
- Filled some vacancies with post-graduate students from the University of Stellenbosch. Their specific skills will be enhancing the research and modernisation initiatives in the Forestry division.

continued

CHALLENGES IN 2015

- Drier than normal conditions were experienced over the past year. The actual 12-month moving average rainfall was significantly down on the long-term average and was at 65% for the Escarpment and 80% for the Highveld. These dry conditions have hampered our fuel reduction programme and had an impact on our planting programme.
- Incidences of theft of especially diesel, chainsaws and batteries/hydraulic pipes of equipment continue to show a rising trend in all the forestry areas. York is participating in the Mpumalanga timber theft forum, where land owners, the SAPS and security companies are working together to reduce incidences of theft in the timber industry. York has also secured the services of a security company with mobile units and foot patrols deployed in the plantations to reduce impacts of theft and illegal trespassing.
- The Forestry department had five lost time injuries during the past year and a constant focus will remain to ensure all hazards are identified and mitigated and all staff apply the concept of **SAFETY FIRST**.
- Fires remain one of the main threats to plantations. Although all the necessary fire precautionary measures were taken, York had 61 fires over the reporting period. Total area burnt was 2 072 hectares, of which 1 406 hectares was planted with trees. Of these, two mayor fires contributed most to the area burnt:
 - Highveld fire on 28 August 2014. When the fire ignited (cause unknown) at approximately 13h13 the wind was gusting at 70km/h; and over the following day increased to gusts of 90km/h. Aircraft was grounded due to the strong winds. The fire spread very rapidly under low fuel load conditions due to the strong winds and low RH. Total area burnt on York land was 359ha, of which 309ha is

LOW PINE PULP PRICES AND OVER SUPPLY OF PINE PULP LET TO INCREASED PINE PULP STOCK LEVELS.



commercial area, including 104ha temporary unplanted. Area lost was 205ha.

- The second fire occurred on 7 October 2014 at the Taurus plantation. The cause of the fire was due to lightning. Difficult terrain and adverse weather conditions made fire suppression activities very difficult. Total commercial area burnt was 1 392ha. Area lost was approximately 1 000ha, of which 80% is salvageable.
- York will continue to improve fire prevention measures that include identifying hazards and risks, fuel load management, constructing and burning of fire breaks, awareness campaigns, planning, training and other fire suppression activities. Special emphasis will be on developing improved fuel load indexes for total York landholdings to determine hazards and plan appropriate mitigating measures. Firefighting capacity will also be increased with the order of five 3 000 litre strike units that will be delivered by the end of August 2015.
- Low pine pulp prices and an oversupply of pine pulp in the market continued and led to increased pine pulp stock levels. York is exploring alternative markets for the pine pulp that includes use as shavings, sell to small sawmillers for mainly wet off saw and pallet market and to particle board and thermal energy producers.

KEY PROJECT DEVELOPMENTS

The following key project developments are planned over the next two years:

Develop methodology via a pilot study of topographic position and shape analysis for site-based yield estimations

Together with effective precipitation and equivalent soil depth, slope shape and steepness and topographic position have been shown in transect studies to strongly influence tree yield on the Escarpment; similar findings also

apply on the Highveld. By meaningfully mapping these topographic effects, yield potential can be more accurately determined and used to optimally manage natural resources for delineating uniform production compartments, comparing actual yields with the site's potential to identify under-performing stands and plan research programmes.

Define and construct estimates per PLU for quarterly maximum and minimum temperature limits for the pine genotypes currently used by York

The critical temperature factors for optimum tree growth, i.e. the summer maximum (especially for disease, but also tree form) and winter minimum (ability of the tree to grow under cool conditions). Elevation and mean annual temperature (MAT) are relatively coarse measures or approximations of defining the optimum temperature conditions for pines, due to the effects of aspect, exposure to hot valleys and/or plains/Lowveld, and cold air drainage. It is therefore more accurate to define limits for the mean maximum temperature over the three warmest summer months and coolest winter months. These limits also allow for ease of extrapolation of genotype suitability to sites outside of current York holdings.

Site-specific forest management

In order to optimise yields, it is necessary not only to plant the best genotypes available, but also to allow these to perform optimally by employing the optimal establishment silviculture and working circle for the specific site conditions. Where these are correctly selected and applied, optimum yields and timber quality will result, with the best returns on compartment expenditure.

MODERNISATION PROJECT

All York's forestry employees are paid above the minimum wage and the implementation of this legislation impacted York's contractors rather than York's own employees. All York's forestry contractors are compliant with the minimum wage requirements.

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

In order to mitigate all of the above, York has embarked on a modernisation project during the past financial year. The project included a review of all current systems and the introduction of new technology in the forestry operations.

The objective of this project is to improve the quality of operations and to be more cost-effective. It will also position York better for future cost escalations. Some of the outcomes of the project will be implemented during the new financial year.

**FIRST MODERNISATION PROJECT**

With the new planting tool applied in the Highveld, one person plants 940 seedlings, one hectare per day.

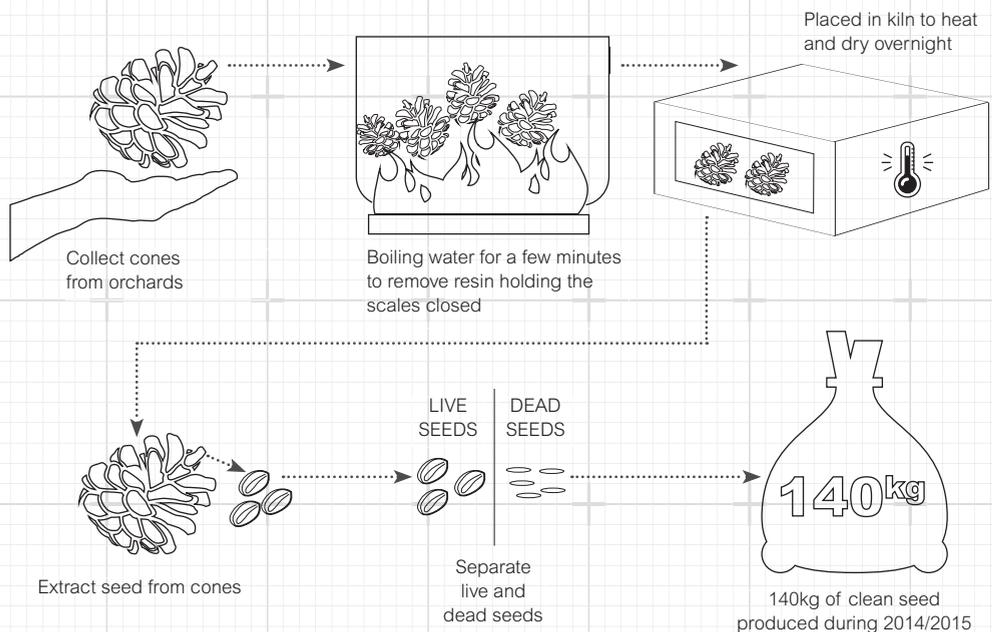
THE PINE HYBRID PROGRAMME**It all starts with a seed...**

York has seed orchards of various species. Currently, our most productive seed orchards are those of our main pure species, *Pinus patula*. Seed from these orchards supplies Klipkraal nursery with improved seed for our plantations and the remainder is used to generate income from sales to other companies. With the development of our pine hybrid programme, the need was identified to establish seed orchards of alternative pine species as well. These seed orchards will serve mainly as sources of pollen, which will be used in our controlled pollination programme for the production of hybrid seed. Alternative species were chosen based on the improvement in growth and/or disease tolerance that they could potentially bring into the programme. Alternative species for which new seed orchards have been established over the last few years include *Pinus tecunumanii*, *P. maximinoi*, *P. oocarpa*, *P. leiophylla*, *P. herrerae*, *P. elliottii* and *P. taeda*. In addition, new seed orchards of our top performing *P. patula* families are also being established.

Our annual *P. patula* seed harvest commences in July and lasts for about three months. Cones are collected from the various orchards and taken to the seed extraction site. Here the cones are placed

continued

***P. patula* seed harvesting and processing**



in boiling water for a few minutes to remove the resin holding the scales closed. They are then placed in a kiln to heat and dry the cones overnight, after which they open and release the seed. Once the seed is separated from the cones, they are manually de-winged and put into a blower to separate live and empty seeds. During the 2014/15 season about 140 kilograms of clean seed was produced.

Orchard establishment

In order to establish a clonal seed orchard, copies (or clones) need to be made of the selections that have been made in trials. This is done through grafting. Scion is collected from selections and grafted onto rootstock using the cleft grafting method. After a few months, the grafts are ready to be established into a new clonal seed orchard. When compared to a seedling seed orchard, the grafting process significantly reduces the time it takes to produce seed. This is due to the fact that the scion material that is grafted onto the rootstock is genetically older and therefore the genes for flower and pollen development are already switched



DNA FINGERPRINTING

A method to determine the integrity of the various clones in the orchards.

on. In the last year, numerous grafts have been made of *P. patula* and alternative species for new orchard establishment.

Quality control: DNA fingerprinting

The establishment of new seed orchards requires a significant investment of time and costs, and plays a vital role in the future of our breeding programme. It is therefore necessary to ensure that the identity of the material included in these orchards is correct. Human error may cause mistakes during scion collection, grafting and labelling, and therefore a method is needed to verify the identity of individual trees. This can be done through DNA fingerprinting.

Needles are collected from trees in our trials and orchards and sent to the FMG (Forest Molecular Group) laboratory at the University of Pretoria. DNA is extracted from the needles and an allelic profile (or fingerprint) is generated for each sample. This is then compared to a reference sample which is known to be correct. Should the sample profile not match the

reference profile, it is either kept as a new genotype or it may match an alternative genotype that has been previously fingerprinted.

To date, 400 samples have been submitted for fingerprinting. Eventually the Group aims to submit samples for all the clones in our orchards in order to ensure the integrity of our breeding programme. With the development of the fingerprinting programme it is now also possible to use fingerprinting to distinguish between pure species and hybrid seedlings of some species. This will be used to ensure the integrity of our hybrid programme in future.

Testing in trials

Trials form an integral part of any breeding programme as the results offer valuable information regarding the performance of species and families being tested for various traits. Through past breeding efforts, we now have third generation selections in our *Pinus patula* orchards. Genetic gains trials have shown that this has resulted in just more than 50% gains in volume over unimproved material.

Every year we continue to establish new trials, testing *P. patula* families as well as families of alternative species that will contribute to our hybrid programme. The access we have to the majority of alternative species seed is mainly as a result of our collaboration with Camcore and the ICFR. In the last year, three *P. patula* trials have been established (one Camcore and two York) as well as one Camcore *P. maximinoi* trial.

Considerable effort has also gone into a site-species matching project over the last couple of years. The results will also help us to improve trial design, layout and data analysis.

Hybrids are the future

Hybrid seed can be produced artificially through the process of controlled pollination. This involves isolating the female flower on the mother tree with a paper bag just before it emerges from the bud. Approximately two weeks later, pollen from a different species is applied through the bag by a hypodermic needle. This process is



R3,152 million
spent in forestry research.



40 HYBRID COMBINATIONS

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

BIOTIC
RISKS:
PESTS AND DISEASES
ABIOTIC
RISKS:
FROST, WIND AND FIRE

repeated two or three times over two weeks and after another three weeks the bags are removed. The female flowers develop into cones and, after two years from pollination, the cones are ready to be harvested. Numerous controlled crosses are made every year, producing seed that will bring greater diversity to the breeding programme.

Due to the fact that two different species are being crossed, there are certain reproductive barriers that cause hybrid cones to yield less seed than a pure species would. It is therefore necessary to convert hybrid seedlings into hedges, from which many cuttings can be set. Cuttings are then used to establish field trials, from which selections are made after eight years. A total period

continued

of 12 years is needed to identify promising new hybrids and after another five years, these hybrids can be deployed commercially.

A cross between two different species often results in hybrid vigour. In other words the hybrid offspring will outperform both parents on the same site. Further gains can be made by identifying specific families within the hybrid that perform better than the mean of the hybrid as a whole. In addition, hybridising sub-temperate and tropical species (such as *P. patula* and *P. oocarpa*) will allow us to extend the planting range of each, making them adapt more readily to climate change.

York has made a significant number of family crosses within those hybrid species that are being commercially deployed or show good potential. In addition, through our association with outside parties such as Camcore and the CSIR, we have also been able to access various hybrids to test and include in our breeding programme. York is also participating in a collaborative project, where approximately 300 *P. patula* x *P. tecunumanii* families are being produced by Sappi using Camcore material. We have made good progress in grafting the trees used to make these crosses, which will put us in a position to reproduce these families on our own land without delay.

Fighting *Fusarium*

Fusarium circinatum is a fungus that causes significant mortality in *Pinus patula* seedlings in the nursery and in the field after establishment. There are, however, families that show tolerance to this pathogen. As *P. patula* remains an important species for further breeding, it is important that we are able to identify these families. One method that can be used to do this is through the artificial screening of seedlings.

In March and November every year, we send seedlings of various *P. patula* families to the screening facility at the University of Pretoria. Here seedlings are artificially inoculated with *Fusarium* spores and then assessed for tolerance after a few weeks. The fungus causes the development of a lesion on the stem of the seedling, and the length of this lesion can be measured. Seedlings of susceptible families will develop long lesions and those of tolerant families will only develop short lesions or no lesions at all.

From results to date, we have been able to identify 21 tolerant families. Cuttings of these families will be used to establish a *Fusarium* tolerant orchard at the Klipkraal nursery. This orchard will be used in the controlled pollination programme.



546 400m³
VOLUME OF THE
**CHRYSLER
BUILDING**



633 646m³
VOLUME OF LOGS SCANNED
FOR THE 2015 FINANCIAL YEAR



Reducing frost risk

York is currently testing various hybrid combinations in our trials. As many of these hybrids have at least one tropical parent, some of them may be susceptible to frost. Many of York's sites experience frost during winter and it is therefore important to develop quick and accurate methods to determine which specific hybrids, and families within hybrids, are able to tolerate sub-zero temperatures.

At present, we are using three methods to determine the frost tolerance of seedlings and cuttings of nine hybrids and nine pure species important to York. From this study, we will be able to determine which method gives the most reliable results. We will also be able to rank the different species and hybrids in terms of frost tolerance and use this to improve site species matching.

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

New technical studies

Currently, the Technical Research division is exploring various new possibilities which could potentially benefit future forestry operations. A brief description of each is given below:

Biochar trials: Biochar is a charcoal-like substance formed by pyrolysis. Studies

have found that Biochar amendments to soil could potentially improve tree growth. Three trials have been established to test four different Biochar application rates in relation to seedling growth and survival.

Organic fertilizer trials (Micromix):

Micromix is an organic fertilizer derived from sewage plants. Three seedling trials have been established to test two different Micromix application methods at two different rates of application. Seedling survival and growth will be monitored.

Long-term fire retardants: Long-term retardants stay active after the evaporation of water is completed, making it a very versatile fire combatant. Long-term fire retardants are extremely robust and could withstand up to 20 litres of rain per square metre. This makes early application possible in strategically significant fire risk areas.

Forest health software application: A prototype software application is being developed to monitor forest health. When data is entered, GPS co-ordinates are logged. The data is currently compatible with Windows Excel and Google Maps. This software could potentially be used in the future to do silviculture evaluations, harvest tracking, incident reports and risk management.

Silviculture mechanisation: We are currently evaluating the mechanisation of two key silviculture operations: seedling establishment and tree pruning. The possibility of using mechanical planters in future forestry operations is currently

5 173 686
LOGS SCANNED
FOR THE 2015
FINANCIAL YEAR

continued

being explored. York will also be testing different pruning technologies available in the market.

Forest health: We are currently investigating the use of remote sensing technologies to evaluate forest health in relation to net difference vegetation indices (NDVI). NDVI are obtained from spectral infrared



and near infrared images of the forest canopy, obtained from sensors mounted on planes and/or unmanned aerial vehicles (UAVs). NDVI reflects the forest canopy health as healthy leaves or needles have a higher rate of photosynthesis and therefore plant chlorophyll will absorb greater amounts of infrared. The visual imagery can therefore also potentially detect prescribed anomalies in relation to weed distributions, pest and disease spread or any other spread of forest stresses.

LOGISTICS

The main factors affecting timber logistic costs are the distance that the logs are located from the mill, tree form and log moisture content. By improving tree resistance to biotic and abiotic risks, trees with favourable wood characteristics for specific production lines could be established at marginal growth sites located closer to mills. By reducing the amount of trees produced with poor form and high taper, better stacking on truck loads will be achieved, allowing for higher payloads. Log drying rate is also a function of tree size and wood density and plays an important part in timber logistics as log moisture content could contribute to more than 50% of a log's total weight. Log drying rates will increase with decreasing log size and at lower wood densities.

LogTrace is a system developed in-house by York and involves harvesting, stocktake and inbound transport activities by:

- Measuring in-field product (dimensions, volume, type);
- Indicating geographical locations (distinguishable compartments);
- Capturing information electronically (mobile handheld devices scanning barcoded tags);
- Having traceability throughout the inbound process (stock age, teams, suppliers); and
- Showing transport movement (from sourcing sites to delivery destinations).

LogTrace also provides information analysis of scanning loads:

- Daily reports are sent out, indicating current stock on hand at roadside locations according to LogTrace information. This detailed report serves as an indicator of current volume available in-field and assists the transport contractor as well as processing facilities to plan forecast intake accordingly.
- Transport Planning Model is in progress (demand-driven approach to allocate the correct daily rateable delivery to specific processing plant by product mix request).



BIOMASS ELECTRICITY GENERATION

York is preparing an 28MW (gross) and 25MW (net) power generation facility bid response for the Expedited Bid Window. The facility will be located within the existing Sabie processing facility and fuel will be sourced from York's plantations and processing facilities. The facility will be connected to the national grid via a 132kV line situated next to the Sabie processing facility. The technology utilised will be three steam boilers with a full condensing turbine. This technology is suitable for the REIPPPP or the Cogen IPP. However, the maximum rate within the REIPPPP for biomass power generation is greater than the Cogen IPP. For this reason, the REIPPPP is the preferred programme.

York operates plantations, sawmills and a plywood plant. All these processes generate woody biomass, from which a limited amount of value is generated. By installing a biomass power plant, these residues can be used to generate value in terms of the full value chain. Apart from this, it will also generate the following benefits:

- Reduce fire fuel load in the forests; and
- Promote denser planting regimes, which will have the following benefits:
 - Increase volume harvested over the lifetime of a compartment;
 - Increase the wood density, which will increase the structural properties of the wood and thus the value of the final products; and
 - Earlier canopy closure, which will reduce the amount of weeds growing under the trees and thus reduce the maintenance costs of a compartment.



The biomass power plant is a strategic project in terms of York's growth plan, which includes the optimal utilisation of the available biomass fibre.

It is also aligned with York's processing strategy, which entails the development of a new integrated sawmill. The new sawmill will generate a large amount of residue and the biomass electricity plant will ensure optimal value is extracted from all available fibre once the plant is operational.

York's PROCESSING DIVISION

CHALLENGES

RAW MATERIAL COST INCREASES OF 9% WERE NOT ABSORBED IN FULL



PLYWOOD production VOLUME **DECREASED 2,2%** from previous year due to industrial action

Processing division

HIGHLIGHTS

York's Processing division continues to work on the business vision of finding optimal processing solutions for trees.

↑ PROCESSING PRODUCTION VOLUME **INCREASE OF 3,3%** on previous year

SALES VOLUME
DESPATCHED **↑ 9%** higher than previous year



LUMBER SELLING PRICES HAVE RECOVERED FROM PREVIOUS YEAR BY 5% **↑**

LUMBER improvement on previous year's product mix
PRODUCT MIX

CAPITAL EXPENDITURE

ON PLYWOOD to increase drying capacity, delivering **25% capacity improvement**
AT JESSIEVALE SAWMILL, installing finger joint capacity and increasing drying capacity

RESOURCE OPTIMISATION

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

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

to York remanufacturing at Roodekop, in line with getting the most out of its trees.

From timber to user

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

- York products can be further treated with timber preservatives for external applications.
- Structural or load-bearing products carry the necessary certification marks.
- Stringent quality and process controls are in place and audited by external certification bodies to ensure products comply consistently.
- York is now making use of available mechanical grading techniques to ensure structural timber meets required strength targets. This technology is a combination of X-ray and acoustic that determines board strength.
- Products are branded to ensure traceability, particularly for the end-user.

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

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

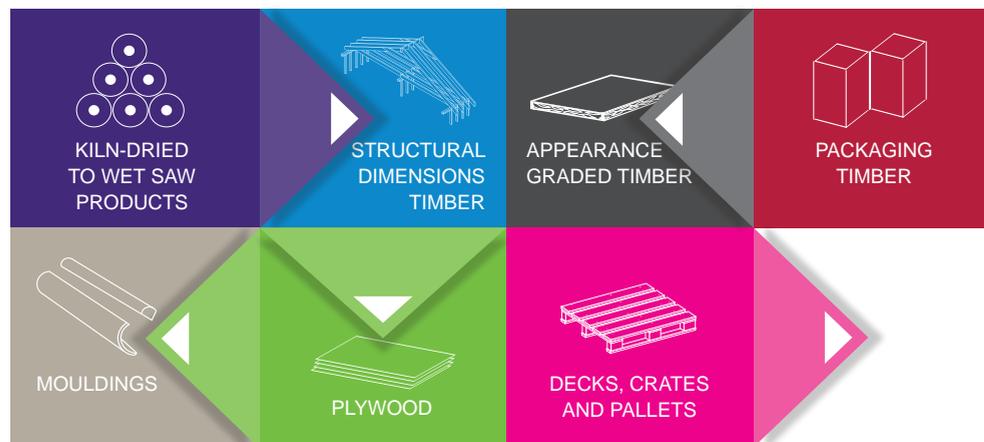
EXTRACTING THE VALUE FROM TREES IN-FIELD ENSURES THAT THE BEST LOG PRODUCTS ARE PRODUCED FOR EACH OF THE PROCESSING PLANTS.

Processing division

continued

PRODUCTS

York's product basket:



YORK CONTINUES TO TAKE A **PROACTIVE APPROACH** WITH REGARD TO THE ENVIRONMENT, ERADICATING THE NEED FOR DUMP SITES.

COST OPTIMISING

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

In addition to sustained levels of demand for external logs, the ability to pre-plan when demand from the processing plants will be required enables York to negotiate fairly on prices it will be willing to pay for external logs. Packaged deals, where additional volume is made available on the open market, further assist York in negotiating prices which defer the impact of increasing log inflation. Innovative deals to lower the net purchase acquisition costs through bulk purchasing over a nine-month period,

which ran over the previous and current financial years, is evidence of management's commitment to utilise its position as a major purchaser of external logs in the open market.

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

Processing plants in York are evaluated by reference to the ability of the technology employed to pay for the logs utilised in the process. The current financial year has seen a slight improvement at most processing sites, but in York's view optimal value will only be demonstrated once the Sabie integrated site, which will include a large sawmill and automated log merchandising yard, is in place.

VOLUME RECOVERY

Volume recovery is one of the most widely used efficiency measures in primary log processing worldwide. It is simply the volume percentage of a log that is turned into final product volume (excluding by-products like chips and sawdust). In South Africa the final product is considered to be the seasoned

timber which has not been planed. Volume recovery is stated as follows:

$$\text{Volume recovery} = (\text{Product volume}/\text{Log volume}) \times 100$$

Another variable having a large effect on the profitability of a primary log processor, is the log volume throughput. The main reason is that fixed costs stay fixed with an increase in log volume throughput. The income will thus increase due to higher product outputs, but one of the cost components (fixed costs) will remain constant. Variable costs (mainly log costs) will increase proportionately with volume throughput.

VALUE MARGIN

Value margin represents the value added through the production process. The calculation is based on the log costs as described above, together with the other variable costs per m³. Log costs for example of R1 370 plus R48/m³ would result in variable costs of R1 418/m³. The value margin is then R2 382 – R1 418 = R964/m³. The value margin is used to determine the break-even volume required to pay for fixed costs.

VALUE RECOVERY

A measure that is not as commonly used as volume recovery, but is a more comprehensive efficiency measure, is value recovery. It reflects the value created by every m³ of logs processed. Value recovery is measured in R/m³ and is calculated as follows:

$$\text{Value recovery} = (\text{Product value}/\text{Log volume}) = (\text{Product volume} \times \text{Product price})/\text{Log volume}$$

The big difference between value recovery and volume recovery is that value recovery also takes product pricing into account. If the value of your products can be increased by better marketing practices or increasing the product grade yields, this will be captured in the value recovery measure but not by the volume recovery measure. An increase in volume recovery will also be reflected by an increase in value recovery.

Optimised recovery at sawmills is also dependent on achieving the correct sawing pattern from the available log presented for recovery. The South African sawmilling industry returns below par international recoveries due to the utilisation of older installed technology and consequently has lower recovery rates from available raw material. This results in an excess sawdust and chips volume from production processes, and due to local market dynamics where sales prices are offered far below the inherent economic value which remains in the chips (especially when benchmarked



internationally), presents an urgent need to look for alternative ways to optimise fibre value. This necessitates the evaluation of alternative products and technologies where chips can be used, and results in value-added products or processes such as application in generating thermal and electrical energy from use in a cogeneration plant, to producing wood engineered products such as MDF (medium-density fibreboard), chipboard or OSB (oriented strand board) manufacturing.

SABIE INTEGRATED SITE

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

The first phase entails the upgrade of the plywood facility. This project will be completed during the first quarter of 2016. The project includes, among other, the following technology upgrades:

- Log conditioning chamber;
- Chipper;
- Veneer dryer;
- Automatic veneer grading and stacking;
- Layup line;
- Plywood press;
- Panel sizer;
- Glue kitchen; and
- Steam boilers.

A variety of local and international suppliers are involved in the project and the project is managed by York's Engineering division. The project aims to achieve the following:

- Increase throughput;
- Improve process flow within the facility;
- Improve veneer quality through improved log conditioning;

Processing division

continued



- Reduce production costs;
- Diversify product mix;
- Improve grading through automation;
- Reduce environmental impact through for example:
 - Thermal energy recovery;
 - Natural lighting;
 - LED lighting.
 - Variable speed control of motors;
 - Electrostatic precipitators at boilers; and
 - Sound attenuation on boiler fans; and
- Improve ergonomics.

The next phase of the Sabie integrated site will be a biomass power plant. The biomass power plant

will utilise wood residues from the Sabie sawmill, the plywood facility and local forests and convert it into electrical energy. Electricity generation from biomass is considered as renewable energy since it is part of the natural carbon cycle (it is considered to be carbon neutral). The purpose of this facility will be to:

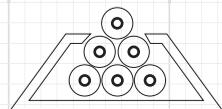
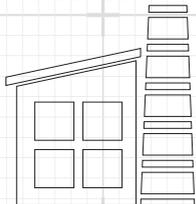
- Diversify York's earnings base;
- Supply renewable electricity into the national grid;
- Increase the value recovered from the available wood resource;
- Reduce the amount of wood residues left in-field after harvesting, which will reduce the risk of fires; and
- Enable York to optimise its planting and silviculture regimes for a diverse product offering.

The biomass power plant will utilise some of the latest technology offerings in the wood biomass boiler environment. It will include, among others, the following:

- Walking floor for fuel handling;
- Hydraulic push bar for fuel control;
- Moving step grate furnace;
- Multi-unit vaporiser optimised for biomass burning;
- Full condensing turbine and generator;
- Vacuum condenser; and
- Multi-cyclone and electrostatic precipitators.

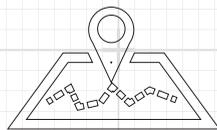
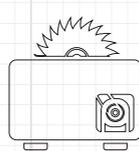
Once the biomass power plant has been completed, the following phases of the Sabie integrated site development will follow.

Biomass power plant
Electrical energy will be generated using wood as fuel.



Log merchandising yard
Full tree stems will be transported to the facility where it will be measured and bucked into the optimal log dimensions.

Sawmill
A new sawmill will be constructed and the latest sawmilling technology will be installed.



New infrastructure
New infrastructure for example roads, substations, offices, workshops etc. will be constructed.

During 2014 the first phase of the Sabie integrated site development commenced, being the plywood expansion project. The Sabie integrated site will include the following projects:



INTEGRATION

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

The integration of the various processes will also, from a systems-thinking point of view, be optimised in such a way that the whole system is geared to ensure optimal value creation.

This process will start in the log merchandising yard, where logs will be optimised, taking into consideration the potential value that can be created at the various processing facilities.

ENVIRONMENTAL IMPACT

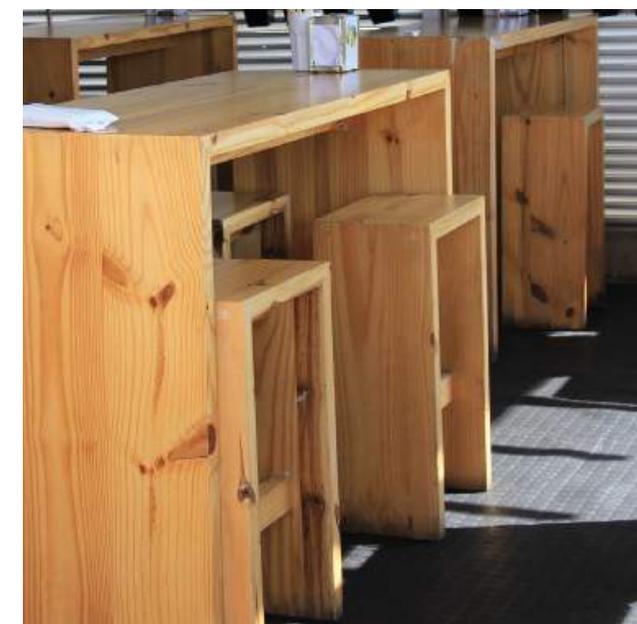
The Sabie integrated site is developed in such a manner as to ensure and improve environmental sustainability.

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

Apart from the management plan, new technologies, for example air emission abatement equipment, will be installed, which will comply with minimum national standards and, in many cases, minimum international standards.

CREDIBLE COMPLIANCE

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



Processing division

continued

THE **INTEGRATION** WILL SUBSEQUENTLY NOT ONLY **MAXIMISE THE VALUE EXTRACTION** FROM THE AVAILABLE FIBRE, BUT ALSO **INCREASE ENERGY EFFICIENCY** AND **COST COMPETITIVENESS**.

CHANGING PROCESSING TECHNOLOGY AND PRODUCT DEVELOPMENT

The Processing division has continued to respond to a range of changing conditions involving environmental, economic and market concerns, and changes in technology. X-ray scanning and acoustic strength determining technology is being applied in the production of structural timber. Mills have further benefited from new boiler installations as well as new kiln-drying technology. Increased capacity was achieved through improvements made in technology.

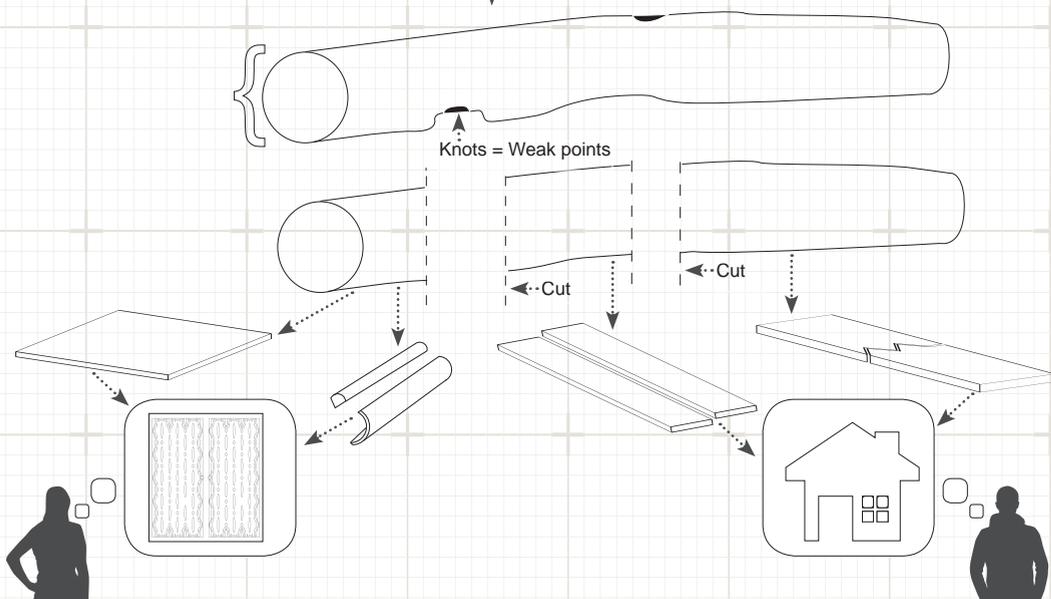
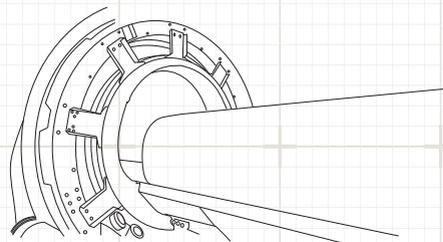
The industry has made significant advances in the past few years in developing more environmentally friendly processing technologies, achieving higher recovery rates, improving product quality and diversifying the use of raw materials. The industry is adjusting to changes in the supply of wood size, species and quality. Changes in the supply, characteristics and sources of raw materials, and in the processed products themselves, have created new markets and resulted in new marketing strategies.

YORK'S MILLS CARRY FSC ACCREDITATION



CT SCANNER DETERMINES

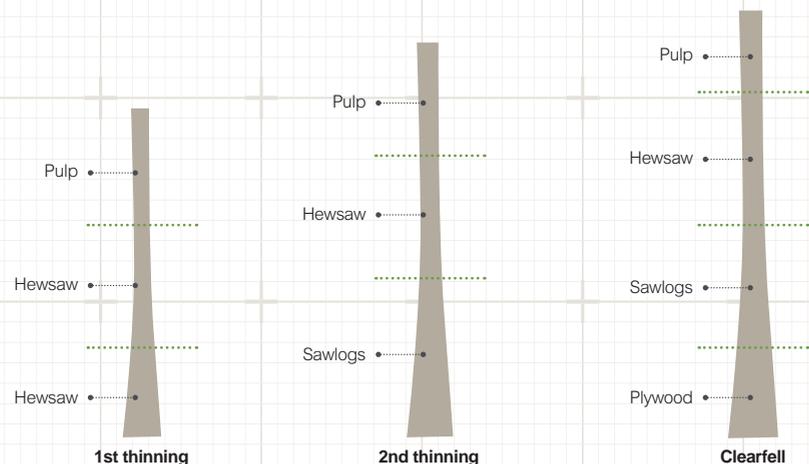
- Strength properties
- Optimal parts
- Wood density



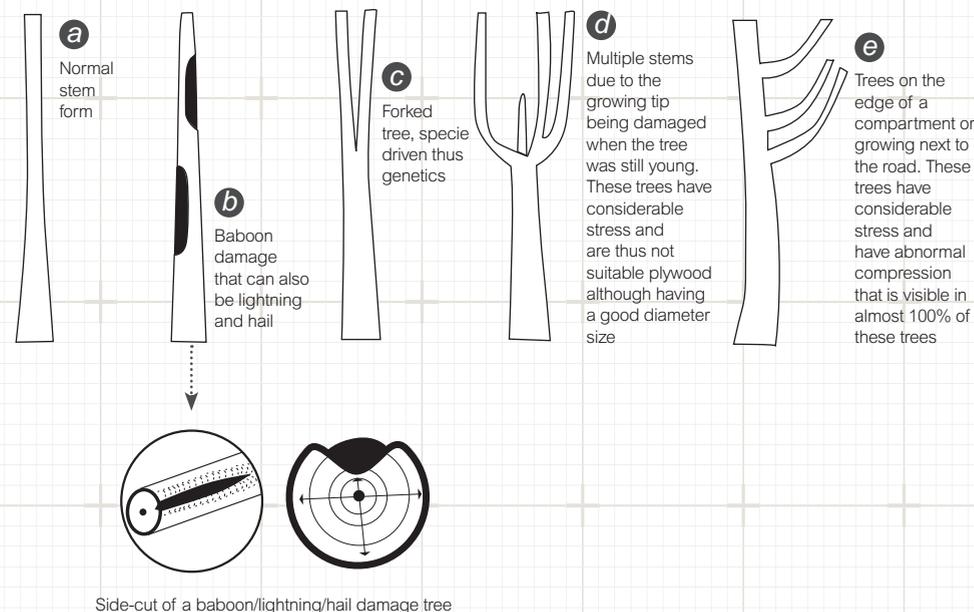
Logscaling

WHAT HAPPENS TO THE TREES THAT ARE REMOVED DURING THE FIRST AND SECOND THINNING?

The forester needs to determine which portion of the log to cut. These logs are logscaled in-field to determine the optimal use of the logs for them to be processed at the sawmills. There are a number of combinations with utilisable and product lengths when logscaling a tree length. External and inherent log quality are also factors that need to be considered when logscaling.



Some of the tree or stem forms that have to be logscaled at roadside:



Plywood grading

BASIC PLYWOOD DEFECTS



Blue stain

Sap stain producing a bluish discolouration

Tight knot

Measured across the width of the face

Delamination

Occurs where there is no bond between laminates in panels usually identifiable by lack of fibre breakage

Splits/overlaps

Split is a separation in the fibre along the grain. Overlap is caused by a piece of veneer leaving an indentation on the face of the veneer



Resin streaks

Resin infiltration

Blister

Caused by moisture/pressure build-up inside the panels that forces the layers apart (fibre pull will be visible)

Open defects/wane

Defect where the glue line is exposed or where bark is visible

Flatness

Measured with cupping toward the ground on a flat surface

Appearance grades	Structural grades
A & B	C+/C
Primary uses being panelling and furniture (face grade)	Most commonly used in shuttering applications, brick pallets and flooring
Appearance grade thicknesses	Structural thicknesses
6 mm	18 mm
9 mm	21 mm
12 mm	25 mm (on request)
16 mm	28 mm (on request)
18 mm	32 mm (on request)
25 mm	
28 mm	
32 mm	

Mechanical grading properties



MECHANICAL GRADING PROPERTIES AND CERTIFICATION

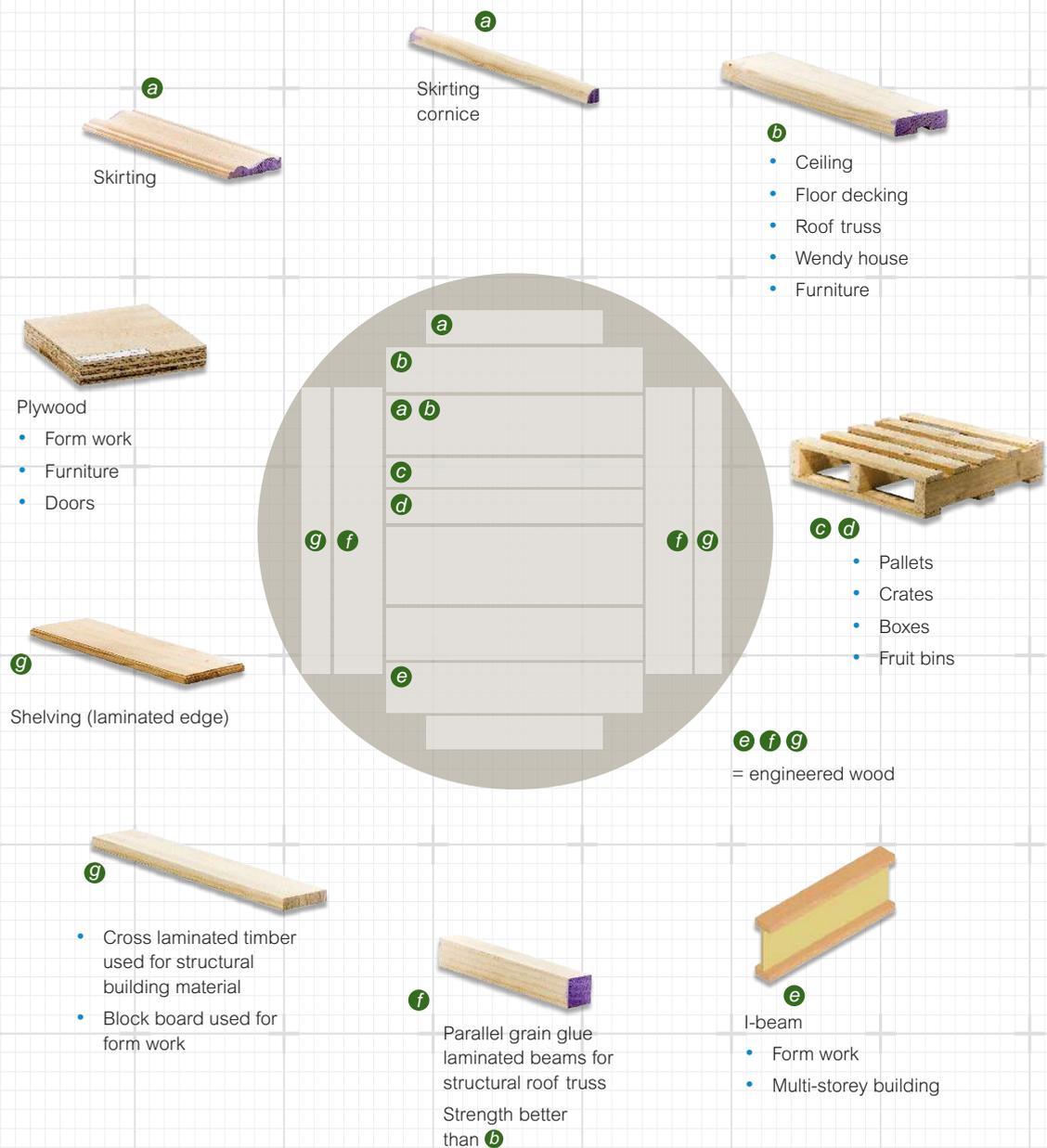
Commercial strength grading of timber is performed by visual grading or machine strength grading and, in this regard, York complies with the requirements contained in SANS 1783:2009 part 1, SANS 1783:2012 parts 2 and 4 and SANS 10096:2012. In the case of plywood, material is graded on the same principles in accordance with SANS 929 requirements and, in the case of CE-marked material, EN 13986, EN 636 and EN 314-1.

Visual strength grading only takes into account the macroscopic character of wood, i.e. the number and location of knots, wane and dimensional distortions. Knots are, however, poor predictors of strength and lead to more conservative predictions of the actual mechanical strength properties of the timber and, in most instances, visual grading underestimates the actual strength of the timber. Machine strength grading is used at Sabie sawmill for optimised grade sawing to facilitate finger-jointing. During the past two years, the viability of utilising machine strength grading instead of visual grading was investigated to further improve the quality of our timber.

The grading methodology on the 38mm x 114mm boards was adjusted throughout the production process at Sabie sawmill to increase the production of S5 grade boards. This was accomplished by measuring the concomitant board properties with the Microtec Goldeneye Scanner. To predict the board strength, the scanner accurately measures the Modulus of Elasticity (MOE), density, knot properties and the grain angle through a combination of acoustic methods, X-ray scanning and laser scanning. Various scanner parameters have been adjusted consistent with the required standards and confirmed by frequent sample tests to measure the MOE and Modulus of Rupture (MOR).

At the beginning of June 2015, the grading rules were adjusted to exclusively utilise machine grading at Sabie sawmill and visual grading was restricted to grade only for manufacturing defects such as dimensional discrepancies and defective finger-joints. SATAS has been auditing this process from the beginning to uphold the product quality. The grading methodology will be further adjusted to accommodate the other timber dimensions and similar grading rules will be implemented at the other York sawmills to further improve the timber quality and yield.

HOW TO **MOVE UP** THE VALUE CHAIN?
BY ADDING **VALUE-ADDED SOLID WOOD PRODUCTS** TO OUR **CURRENT PRODUCT OFFERING**.



STRUCTURAL LUMBER AND PLYWOOD

GROSS MARGINS WERE MAINTAINED THROUGH STRONG GROWTH IN THE HIGH MARGIN REMANUFACTURING SECTION AND COST CONTROL.

BACKGROUND

The Wholesale division consists of three business units:

- Roodekop in Germiston: wholesale with a remanufacturing facility;
- Pretoria West: wholesale only; and
- Epping in Cape Town: wholesale with a treating facility that does CCA & VACSOL treating.

PRODUCTS AND SERVICES

Wholesale products include the following:

- Structural lumber, which consists of brandering, battens and SSP lumber;
- Plywood, which consists of shutter ply, appearance grade ply and resin film ply;
- Other board products including Masonite, softboard, particle board and medium-density fibreboard;
- Laminated shelving;
- Utility grade timber for utility use;
- Clear, furniture, industrial and crating grade lumber for furniture manufacturing; and
- Scaffolding, sole plates and dunnage bearers.

The above lumber and plywood trading stock is sourced mainly from York's sawmills, but is also supplemented from other sawmills. The other products not manufactured by York's sawmills are sourced from local and international suppliers.

Remanufactured products are manufactured from both pine and hardwoods and include the following:

- Exterior mouldings e.g. decking and fascia;



- Interior mouldings e.g. flooring, skirting, cornice and ceiling;
- Carpentry mouldings e.g. half rounds, quarter rounds, cover strips and cleats;
- **DIY mouldings:** an extensive range of products planed all-round (PAR);
- Construction mouldings in different dimension corner fillets;
- Component mouldings like floating shelves, corner shelves and furniture components; and
- Pallets, decks and crates as well as a diverse range of components:
 - **Pallets:** two and four-way entry pallets and bale boards;
 - **Decks:** solid and slatted decks for the use of racking and shelving; and
 - **Crates:** solid timber and plywood crates.

All moulding products are graded to the York in-house specification and specialised products are manufactured to customer specification.

The treating facility at Epping offers H2 – H4 CCA and H2 VACSOL treating (building legislation requires all timber used in structural applications along the coast to be treated).

Wholesale division

continued

INDUSTRY LUMBER SALES VOLUME

UP **3,0%** YEAR-ON-YEAR

YORK LUMBER SALES VOLUME

UP **13,6%** OVER THE
SAME PERIOD



PERFORMANCE IN 2015

- The division's turnaround continued and contributed to the EBITDA profit line for the first time.
- This was achieved on the back of significant growth in turnover (44%) and gross profit (43%).
- In early 2015, a fire destroyed part of the Roodekop warehouse. Apart from the stock losses (mainly plywood), business interruption was limited as customers were serviced from the Pretoria warehouse. The division's results include an insurance excess payment of R5,25 million.

FUTURE OUTLOOK

The main focus now is to bring the EBITDA margin in line with industry norms.

Margins will be increased through the following:

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

Information technology

UTILISING PREDICTIVE ANALYTICS



THE FORESTRY BUSINESS IS BECOMING MORE RELIANT ON INFORMATION TECHNOLOGY.

All businesses are becoming more reliant on information technology and the forestry industry is not excluded from this trend. Information technology is used in the forestry industry throughout the value chain – from genetic research into best biological material, site-specie matching, planning and monitoring the forestry operations (silviculture, harvesting, firefighting, road maintenance, etc) to the delivery and processing of the logs and finally into market analysis and predictions.

An important part of the IT strategy is to provide a framework that will deliver information to decision makers to optimise variables in real time. Substantial improvement has been achieved in this area and this is still an ongoing focus. York is now investigating the most appropriate technology to mine this information utilising predictive analytics in order to add more value to the organisation.

INTEGRATING INFORMATION

After evaluating our system needs, York established that, in order to implement a fully integrated information management system, it has to standardise its processes throughout the organisation and in the process implement best-of-breed practices. For this reason, Alexander Proudfoot was commissioned to assist York in this process. The Management Operating Systems (MOS) as output from the Alexander Proudfoot project will be used in aiding the creation of the Information Management System (IMS) requirements analysis documents. This, together with previous work done on "as-is" processes, will be reviewed to determine where the gaps are to create a Business Blueprint across the entire organisation.

A finalised Blueprint will be used in the RFP (tendering) process and will support software matching as well as implementation decisions.

ENHANCED COMMUNICATION

In the information age, communication is the backbone on which all information management rests. York has set itself a goal to establish a 100Mbps backbone between its various sites and to have a 1Gbps local area network within each site. In order to accomplish this in the rural areas in which we operate, York is evaluating new wireless communication technology and equipment. The inter-site network will be based on wireless communication due to the problems frequently experienced with land-based telephone infrastructure such as cable theft.

GOING FORWARD

York's in-house developed supply chain system has been in operation for the past year and further enhancements are being made, such as the automated scheduling of inbound loads. This system allows York to monitor and manage all inbound logistics (delivering logs to the mill) and stock in-field in real-time, reducing truck standing times and enabling better road utilisation.

With York moving in the direction of mechanised harvesting operations in certain areas, the state of the art equipment which will be used will integrate with the forestry management and supply chain system in near real-time, further enhancing the ability of the foresters to plan and monitor the in-field operations.

Foresters require up-to-date information on the state of the plantations, such as stem count, growth rate and damage due to animals or natural elements. Drone technology can provide this information in a manner that was previously very expensive. It can be another tool in the foresters' arsenal in firefighting operations and naturally York is investigating this technology.

York's strategy is to **continuously improve value extraction** from its **raw material**



OPTIMAL
UTILISATION
OF AVAILABLE
FIBRE



GOVERNANCE and sustainability





Sue Hsieh

Corporate Legal Adviser and Company Secretary

GOOD GOVERNANCE IS FUNDAMENTAL TO BUSINESS SUSTAINABILITY

THE BOARD OF DIRECTORS CONTINUES TO **ENSURE THAT YORK'S GOVERNANCE STRUCTURES SUPPORT EFFECTIVE DECISION-MAKING AND ROBUST CONTROL.**

The Board strives to provide the right leadership, strategic oversight and control environment to produce and sustain the delivery of value, while taking account of the Company's stakeholders. The ethical values of the Company guide the standard of behaviour that York applies in its interactions with all stakeholders, with special emphasis on interactions with each other, its customers, shareholders, suppliers and the communities in which the Company operates. The Board is ultimately responsible for ensuring that the Group adheres to sound corporate governance principles.

Management strives to create and maintain a culture of good governance across the business, linked to the Company's business philosophy that incorporates its purpose, vision and values. Good corporate governance is the framework of the Company's organisational culture and drives its business strategies.

STATEMENT OF COMPLIANCE

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

(JSE Listings Requirements) and the King Code of Governance Principles 2009 (King III).

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

BOARD OF DIRECTORS

The Board is the primary custodian of the Group's corporate governance system. York has a balanced unitary Board, collectively mandated to set the long-term strategic direction and business plans for York.

There is a clear division of responsibility at Board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

The Board monitors progress towards achievement of its objectives, set against the economic, environmental and social issues that pertain to York and ensures the integrity of the financial statements and that they fairly present the state of affairs of the Group.

This is achieved through the maintenance and management of an effective risk management system, internal controls and the highest standards of corporate governance.

Board Charter

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



YORK TIMBERS

is committed to the values of accountability, transparency and integrity.

Board responsibilities

The Board provides direction and leadership to the Group and is ultimately responsible for the overall governance, performance, strategy and affairs of the Group. The Board retains full and effective control over the Group and monitors executive management in implementing plans and strategies.

The Board is accountable to stakeholders for exercising leadership, integrity and judgement in directing York to achieve continued prosperity by obtaining the necessary balance between entrepreneurship and conformance with best business and corporate governance practices.

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

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

Board composition

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

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

The Board comprised 10 directors at year-end, namely:

 *Independent non-executive and Chairman*
Dr Jim Myers

Executive and CEO
Pieter van Zyl

Executive and CFO
Pieter van Buuren

Non-executive
Paul Botha
Shakeel Meer

Independent non-executive
Gavin Tipper
Dr Azar Jammine
Dinga Mncube
Thabo Mokgatha
Maserame Mouyeme (appointed 22 May 2015)

Chairman

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

- Providing overall leadership and setting an ethical tone, while maintaining an arm's length relationship with the Board and the Company;
- Overseeing a formal succession plan for the Board;
- Setting the Board's work plan;
- Playing an integral part in director induction and ensuring that the directors have a good knowledge of their duties and responsibilities;

continued

- Ensuring that good relationships are maintained between the Company, its shareholders and stakeholders;
- Meeting on a regular basis with the CEO and Company Secretary to discuss important issues, as necessary;
- Evaluating the performance of the CEO and the Board; and
- Meeting with individual directors.

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

Independent non-executive directors

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

Non-executive directors

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

Executive directors

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

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

Board appointments

Directors are appointed in a formal and transparent manner. Each of the directors must have been

separately identified by the Remuneration and Nomination Committee as persons with the required skills, business experience and qualifications to contribute to the strategy and performance of the Company. The Board considers the nomination and values of those that will ensure diversity amongst the Board members. In line with King III, all proposed candidates are subject to background screening.

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

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

Director induction and development

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

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

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

Directors also have annual visits to the operational businesses in Mpumalanga. The directors visited the operational businesses during June 2014 and were taken to the Sabie sawmill as well as the plantations in the surrounding area. These visits provide a great opportunity for the directors to keep abreast of the developments taking place in the Company on operational levels.

Various staff from different divisions are also given an opportunity to make presentations to the directors during their visit on the research and work they are embarking on.

Board meeting frequency and attendance

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

Director	Status	Board	Audit	Remco	R&I	S&E
Dr Jim Myers	Independent non-executive	3/4		2/2 [#]	2/2	
Paul Botha	Non-executive	4/4		2/2	2/2 [#]	
Shakeel Meer	Non-executive	3/4	2/2			2/2
Gavin Tipper	Independent non-executive	4/4	2/2 [#]			2/2
Dr Azar Jammine	Independent non-executive	4/4	2/2	2/2 [#]		
Dinga Mncube	Independent non-executive	4/4			2/2	2/2 [#]
Thabo Mokgatha	Independent non-executive	3/4	2/2	2/2		
Maserame Mouyeme*	Independent non-executive					
Pieter van Buuren	Executive	4/4	2/2 ^{##}		2/2	
Pieter van Zyl	Executive	4/4	2/2 ^{##}	2/2 ^{##}	2/2 ^{##}	2/2

Remco Remuneration and Nomination Committee R&I Risk and Innovation Committee
 S&E Social and Ethics Committee

* Appointed 22 May 2015 # Chairman during the reporting period ## By invitation

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

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

Board sub-committees

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

BOARD SUB-COMMITTEES



EXECUTIVE COMMITTEE REVIEW

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

Current members

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

The executive management team consists of:

Deon Breytenbach
General Manager: Processing
Kirsten Coetzee
Chief Human Capital Officer
Eric Droomer
Corporate Adviser
Schalk Grobbelaar
Group Engineer
Reinhard Mulder
Strategic Development Manager
Pieter van der Merwe
General Manager: Forestry
Koot van der Walt
Head of Wholesale division



York regularly provides information to stakeholders through the JSE Limited's Stock Exchange News Service (SENS), the media and its website www.york.co.za



Director dealings during the year under review are detailed on page 131.

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

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

COMPANY SECRETARY

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

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

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

an effective steward of the Company's corporate governance framework.

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

DEALINGS IN SECURITIES

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

The policy and rules mirror the provisions of the Financial Markets Act, 19 of 2013, and the JSE Listings Requirements, and were drawn up in the spirit of good corporate governance. In summary, the directors and the Company Secretary are prohibited from trading in York securities during any closed periods and at any time when any of the directors are aware of unpublished price-sensitive information and/or if clearance to deal has been refused.

Directors must obtain clearance to deal in York securities from the Chairman of the Board and, in the case of the Chairman, from the Chairman of the Audit Committee or the majority of the other directors serving on the Board.

The closed periods are from 31 December to the date of publication of the interim results; and from 1 July to the date of publication of the preliminary, abridged or provisional annual financial statements and also during any period when York securities are traded during a cautionary or prohibited period.

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

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

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

DIRECTORS' DISCLOSURES OF CONTRACTUAL INTERESTS

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

ORGANISATIONAL INTEGRITY AND CODE OF ETHICS

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

FAIR BUSINESS PRACTICES

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

GOING CONCERN

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



More detail is available in the Audit Committee report on page 128.

CORPORATE REPORTING, STAKEHOLDER COMMUNICATION AND RELATIONSHIPS

At the publication of its financial results, York engages nationally with investors and analysts to present the results and to answer questions and generally address any business raised in connection with them.

Shareholders are invited and encouraged to attend the annual general meeting and other general meetings of the Company, where voting is conducted by ballot.

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





Dr Azar Jammine

Chairman of the Remuneration Committee

REMUNERATION AND NOMINATION COMMITTEE REPORT

Since York has a combined Remuneration and Nomination Committee (Remco), when nomination matters are discussed at the Remco meetings, the Chairman of the Board chairs such discussions. The Chairman of the Remuneration Committee chairs the meeting where remuneration matters are discussed.

COMPOSITION

Chairman

Dr Azar Jammine (Remuneration)
Dr Jim Myers (Nomination)

Other committee members

Paul Botha
Thabo Mokgatlha
Jim Myers

The CEO and Chief Human Capital Officer attend by invitation.

The Company Secretary acts as the Committee Secretary.

OBJECTIVES AND FUNCTIONS

- Oversee the setting and administration of remuneration at all levels in the Company.
- Oversee the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance.
- Advise on the remuneration of non-executive directors.
- Oversee the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance.
- Oversee the preparation of, and recommend to the Board, the remuneration report to be included in the integrated annual report, for whether it:
 - is accurate, complete and transparent;
 - provides a clear explanation of how the remuneration policy has been implemented; and
 - provides sufficient forward-looking information for the shareholders to pass a special resolution in terms of section 66(9) of the Companies Act.
- Ensure the establishment of a formal process for the appointment of directors, including:
 - identification of suitable individuals for appointment to the Board;
 - performance of reference and background checks on candidates prior to nomination; and
 - formalising the appointment of directors through an agreement between the Company and the director.
- Ensure that formal succession plans for the Board, CEO and senior management appointments are developed and implemented.

REMUNERATION POLICIES AND PHILOSOPHY

The Company's compensation framework takes into account the nature of the business, its risk profile, the competitive environment and the complexity level of the employee's contribution, which together influence the overall remuneration framework and level of remuneration that can be paid to employees.

York offers a remuneration structure that comprises:

- base pay in the form of total cost-to-company remuneration;
- annual variable remuneration linked to performance; and
- long-term incentives to both retain and incentivise key staff.

The actual remuneration mix paid varies each year given that incentive payouts differ based on individual and corporate performance.

York believes that directors, senior executives and staff should be paid fair, competitive and appropriately structured remuneration in the best interest of shareholders. It also recognises that the remuneration philosophy has an impact on the behaviour of employees and that it has to be aligned with the business strategy of the Company.

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

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

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

York has the following remuneration components:

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

YORK'S REMUNERATION POLICY CONTINUES TO BE DRIVEN BY THE PRINCIPLES OF DEVELOPING A PERFORMANCE CULTURE AND MOTIVATING AND RETAINING KEY AND CRITICAL TALENT.

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

- Approval of annual remuneration increases for York employees;
- Approval of LTI awards made;
- Review and approval of non-executive director fees for 2016;
- Review of remuneration policy;
- Review of retention strategies with a view to changing the long-term incentive scheme for senior managers in 2016 so that the retention factor is emphasised more than in the current scheme; and
- Review of the performance management system and the scores per division for 2015.

continued

DETAIL OF YORK'S REMUNERATION COMPONENTS

THE SALARIED STAFF'S ANNUAL INCREASE IS BASED ON THE EMPLOYEE'S PERFORMANCE THROUGHOUT THE YEAR, AS RECORDED THROUGH THE PERFORMANCE MANAGEMENT SYSTEM.

Annual and performance-based payments and forfeitures

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

Quarterly performance evaluation: A performance management review is conducted, assessed and moderated quarterly with a linked variable portion of pay based on performance. Individual performance reviews are carefully assessed by senior managers.

Non-performance potentially reduces an employee's remuneration for a maximum period of three months, pending re-assessment. Employees are given on-the-job coaching as well as feedback required, allowing them to achieve the necessary outputs in order for full payment of their total cost-to-company amount at the next review. Amounts that have been forfeited are re-allocated to all other performing employees. An individual's performance is measured against set targets as well as a combination of quantitative and qualitative measures defined for the individual.

Variable pay forfeiture: When an employee's performance against key performance areas is unsatisfactory (if the score is below four on a scale of one to seven, one being the lowest score), the employee will forfeit an amount equal to six percent of his/her total cost-to-company for a maximum period of three months. If the employee's performance does not improve, a poor performance process is initiated.

Furthermore, each employee falls into a pool of clustered business units whose global performance against business

targets is also reviewed. An entire pool's variable portion may also be withdrawn and paid to another performing pool, if there is under-achievement against defined criteria. The simplicity of the system results in accountability for performance. The variable portion recommended by Remco and approved by the Board for the period under review was six percent of total cost-to-company remuneration.

Annual performance evaluation and remuneration: The employee is given an annual score from a weighted (not averaged) perspective, to determine his/her annual percentage increase. There is no forfeiture of variable pay based on annual weighted scores.

Incentive schemes

Incentive bonus (Company performance)

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

High performance (individual bonus)

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

Long-term incentive schemes

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

Executive management are afforded the right to receive a cash payment when certain key business performance criteria are met, incremental shareholder value being the key determinant of performance. This cash payment is based on the appreciation in the value of allocated shares over a three to six-year period.

Furthermore, the rules mandate that the value only accrues to the individuals as and when the initial vesting periods of employment are completed. Each award (made at the discretion of the Board) is split into three parts that vest equally at three, four and five years respectively. The award expires at the end of year six.

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

The Company is proposing to introduce The York Timber Holdings Limited Share Plan (Share Plan) for purposes of complementing the reward and performance characteristics of the current cash settled share appreciation rights scheme.

Persons eligible to participate in the Share Plan will include executive directors, senior managers and/or key employees of the Group. In terms of the Share Plan, participants may be awarded a combination of performance shares and restricted shares. The Share Plan was approved by the JSE on 10 September 2015 and is presented for approval

by the shareholders at the Annual General Meeting on 4 November 2015.



The salient features of the Share Plan are contained in the explanatory notes to the proposed resolutions on pages 197 to 200 of the integrated annual report.

Awards for the 2015 financial year

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

The award was granted on 11 March 2015 and was made to the CFO. In terms of the rules of the scheme, these awards will only vest from 11 March 2018, one-third on this date and a further one-third on 11 March 2019 and 2020 respectively. This award will expire on 11 March 2021.

Accounting treatment

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

The Board is satisfied that the committee has performed its responsibilities in compliance with its terms of reference for the period under review.

Dr Azar Jammine
Chairman of the Remuneration and Nomination Committee

28 September 2015

Vesting profile and fair value

The table below summarises the awards made to date, namely long-term incentive (LTI)-1, LTI-2, LTI-3, LTI-4 and LTI-5.

	LTI-1	LTI-2	LTI-3	LTI-4	LTI-5	LTI-6
Grant date	17 Nov 2009	1 Jul 2010	1 Jul 2011	1 Jul 2012	1 Jun 2014	11 Mar 2015
Outstanding at year-end – share appreciation rights	3 685 856	3 360 319	21 137 726	2 482 865	600 000	6 300 000
Weighted exercise price	R2,74	R3,19	R3,64	R3,83	R3,60	R2,59
Vesting portion in three equal tranches annually commencing on	17 Nov 2012	1 Jul 2013	1 Jul 2014	1 Jul 2015	1 Jun 2017	11 Mar 2018
Maturity/expiry date	17 Nov 2015	1 Jul 2016	1 Jul 2017	1 Jul 2018	1 Jun 2020	11 Mar 2021



Further details are recorded in note 16 on page 166 to the consolidated annual financial statements.

continued



Paul Botha (left)

Chairman of the Risk and Innovation Committee

COMPOSITION

Chairman

Paul Botha

Other committee members

Dr Jim Myers
Dinga Mncube
Pieter van Zyl

Some members of the senior management team attend by invitation.

The Company Secretary acts as the Committee Secretary.

ACTIVITIES DURING THE YEAR

During the financial period, the committee reviewed the cost-benefit analysis on firefighting standby costs and is kept up-to-date at all times on the progress and developments of the plywood expansion project. Management tables the log procurement strategy and plywood strategy as well as future projects to the committee. The committee also considered and recommended the mechanised harvesting project to the Board for approval this year. The committee reviews the reports presented to it in detail and actively participates in discussions with management during the meetings to ensure that all relevant aspects relating to a project or proposal have been explored before making its recommendations to the Board for final approval. The committee considers it vital that the Company invests in innovative methods and projects to ensure sustainability for the future of the Company.

The Board is satisfied that the committee has performed its responsibilities in compliance with its terms of reference for the period under review.

RISK AND INNOVATION COMMITTEE REPORT

OBJECTIVES AND FUNCTIONS

- Identify and ensure an appropriate risk management framework, risk management methodology and policy, together with an annual review of the risk management plan for recommendation to the Board.
- Oversee that the risk management plan is widely disseminated throughout York and integrated in the day-to-day activities of York, and monitor implementation thereof by means of risk management systems and processes.
- Make recommendations to the Board concerning the levels of tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board.
- Ensure that risk assessments and risk monitoring are performed on a continuous basis in a manner that will enhance risk management maturity and that implementation of frameworks and methodologies increases the possibility of anticipating unpredictable risks.
- Ensure that there is a robust process in place to identify and take advantage of opportunities to improve York's performance and sustainability through the use of IT systems.
- Ensure that management implements the structures, processes and mechanisms to give effect to the IT governance framework in a manner that is effective, appropriate, timely and accurate in terms of IT management, privacy and security.
- Monitor and evaluate the resilience arrangements for disaster recovery and ensure that IT risks are adequately addressed through the risk management framework.
- Continuously monitor and seek ways in which to develop York's operational effectiveness and cost competitiveness through technological advancement.
- Develop processes and procedures for exploring, pioneering, considering and implementing insightful feasibilities that lead to operational improvements in relation to operational (and internal) processes and products.

Paul Botha

Chairman of the Risk and Innovation Committee

28 September 2015

SOCIAL AND ETHICS COMMITTEE REPORT

The Company takes its environmental, social and governance responsibilities seriously.

OBJECTIVES AND FUNCTIONS

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

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

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

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



Dinga Mncube (centre)

Chairman of the Social and Ethics Committee

COMPOSITION

Chairman

Dinga Mncube

Other committee members

Gavin Tipper
Shakeel Meer
Pieter van Zyl
Kirsten Coetzee

The Company Secretary acts as the Committee Secretary.

FUNCTIONING

The committee held two meetings during the period under review.

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

During the period under review, the committee recommended the creation of a Business Networking Forum, where young professional people in the area would be able to connect, share their skills and learn from the speakers brought in by the Company. The aim is to create a platform for professionals in the Lowveld to network and form business relationships within the community. The inaugural session of the York Timbers Business Networking Forum took place in November 2014 and two further sessions followed in February and April 2015. These sessions proved to be successful with an average attendance of 100 people from Sabie, White River, Nelspruit, Hazyview and Lydenburg.

Corporate governance

continued

Furthermore, a report on socio-economic review of Sabie was tabled to the committee. The intention of the report was to determine the living conditions, social issues and facilities offered in Sabie as these factors impact employees' decisions to reside in Sabie or to commute from surrounding areas. One of the observations from the report was that there was a lack of entertainment activities for families. The committee suggested that a movie screening evening be organised so families can enjoy each other's company along with other families. The movie night was held on 22 May 2015 and was well received.

In addition to the above, the committee also considered the Company's:

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

WHERE APPROPRIATE, THE **COMMITTEE** MADE RECOMMENDATIONS **AIMED AT ENHANCING** THE COMPANY'S STANDING AS A **RESPONSIBLE CORPORATE CITIZEN.**



SUMMARY

Appropriate policies, plans and programmes are in place to contribute to social and economic development, good corporate citizenship, environmental responsibility and fair labour practices.

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

The Board is satisfied that the committee has performed its responsibilities in compliance with its terms of reference for the period under review.

Dinga Mncube
Chairman of the Social and Ethics Committee

28 September 2015



Details of certain programmes, scorecards and sponsorships are provided in sections of the integrated annual report.

CERTIFICATE OF THE CHAIRMAN AND COMPANY SECRETARY IN TERMS OF THE COMPANIES ACT

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

Dr Jim Myers
Chairman

Sue Hsieh
Company Secretary

28 September 2015

Ethics is the new competitive environment

Peter Robinson

Application of King III principles

Item number	King III reference	King III principles	Extent of compliance
1. ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP			
1.	1.1	The Board should provide effective leadership based on an ethical foundation	York is driven to always operate as a responsible corporate citizen. The Board of Directors is committed to ensuring ethical and sustainable business practices.
2.	1.2	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	York's plantations are audited annually by an external party to determine if York complies with the 10 principles of sustainability required by the Forestry Stewardship Council certification. York fully complies with the principles required. Expansion plans are in place to enable York to extract optimum value from its trees. Processing technology will be invested to improve volume recovery, which is key to the success of raw material optimisation.
3.	1.3	The Board should ensure that the Company's ethics are managed effectively	York is committed to the highest standards of honesty, integrity and fairness. The York Timbers Hotline, operated by KPMG, was established in 2010 with the aim to enhance an honest work ethic and simultaneously provide employees with a mechanism to bring any unethical business practices to the attention of management. Training in ethics and the existence of the ethics line, as well as the procedure to report issues, are implemented intermittently with reminders appearing on email, notice boards, etc.
2. BOARD AND DIRECTORS			
4.	2.1	The Board should act as the focal point for and custodian of corporate governance	The Board Charter emphasises this responsibility and the Board acts accordingly. The Board, as custodian of corporate governance, has delegated the Company Secretary to monitor compliance within the Group. The Company Secretary, Sue Hsieh, reports directly to the CEO and has direct access to the Chairman.
5.	2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable	The Board Charter emphasises the fact that the Board acknowledges that strategy, risk, performance and sustainability are inseparable. The Board gives effect to this principle by contributing to and approving the strategy on an annual basis, ensuring that the strategy will result in sustainable outcomes. The Board also considers sustainability as a business opportunity that guides strategy formulation.
6.	2.3	The Board should provide effective leadership based on an ethical foundation	Refer to principles 1.1 and 1.3
7.	2.4	The Board should ensure that the Company is and is seen to be a responsible corporate citizen	Refer to principle 1.2
8.	2.5	The Board should ensure that the Company's ethics are managed effectively	Refer to principles 1.1 and 1.3
9.	2.6	The Board should ensure that the Company has an effective and independent Audit Committee	Refer to principle 3.1
10.	2.7	The Board should be responsible for the governance of risk	Refer to principle 4.1

Item number	King III reference	King III principles	Extent of compliance
2. BOARD AND DIRECTORS <i>continued</i>			
11.	2.8	The Board should be responsible for information technology (IT) governance	Refer to principle 5.1
12.	2.9	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Refer to principle 6.1
13.	2.10	The Board should ensure that there is an effective risk- based internal audit	Refer to principle 7.1
14.	2.11	The Board should appreciate that stakeholders' perceptions affect the Company's reputation	Refer to principle 8.1
15.	2.12	The Board should ensure the integrity of the Company's integrated report	Refer to principle 9.1
16.	2.13	The Board should report on the effectiveness of the Company's system of internal controls	Refer to principle 7.3  <i>The review and reporting thereof is done through the Audit Committee. This is disclosed on page 128 of the report.</i>
17.	2.14	The Board and its directors should act in the best interests of the Company	The Board strictly adheres to the fiduciary duties and duty of care and skill as contained in the Companies Act. Directors' interests are declared at each Board, meeting.
18.	2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed as defined in the Act	The Audit Committee reviews financial information in detail and recommends any specific action to the Board if required.
19.	2.16	The Board should elect a Chairman of the Board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of Chairman of the Board	The Chairman, Dr Jim Myers, is an independent non- executive director and the CEO is Pieter van Zyl.
20.	2.17	The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority	The Board appointed Pieter van Zyl as CEO on 8 April 2009. The role and responsibilities of the CEO are stipulated in the Board Charter. A detailed delegation of authority policy and framework indicate matters reserved for the Board and those delegated to management.
21.	2.18	The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	York has a unitary Board structure, comprising as at year-end: <ul style="list-style-type: none"> • Six independent non-executive directors; • Two non-executive directors; and • Two executive directors, being the CEO and CFO. The status of directors with regard to their independence is assessed in terms of the King III definition and the guidelines as per the JSE Listings Requirements.

Application of King III principles

continued

Item number	King III reference	King III principles	Extent of compliance
2. BOARD AND DIRECTORS continued			
22.	2.19	Directors should be appointed through a formal process	<p>As per the Board Charter, the Remco is responsible for identifying suitable candidates as independent non-executive directors.</p> <p>The appointment of the directors is a matter for the Board as a whole, after recommendation and assistance made by Remco to ensure a formal and transparent process.</p> <p>Brief résumés of directors standing for election and re-election appear in the notice of the annual general meeting.</p>
23.	2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	<p>New directors are informed of their responsibilities through extensive induction material, discussions and visits to key business units.</p> <p>During the year, the directors visited the operational businesses in Mpumalanga and also had the opportunity to interact with senior management.</p>
24.	2.21	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary	<p>Directors are entitled to seek independent professional advice at York's expense, concerning the affairs of the Company, and have unfettered access to the Company Secretary. The Company Secretary performs her duties in accordance with the Companies Act, the JSE Listings Requirements and the provisions of King III and, as such, provides the Board and directors individually with guidance on the discharge of their responsibilities and on matters relating to ethics and good corporate governance.</p> <p>Sue Hsieh was appointed Company Secretary for the Company on 15 November 2013 and is not a director of the Company or the subsidiaries of the Company.</p> <p>A formal assessment was conducted by the Board to satisfy itself of the competence, qualifications and experience of the Company Secretary. The assessment was performed by reviewing the qualifications and experience of the Company Secretary as well as completion of an assessment detailing all legislative and King III requirements. Sue Hsieh holds an LLB degree, has completed a programme on Introduction to Corporate Governance and is an admitted attorney and conveyancer in the High Court of South Africa with over eight years' post-graduate experience in civil, criminal and commercial law. The Board agrees that the Company Secretary has performed the role as gatekeeper of good governance in the Company.</p>
25.	2.22	The evaluation of the Board, its committees and the individual directors should be performed every year	An evaluation process was carried out to assess the effectiveness of the Board and the individual contributions of the directors during the period under review.

Item number	King III reference	King III principles	Extent of compliance
2. BOARD AND DIRECTORS continued			
26.	2.23	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	<p>The Board sub-committees assist the Board in executing its duties, powers and authorities. The Board delegates to each committee the required authority to enable it to fulfil its respective functions through Board-approved terms of reference.</p> <p>The Board is aware and fully acknowledges that, although its functions are delegated to sub-committees or management, the Board and its directors remain accountable for its duties and responsibilities.</p> <p>The Chairman of each sub-committee reports on committee deliberations and key issues at each Board meeting.</p> <p>York has the following sub-committees:</p> <ul style="list-style-type: none"> • Audit Committee; • Remuneration and Nomination Committee; • Risk and Innovation Committee; • Social and Ethics Committee. <p> Details relating to the sub-committees are contained in the corporate governance report on pages 82 to 88 and page 128.</p>
27.	2.24	A governance framework should be agreed between the Group and its subsidiary boards	All York subsidiaries have adopted and comply with the delegation of authority framework and policy, which stipulates the governance framework.
28.	2.25	Companies should remunerate directors and executives fairly and responsibly	 Full details are disclosed and contained in the corporate governance report on page 82.
29.	2.26	Companies should disclose the remuneration of each individual director and certain senior executives	 The remuneration of each director is disclosed in note 34 on page 179 to the consolidated annual financial statements.
30.	2.27	Shareholders should approve the Company's remuneration policy	At the 2014 annual general meeting, 82,2% of shareholders voted in favour of the remuneration policy by means of a non-binding vote. This resolution has been incorporated again into the notice for the 2015 annual general meeting.
3. AUDIT COMMITTEE			
31.	3.1	The Board should ensure that the Company has an effective and independent Audit Committee	<p>The Audit Committee consists of three independent non-executive directors and one non-executive director.</p> <p>The JSE was of the view that, based on the number of independent non-executive directors on the Audit Committee, the independent functioning of the committee will not be compromised by the presence of the non-executive director as a member of the Audit Committee.</p> <p>The Audit Committee operates in accordance with the specific statutory duties imposed by the Companies Act, JSE Listings Requirements and in line with its terms of reference.</p>
32.	3.2	Audit Committee members should be suitably skilled and experienced independent non-executive directors	All four members of the Audit Committee meet the academic qualifications and experience requirements stipulated in regulation 42 of the Companies Regulations, 2011. The Chairman, Gavin Tipper, is a chartered accountant.
33.	3.3	The Audit Committee should be chaired by an independent non-executive director	The Chairman, Gavin Tipper, is an independent non-executive director.
34.	3.4	The Audit Committee should oversee integrated reporting	This responsibility has been assigned to the Audit Committee and is detailed in its terms of reference.

Application of King III principles

continued

Item number	King III reference	King III principles	Extent of compliance
3. AUDIT COMMITTEE continued			
35.	3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities	In addition to its statutory external audit, the Company has an outsourced, risk-based internal audit function. The activities of external and internal audit are co-ordinated and the assurance provided is appropriate to the Company's operations.
36.	3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function	The Audit Committee determines the appropriateness of the expertise and experience of the CFO on an annual basis.
37.	3.7	The Audit Committee should be responsible for overseeing of Internal Audit	This responsibility is contained in the committee's terms of reference. The committee approves the Internal Audit Plan and budget and the internal auditor provides a report at Audit Committee meetings.
38.	3.8	The Audit Committee should be an integral component of the risk management process	Although risk management is reviewed by the Risk and Innovation Committee, the Audit Committee retains accountability for financial risk.
39.	3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	The Audit Committee assesses the suitability of the independent external auditor for re-appointment before recommending such to the shareholders at the annual general meeting. The Audit Committee considers the report of the auditor before recommending the annual financial statements be adopted by the Board. The committee meets with internal and external auditors without management present once a year.
40.	3.10	The Audit Committee should report to the Board and shareholders on how it has discharged its duties	The Audit Committee reports to the Board on its activities. The Audit Committee report is included in the integrated annual report and the Chairman of the committee is present at the annual general meeting to respond to questions.
4. THE GOVERNANCE OF RISK			
41.	4.1	The Board should be responsible for the governance of risk	The Board remains accountable to risk governance, although this responsibility has been delegated to the Risk and Innovation Committee.  For more information on York's key risks, refer to page 26.
42.	4.2	The Board should determine the levels of risk tolerance	The Board is aware of the importance of risk management as it is interrelated to the strategy, performance and sustainability of the Company. The Risk and Innovation Committee implements a process whereby risks to the sustainability of the Company's business are identified and managed within acceptable parameters.
43.	4.3	The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities	The Risk and Innovation Committee delegates to management to continuously identify, assess, mitigate and manage risks within the existing and ever-changing risk profile of York's operating environment.
44.	4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan	Risk assessments are highlighted and addressed at senior management meetings. Mitigating controls are formulated to address the risks and the Board is kept up-to-date on progress on the Risk Management Plan.
45.	4.5	The Board should ensure that risk assessments are performed on a continual basis	The Risk and Innovation Committee considers the risk matrix and mitigating control actions at every committee meeting.

Item number	King III reference	King III principles	Extent of compliance
4. THE GOVERNANCE OF RISK continued			
46.	4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Management and internal audit identify, monitor and control current risks. The Risk Officer and management monitor and control medium-term risks. The Risk and Innovation Committee considers medium- to long-term risks as well as significant current risks.
47.	4.7	The Board should ensure that management considers and implements appropriate risk responses	Although this responsibility has been delegated to management by the Board, the risks and responses are considered in detail by the Board.
48.	4.8	The Board should ensure continual risk monitoring by management	Refer to principle 4.4
49.	4.9	The Board should receive assurance regarding the effectiveness of the risk management process	The internal auditor provides assurance to the Board on the effectiveness of the risk management process.
50.	4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Material issues relating to risk are disclosed in media reports and on the JSE SENS throughout the year, as deemed appropriate.
5. THE GOVERNANCE OF INFORMATION TECHNOLOGY			
51.	5.1	The Board should be responsible for IT governance	This responsibility has been delegated to the Risk and Innovation Committee and contained in its terms of reference.
52.	5.2	IT should be aligned with the performance and sustainability objectives of the Company	The IT governance framework was implemented, which focuses on the strategic alignment, value delivery and risk management of IT services.
53.	5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework	The IT manager and department are responsible for the implementation of the IT governance framework.
54.	5.4	The Board should monitor and evaluate significant IT investments and expenditure	Information and communications technology acquisitions fall within the same capital-approval parameters as other projects in the Company. It is thus based on value and elevated to the Board.
55.	5.5	IT should form an integral part of the Company's risk management	The IT governance framework provides that the Risk and Innovation Committee should ensure that IT risks are adequately addressed and obtain appropriate assurance that controls are in place and effective in addressing IT risks. The risks that the business faces by virtue of its use of IT, as well as the associated controls used to mitigate those risks, will be continuously assessed and placed in the IT management framework.
56.	5.6	The Board should ensure that information assets are managed effectively	The Company has approved IT policies and procedures, including IT security, which are annually reviewed and audited. These procedures require an annual formal disaster recovery exercise. This and all other IT-related activities are reported on at the monthly Exco meetings. The overall IT implementation is reported at the Risk and Innovation Committee.
57.	5.7	A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities	Refer to principles 5.1 and 5.5

Application of King III principles

continued

Item number	King III reference	King III principles	Extent of compliance
6. COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS			
58.	6.1	The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	The following compliance assurance activities have been concluded and findings reported: Forestry Contractors' audit, Forestry Stewardship Certification audit, Employment Equity audit by the Department of Labour, audit by the Forestry Sector Education and Training Authority on training implemented and utilisation of grant money, and an internal Human Resources audit.
59.	6.2	The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business	Information on laws, rules, codes and standards are shared with the Board regularly through reports in Board and Board sub-committee meetings.
60.	6.3	Compliance risk should form an integral part of the Company's risk management process	Refer to principle 4.4
61.	6.4	The Board should delegate to management the implementation of an effective compliance framework and processes	 <i>The internal controls, methods and procedures adopted by management to safeguard assets, prevent and detect errors, etc. are contained in the Audit Committee's report on page 128.</i>
7. INTERNAL AUDIT			
62.	7.1	The Board should ensure that there is an effective risk-based internal audit	TKBA (Tereo Krino Business Assurance Consultants) is the independent internal auditor to York. TKBA works closely with and reports to the Audit Committee, CEO and CFO to ensure TKBA adopts a risk-based approach to its audit.
63.	7.2	Internal Audit should follow a risk-based approach to its plan	Refer to principle 7.1
64.	7.3	Internal Audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management	The internal audit function performs independent evaluations of the adequacy and effectiveness of the Group's controls, financial reporting mechanisms and records, information systems and operations, and provides assurance in regard to safeguarding of assets and the integrity of financial information.
65.	7.4	The Audit Committee should be responsible for overseeing Internal Audit	Refer to principle 3.7
66.	7.5	Internal Audit should be strategically positioned to achieve its objectives	The internal auditor reports to the Audit Committee, the CEO and CFO. The internal auditor is a standing invitee to management results meetings and Audit Committee meetings.
8. GOVERNING STAKEHOLDER RELATIONSHIPS			
67.	8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation	This principle is specifically acknowledged in the Board Charter.  <i>For more information on York's stakeholder engagement, refer to page 24.</i> In April 2014, the Regional Division of the Nelspruit Magistrate's Court fined York R180 000 in respect of the charge involving the widening of an existing forestry road without the required environmental authorisation in 2008 and an additional penalty of R450 000 plus costs in respect of the confiscation order for the charge. An application for the necessary authority was filed but York commenced with the work before the authorisation was formally granted. York pleaded guilty to the charge, due to the oversight of the then management team.

Item number	King III reference	King III principles	Extent of compliance
8. GOVERNING STAKEHOLDER RELATIONSHIPS <i>continued</i>			
67. continued	8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation continued	York Timbers appealed against the sentence of R180 000 and R450 000 in respect of the confiscation order. The appeal against the confiscation order was heard in the High Court, North Gauteng Division, Pretoria on 25 March 2014. Judgment was handed down on 22 August 2014. The appeal was upheld and the confiscation order in the amount of R450 000 was set aside. The appeal against sentence was heard in the High Court, North Gauteng Division, Pretoria on 5 February 2015. Judgment was handed down the following day. The Appeal Court found that the trial Magistrate in the Regional Division of the Nelspruit Magistrate's Court misdirected herself materially in her reasons regarding sentence and that the misdirection was of a serious nature that compelled the Appeal Court to consider the sentence afresh. The Appeal Court found that the fine of R180 000 imposed was excessive and therefore set the sentence aside and replaced it with a fine of R60 000.
68.	8.2	The Board should delegate to management to proactively deal with stakeholder relationships	Management is accountable for dealing with various stakeholder relationships, including corporate affairs, investor relations and human capital. Management strives to engage openly and proactively with internal and external stakeholders.
69.	8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company	York has identified its stakeholder groups and the appropriate management from the relevant functions in York is assigned to manage stakeholder relationships.
70.	8.4	Companies should ensure the equitable treatment of shareholders	The Company complies with the JSE Listings Requirements on disclosure of information to shareholders.
71.	8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	York employs various channels such as media relations, integrated reporting, its website, social media platform and the JSE SENS to reach as many stakeholders as possible.
72.	8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	Dispute resolution clauses are encouraged and contained in agreements entered into with third parties. This is based on the principle that certain issues could be resolved without the necessity for litigation.
9. INTEGRATED REPORTING AND DISCLOSURE			
73.	9.1	The Board should ensure the integrity of the Company's integrated report	The Audit Committee reviews the integrated annual report and recommends approval of the report to the Board. The Board reviews and finally approves the content of the report prior to publication.  <i>For more information on York's approach to integrated reporting, refer to page 1.</i>
74.	9.2	Sustainability reporting and disclosure should be integrated with the Company's financial reporting	The process of sustainability reporting and disclosure is still maturing. Continuous efforts will be made to improve the level of integration.
75.	9.3	Sustainability reporting and disclosure should be independently assured	Independent assurance will be obtained as sustainability and disclosure reporting progress.

WE CARE for our ENVIRONMENT

YORK WAS RECOGNISED FOR THE IMPLEMENTATION OF ENVIRONMENTALLY SUSTAINABLE BUSINESS AND PRODUCT DEVELOPMENT PRACTICES.



Environmental progress

PROTECTING OUR FORESTRY ASSETS



YORK'S ENVIRONMENTAL MANAGEMENT PLAN IS FULLY INTEGRATED INTO THE BEST OPERATING PRACTICE FOR EACH FORESTRY ACTIVITY.

York actively promotes conservation by setting aside representative areas of biodiversity that are naturally found on the forestry estates. This is to ensure that ecological integrity and functioning of natural ecosystems are maintained. These areas are managed appropriately for the many animals, birds, reptiles, amphibians, fish, insect and plant species that occur there. Many of these areas contain rare or endangered species and annual monitoring programmes undertaken by independent experts are in place to guide and support management decisions.

Approximately 29 000 hectares, equating to one third of the landholdings, is conserved in this manner; demonstrating York's significant commitment in this regard.

Each area's management plan includes species lists for reference that indicate the conservation status of rare, threatened or endangered species. A number of species on the World Red Data List are found on York's landholdings and are of significant interest to various stakeholders.

Furthermore, York's conservation plans integrate with those of the provincial conservation authority, the Mpumalanga Tourism and Parks Agency, thus adding value and support on a regional basis.

York has a total of 1 100 hectares of indigenous forest within these protected areas. Indigenous forests are not common in South Africa, are protected in terms of the National Forest Act, 84 of 1988, and are considered of focal conservation value. Grasslands also have an important ecological function and are found throughout the landholdings. Their management is integrated into the Fire Management Plans and thus they form an important role in protecting York's assets.

In order to ensure that the ecological integrity of the biodiversity values remains intact, a number of environmental monitoring programmes have been established. Monitoring programmes are generally intended to provide long-term reliable data on the state of a system that will record changes as they occur over time and space. The probable causes and rates of the changes can be assessed and will enable the manager to make rational management decisions. Monitoring programmes are in place for stream condition, potable water supply, grasslands, indigenous forests and various other ad-hoc projects that are undertaken by specialist interest groups from time to time.

Various other points of interest that have important historical, archaeological, cultural, aesthetic or ecological value are recorded into the Areas of Special Interest Register on each forestry estate. Each such site has management recommendations and their inclusion into York's geographic information system further assists in their protection during normal forestry operations. York is currently undertaking a heritage assessment on a site containing ancient stone ruins.

Environmental progress

continued

Each forestry estate has an integrated Weed Management Plan relevant for commercial and conserved areas. This plan is updated annually. An important guiding principle is to achieve a long-term reduction in the use of chemicals. By applying integrated pest management principles, York strives to find non-chemical methods of pest management.

AT OUR MILLS

Environmental management is rolled out to all York's current operations and future projects. With extensive environmental monitoring systems in place, York ensures the continual regard and understanding of the environment and surroundings in which it operates.

On a regular basis, York also makes use of a vast pool of specialists to guide decision-making and to assist with efficient management of all environmental aspects.

York further subscribes to a principle of prevention of pollution at its operations, its commitment to compliance with relevant legal requirements and strives to ensure continual improvement in its environmental management practices.

FIRE AWARENESS

York's plantations are an integral part of the communities in which they are located. We form active partnerships with the local communities, which are mutually beneficial.

The local communities do not have the required fire protection resources or skills, which puts them at risk from wildfires. By creating buffer zones around the communities, York protects the communities as well as its own assets. Education and fire awareness programmes by York and the local fire protection association form the basis of the fire management programme with communities.

York co-sponsored and took part in an annual pre-season firefighting competition involving the media, forestry companies, private landowners and

ALL CHEMICALS AND PESTICIDES USED MUST COMPLY WITH AN APPROVED LIST OF CHEMICALS USED BY THE FORESTRY STEWARDSHIP COUNCIL.

members of the local community. The main aim is to test fire readiness and create fire awareness. York was the top performer in the competition and we take pride in showcasing our skills to the public.

FIRE RISK MANAGEMENT

Planning

Fires are a major risk to the long-term sustainability of the forestry industry. Co-operation and planning between all stakeholders is necessary to reduce this risk.

Fire risk management occurs throughout the year and is a continuous process as most forestry processes can have an impact on fire risk if not managed properly. Proper planning allows us to take corrective measures or prioritise risk mitigation measures in an optimal and cost-effective way.

Risk reduction focus areas

The most important risk reduction focus areas are fuel load management and limiting the response time to fires.

Fuel load management involves the removal of fuel loads by prescribed burning and the creation of strategic buffer zones with low fuel loads to reduce the risk of large fires occurring.

Response time is reduced by having dedicated proto teams stationed in strategic areas during high fire danger weather and the use of smaller and faster firefighting strike vehicles.

There are reciprocal agreements between companies who supply resources without charge when fires occur. Working on Fire (WoF), which is a government job creation initiative, also provides highly trained firefighters when required.

Technological advances

The use of long-term fire retardants, which have the ability to stop fires, is currently being tested. This can also be used to widen and strengthen existing buffers during a fire. These fire retardants come in aerial and ground-based formulations.

Thermal imaging technology has become much cheaper and should prove to be more effective than other heat detection systems in detecting ground fires due to its greater sensitivity and field of vision.

Fire protection associations (FPA)

York is a member of the Lowveld and Escarpment Fire Protection Association (LEFPA) in the Sabie/Graskop area and the Umpuluzi FPA in the Warburton

area. The majority of the office bearers of these FPAs are from York and other forestry companies. The FPAs are statutory bodies created by the National Veld and Forest Fire Act, 101 of 1998, which set standards that must be adhered to in order to be legally compliant.

FPAs also provide training, aerial firefighting, ground resources and fire detection services, which would otherwise be unaffordable to individual members if costs and resources were not shared. Weather forecasts, burning permits, fire statistics and regional incident command centres are also provided as well as access to support from organisations such as Working on Fire and National Disaster Management.

FIRE DETECTION

EVS camera detection system

Enviro Vision Services (EVS) provides 24/7 camera fire detection services to York, other forestry corporates and landowners throughout the year. This world-class fire detection system operates using a series of cameras on high sites linked by microwave links to control centres in Sabie, Nelspruit, Warburton and Piet Retief. Any smoke detected will trigger an alarm and the operator will notify York of the fire's exact geographic position. York is one of only two companies in the Sabie/Graskop area which have access to the same views as the EVS operators in the Sabie control centre.

This system is more reliable, accurate and cheaper than manual lookouts. Footage can be saved, which forms an integral part of fire investigations.

FIRE BREAKS

External fire breaks are constructed before the fire season along the boundaries of York. In addition to this, internal buffer zones are created to form internal breaks in strategic areas, using prescribed burning, mechanical or manual fuel reduction methods, natural features and roads to create a mosaic of low-risk buffers.

FIREFIGHTING

York has access to the following resources for firefighting:

Ground teams

York has trained proto teams, which are placed in strategic positions in high fire danger periods. All other forest workers must also undergo annual firefighting training. More advanced firefighting courses were provided to foresters and management during the year under review.

Vehicles

- Operational management vehicles are equipped with 300 to 400 litre firefighting units. Management has been issued with weather measuring instruments, tools and personal protective equipment for use in fires.
- Five new 3 000 litre strike units have been ordered. These are bigger than the traditional 500 to 1 000 litre strike units, which are currently the norm in the rest of the industry. The increased water capacity, without sacrificing speed, will be more efficient and cost-effective than the traditional units. York is taking the lead with this concept and we expect the rest of the industry to follow.
- The rest of the fire tender fleet consists of units ranging from 4 500 to 12 000 litres.
- Fire tenders are considered a strategic resource, which is the reason why York is acquiring its own units to reduce its reliance on contractors.

Aerial resources

Aerial resources are contracted by the different FPAs on a pooled resource basis to reduce costs. These resources consist of spotter planes, helicopters and fixed-wing bombers. York's airfields have been upgraded to accommodate the new 802 air tractor bombers, which carry 3 000 litres of water. The upgrades included the lengthening and widening of runways. The water filling rate was also increased by three to four times to 2 000 litres per minute to reduce the turnaround time of the larger aircraft.

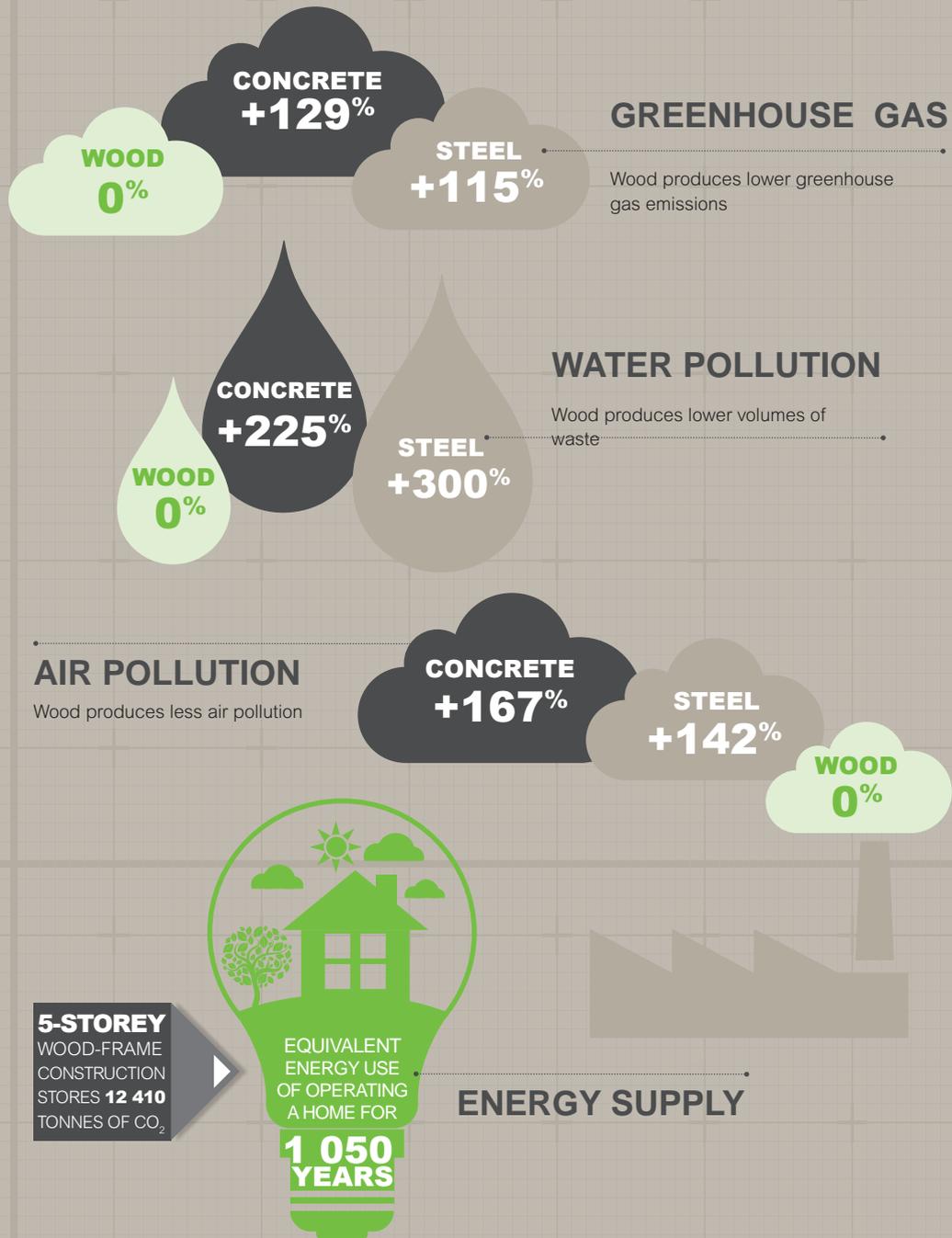
Communications

The FPA standard radio channel list has been loaded onto York's radios by mutual consent of the forestry companies and FPAs. This enables communication with aerial resources, all the forestry companies and detection and dispatch centres in our operational areas. Shared industry Incident Command Centres are available in Nelspruit, Sabie and Warburton. York has its own Incident Command Centre in Sabie and on the Highveld. A radio paging system is used with unique codes assigned to management and fire vehicles to make it quicker to contact people in the case of an emergency, especially after hours. This will ensure more rapid response times.

York and other companies respond to fires in the area to reduce reaction time. Fires are an industry threat and mutual assistance is key to the prevention of disaster fires.

WOOD PRODUCTS CONTINUE TO **STORE CARBON PRODUCED BY TREES**. This helps mitigate carbon footprint associated with buildings.

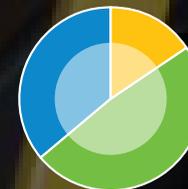
Wood products have a lighter footprint:



Investing in FUTURE TALENT

EMPLOYEE AGE

- Under 30 years **15,71%**
- 30 - 45 years **48,23%**
- Above 45 years **36,06%**



WOMEN
in the workforce
28,43%

TOTAL PEOPLE TRAINED

4 439

2014: 2 606

EMPLOYEES
1 835
2014: 1 719

CONTRACTORS
883
2014: 592

COMMUNITY
1 721
2014: 295



Long service awards

Initial and surname	Job description
5-year long service	
E Baloyi	Artisan Assistant
TN Bembe	Stacker
A Bothma	IT Technician
A Bredenkamp	Administrative Assistance
SV Buthelezi	Stacker
JL Chauke	Quality Sampler
RD Chiloane	Labourer
K Chiloane	Topdeck Minder
G Chiloane	Production Clerk
MH Chiloane	Saw Sharpener
JC Chiloane	Grader
MN Chiloane	Driver
JN Chilumba	Welder
KJ Coetsee	Chief Human Capital Officer
MS Crawford Brunt	Group Financial Manager
MB Dibakwane	Cleaner
LA Dladla	Stacker
AM Dlamini	Customer Services
JL du Bruyn	Credit Controller Officer
NM du Plessis	Fitter and Turner
OA du Toit	Assistant Accountant
MJ Esterhuizen	Fitter
MM Fromme	Credit Controller
GN Gama	Stacker
R Govender	Warehouse Dispatch Co-ordinator
LM Gumede	Chainsaw Operator
C Gumede	Tree Climber
J Harker	IT Manager
GH Janse van Vuuren	Industrial Relations Consultant
TC Kgatla	Truck Driver
PC Kgoedi	Clerk
RR Kgwedi	Graskop District Manager
MP Khabela	Log Feeder
JB Khandabila	Crane Operator
TM Khoza	Stacker
D Khoza	Glue Mixer Operator
PH Khoza	Labourer
RR Khumalo	Veneer Handler
M Labuschagne	Operations Manager Logistics
SK Lekhuane	Hogger Operator
BP Lekhuleni	Production Clerk
E Louw	Planning Forester
SI Maanoge	Topdeck Minder
RB Mabilana	Engineering/She/Admin Assistant
SD Mabunele	Grader
PW Mabuye	Brushcutter Operator
W Mabuza	Veneer Handler
NG Mabuza	Checker
RK Machiri	Account Executive
P Madike	Cleaner
NN Madonsela	Stacker
JM Maebela	Fly Ash Attendant
HM Maebela	Dryer Operator
PE Mahlake	Sweeper
W Mahlakoana	Stacker

Initial and surname	Job description
5-year long service continued	
E Mahlakwane	Human Resources Officer
ME Maholobele	Plumber
S Makamu	Board Stacker
LM Makhiti	Checker
FP Makoropo	Receiver
JE Malatjie	Semi-skilled Artisan
TT Malaza	Stacker
BR Malaza	Crane Operator
ND Malaza	Driver
PT Malebe	Pressing and Finishing
MJ Malebe	Packer
G Malese	Grader
EW Malibe	Fuel Bin Attendant
RJ Malomane	Labourer
T Malope	Labourer
DD Malope	Semi-skilled Artisan
FR Maluleka	Community Health Worker
JM Mamba	Clerk
EM Mameitja	Stacker
S Maphanga	Bell Operator
CM Maphanga	Veneer Handler
E Maphanga	Cross Cut Operator
JJ Maritz	Group Quality Assurance Manager
MP Mashego	Forklift Driver
NT Mashego	Stacker
DP Mashego	Stacker
ZS Mashego	Stores Issuer
EG Mashigo	Stacker
R Mashigo	Wrapper
MM Mashile	Tree Climber
TC Mashile	Fuel Feeder
JM Mashile	Front End Loader Driver
SA Mashile	Production Clerk
TP Mashinini	Tractor Driver
AB Masilela	Stacker
SC Masuku	Gardener
N Mathebula	Puller Green Chain
HJ Mathebula	Cross-cut Operator
CS Mathebula	Grader
Z Mathebula	Stacker
A Mathebula	Packer
AK Mathebula	Labourer
N Matlakoane	Labourer
ZM Matsebula	Cleaner
KM Mawela	Checker
HD Mawebele	Stacker
MW Mbewe	Sander Operator
CN Mbewe	Pressing and Finishing
EJ Mbule	Stacker
NM Mdanda	Stacker
JD Mdao	Cross-cut Operator
BL Mdhlovu	Labourer
TM Mdhului	Fitter and Turner
ZP Mdlovu	Artisan Assistant
PP Mdului	Artisan Assistant

Initial and surname	Job description
5-year long service continued	
ST Mgadule	Stacker
EM Mgwenya	Labourer
LL Mgwenya	Kilns Assistant
NE Mhlanga	Stacker
MS Mhlonga	Stacker
MR Mhlongo	Kilns Assistant
TL Milanzi	Stacker
RG Mitchell	Technical Division Manager
D Mjono	Stacker
GJ Mkhathsha	Assistant Press Operator
J Mkhonto	Stacker
FV Mlazi	Labourer
KD Mmile	Labourer
SB Mngomezulu	Trimsaw Operator
DS Mnisi	Tree Climber
EM Mnisi	Trimsaw Operator
EP Mnisi	Pressing and Finishing
L Mnisi	Bandsaw Operator
NH Mnisi	Profile Operator
BK Mogale	Bandsaw Operator
LM Mogane	Stacker
R Mogane	Veneer Welder Operator
BS Mohaule	Packer
HO Mokoena	Checker Team Leader
MP Mokoena	Crane Operator
JF Mokoena	Log Frame Operator
BM Mokoena	Stacker
MN Mokoena	Stacker
VA Mokoena	Veneer Grader
P Mokoena	Packer
LS Mokwena	Pressing and Finishing
DM Molapo	Stacker
TL Monareng	Packer
SP Monareng	Stacker
SW Motau	Apprentice
WN Mphethi	Pressing and Finishing
TZ Mpunzi	Packer
JS Msimango	Packer
JL Mthethula	Cross-cut Operator
BA Mthethwa	Stacker
SC Mthombeni	Receiver
M Mthomboti	Cross-cut Operator
PJ Mzimba	Log Checker
A Mzimba	Grader
J Namane	Labourer
DP Ndhlovu	Cross Cut Operator
RD Ndlela	SHEQ Officer
NH Ndlhovu	Checker
AE Ndlovu	Semi-skilled Artisan
SV Ndwandwa	Deal Frame Operator
DM Ngobe	Clipper Operator
BP Ngomane	Labourer
PT Ngomane	Packer
TZ Nhlane	Planer Operator
R Nkambule	Framesaw Operator

Initial and surname	Job description
5-year long service continued	
A Nkonyane	Press Operator
BE Nkosi	Stacker
SM Nkosi	Stacker
EN Nkosi	Stacker
DE Nkosi	Fitter and Turner
MJ Nkosi	Semi-skilled Artisan
MS Nkosi	Supervisor
SJ Nkosi	Tally Clerk
NE Nkosi	Checker
DV Nkuna	Board Stacker
VM Nkuna	Community Health Worker
NT Nonyane	Labourer
WJ Nonyane	Labourer
SI Nonyane	Stacker
LS Nyalunga	Fly Ash Attendant
H Nyalungu	Checker
XJ Nyalungu	Quality Controller
ET Nyalungu	Stacker
L Nyalungu	Packer
C Nyambi	Stacker
NH Nyathi	Bandsaw Assistant Operator
M Nzimande	Stacker
SE Pako	Stacker
K Phelepe	Production Clerk
S Phokane	Tree Climber
ML Phokane	Mechanic
JW Potgieter	Security Officer
SG Ramugondo	Despatch Clerk
IE Sando	Tree Climber
LS Sando	Cleaner
WH Shabangu	Millwright
HB Shabangu	Labourer
K Sias	Forklift Driver
PB Sibuyi	Chainsaw Operator
RM Sibuyi	Packer
JP Silinda	Traverse Operator
SP Sithole	Stacker
S Sithole	Bell Operator
MV Soko	Volvo Driver
MT Soko	Stacker
R Steyn	Mill Engineer
OI Tait	Sabie Site Manager
DD Thango	Crane Operator
MO Theko	Checker
HS Thela	Stacker
NM Thwala	Stacker
E Tshabangu	Labourer
G Usinga	Crane Operator
LP van der Wath	Millwright
PP van Zyl	Chief Executive Officer
TL Vuma	Traverse Operator
B Waller	Sawmill Manager
A White	Groundsman
TM Xaba	Checker
SR Zulu	Stacker

Long service awards

continued

Initial and surname	Job description
10-year long service	
DO Chiloane	Grader
HD Chiloane	Tally Clerk
KS Chiloane	Boiler Attendant
F Coetzee	Forklift Driver
EV Dhlamini	Log Frame Operator
MA Dludlu	Stacker
HJ du Preez	Maintenance Manager
TJ du Toit	Procurement
W Dube	Supervisor
PK Fakude	Sorter
TM Herbert	Labourer
MEC Herbst	Cashier
N Hlatshwayo	Production Clerk
SE Hlebelo	Debarker Operator
U Joubert	Finance Clerk
TH Kganane	Cleaner
GR Kgwedi	Overhead Crane Operator
G Khoza	Quality Controller
PB Khumalo	Stacker
ME Khumalo	Stacker
NC Khumalo	Stacker
NP Khumalo	Stacker
ZN Khumalo	Stacker
SR Khumalo	Forklift Driver
HJ Kleynhans	Wage Payroll Administrator
H Krause	Credit Controller
MA Kubheka	Log Frame Operator
BN Lebeya	Tally Clerk
VC Lekhuleni	Debarker Operator
AZ Lekhuleni	Supervisor
PS Lokothiswayo	Stacker
JA Lokothiswayo	Stacker
E Lukhele	Debarker Operator
PS Lukhele	Sorter
PS Lukhele	Tally Clerk
BH Lukhele	Tally Clerk
BP Lukhele	Sorter
JM Mabuza	Hogger Driver
KA Mabuza	Stacker
WF Madonsela	Grader
BV Madonsela	Stacker
VC Madonsela	Front End Loader Driver
ZF Magagula	Cleaner
JK Magagula	Wetmill Shift Foreman
MA Magagula	Stacker
K Magagula	Grader
BP Magagula	Quality Controller
WP Magagula	Packer
TM Mahlangu	Bricklayer
PJ Mahole	Traverse Operator
DM Maile	Board Edger Operator
EB Makhanye	Cross-cut Operator
TB Makhubu	Stacker
SM Makoropo	Crane Operator
MM Makunti	Stacker

Initial and surname	Job description
10-year long service continued	
R Makwakwa	Supervisor
DP Malapane	Domestic
DS Malaza	Cross-cut Operator
PM Malele	Stacker
S Malope	Stacker
BE Maseko	Planer Operator
P Mashego	Truck Mover
JH Mashego	Log Frame Operator
EC Mashego	Stacker
D Mashego	Grader
SO Mashego	Sawshop Operator
WJ Mashigo	Veneer Welder Operator
MS Mashigo	Greaser
IM Masina	Supervisor
SF Masinga	Press Operator
SA Mathabatha	Cleaner
AK Mathebula	Planer Operator
AJ Mathebula	Sawshop Assistant
AP Mathlake	Bell Operator
DM Matsane	Hogger Driver
R Matshebe	Production Clerk
AT Mavuso	Boiler Operator
J Mavuso	Grader
BP Mbokane	Stacker
TN Mbube	Cleaner
MS Mhlongo	Supervisor
KA Milazi	Stacker
PM Mmola	Traverse Operator
CS Mndebele	Trimsaw Operator
TA Mnyambo	Boiler Operator
NM Mobu	Forklift Driver
TL Mogane	Supervisor
D Mohlala	Boiler Attendant
JA Mokoena	Carpenter
JL Mokoena	Semi-skilled Artisan
LD Mokoena	Forklift Driver
KD Monareng	Kilns Operator
TO Moreku	Mobile Machine Trainer
EE Moriri	Cross-cut Operator
SN Motau	Front End Loader Driver
PE Motha	Sorter
MC Moyela	Stacker
ND Mthethwa	Stacker
AS Munzhelele	Dryer Foreman
SM Ncongwane	Stacker
VC Ncongwane	Crane Operator
VA Ncongwane	Stores Issuer
TN Nccongwane	Semi-skilled Artisan
S Ndlovu	Foreman
LW Ndlovu	Stores Issuer
SS Ndzimandze	Sawshop Operator
EC Ngele	Bricklayer
TT Ngubeni	Bandsaw Operator
VJ Ngubeni	Multirip Operator
SM Ngubeni	Auto Stacker Operator

Initial and surname	Job description
10-year long service continued	
JZ Ngubeni	Auto Stacker Operator
NT Ngubeni	Grader
NS Ngwenyama	Grader
B Nhlabathi	Crane Operator
HS Nkabinde	Stacker
LS Nkosi	Board Edger Operator
EN Nkosi	Deal Frame Operator
BF Nkosi	Stacker
HJ Nkosi	Kilns Operator
TJ Nkosi	Traverse Operator
KE Nkosi	Forklift Driver
BJ Nkosi	Saw Sharpener
VA Nkosi	Stacker
MH Nkosi	Crane Operator
ES Nkosi	Driver
PM Nkosi	Crane Operator
SA Nkosi	Mechanic
JM Nkosi	Operator
D Nonyane	Fuel Feeder
TL Nonyane	Stocker
ST Nonyane	Sawshop Operator
EM Ntimana	Packer
CP Nyathikazi	Supervisor
OA Phangisa	Crane Operator
JJ Phiri	Stacker
JM Phokane	Labourer
H Pule	Sheet Turner
NT Sedibe	Strapper Operator
HP Sekgobela	Labourer
SV Shabalala	Log Frame Operator
LG Shabangu	Stacker
CT Shongwe	Stacker
JV Sibeko	Chipper Operator
T Sibeko	Stacker
W Sibeko	Checker
NF Sidu	Supervisor
BM Sigudla	Auto Stacker Operator
SE Sithole	Log Frame Operator
DS Sithole	Grader
B Sithole	Chipper Operator
SD Skwambane	Deal Frame Assistant
P Soko	Stacker
PP Steyn	Maintenance Superintendent
DM Thela	Log Frame Operator
TE Thela	Quality Co-ordinator
JS Thobela	Scanner Operator
NC Timba	Grader
LT Ubisi	Carpenter
BS Vilakazi	Volvo Driver
MS Xaba	Stacker
TT Zandamela	Greaser
J Zwane	Sorter

Initial and surname	Job description
15-year long service	
DR Breytenbach	General Manager Processing
L Chiloane	Forklift Driver
M Coetser	Assistant Accountant
TA Hlatshwayo	Greaser
FE Khumalo	Sorter
AM Khumalo	Supervisor
TM Lukhele	Stacker
B Mabanga	Planer Mill Foreman
R Mabuza	Grader
S Maebela	Stacker
JM Magabane	Kilns Operator
JH Magagula	Boiler Operator
HV Makamu	Boiler Attendant
DT Makanye	Chipper Operator
EB Makhanye	Tally Clerk
GD Malapane	Grader
EH Malatjie	Pressing and Finishing
LS Malomane	Bottom Deck Operator
MA Malope	Forklift Driver
JN Maseko	Stacker
BN Maseko	Stores Controller
F Mashigo	Grader
L Mashiloane	Bottom Deck Operator
MS Mathe	Stacker
G Matsana	Grader
T Mdaka	Tally Clerk
DR Mgiba	Supervisor
A Mhlongo	Shift Boiler Supervisor
ET Mndebele	Cleaner
GZ Mndebele	Board Edger Operator
MP Mogane	Production Clerk
NM Mokwena	Silviculture Forester
S Moyagi	Stacker
SM Mpunzi	Assistant Sawdoctor
G Mtau	Tally Clerk
EM Ncongwane	Stacker
C Ndhlovu	Receptionist/Switchboard
DT Ngubeni	Finish Goods Despatcher
SJ Nkosi	Board Edger Operator
JJ Nkosi	Board Edger Operator
PJ Nkosi	Trimsaw Operator
JM Nkosi	Grader
DA Nkosi	Labourer
BF Nkosi	Stores Clerk
BR Nkuna	Parcel Strapper
VJ Perumala	Accountant
DD Phasha	Clerk
G Phokane	Tally Clerk
T Sambo	Grader
EK Sedibe	Hydromat Operator
P Shabangu	Grader
Z Silindza	Packer
O Siwela	Traverse Operator
L Skatane	Board Grader
JS Sukazi	Cross-cut Operator

Long service awards

continued

Initial and surname	Job description
15-year long service continued	
AN Takazane	Data Capture Clerk
AJ Tomo	Stacker
TM Xaba	Volvo Driver
TM Zungu	Semi-skilled Artisan
20-year long service	
HP Biya	Beltsman
T Chauke	Supervisor
SN Chiloane	Grader
SF Dibakoane	Sawshop Operator
NM Duba	Board Edger Operator
AS Dube	Cleaner
HJ Hallatt	Personal Assistant to CEO
SD Hlatshwayo	Packer
W Kgoedi	Grader
J Komane	Labourer
AN Machavi	Crane Operator
ST Madonsela	Log Sorter Operator
QD Magagula	Supervisor
L Magagula	Packer
ER Makutu	Sweeper
E Malibe	Stacker
D Malope	Electrical Aide
IK Manabile	Boiler Supervisor
EA Mapaila	Grader
MS Mashaba	Supervisor
B Mashego	Community Health Worker
DF Mashego	Driver
D Mashego	Human Resources Clerk
SN Mashego	Sorter
PD Mashego	Boiler Maker Artisan Aid
E Mashego	Dryer Operator
R Mashele	Deal Frame Operator
JM Mashiloane	Deal Frame Assistant
HN Masia	Press Operator
JO Masinga	Wetmill Supervisor
PF Masuku	Fire Truck Driver
EF Mathe	Fuel Feeder
JS Mathebula	Fuel Bin Attendant
PS Mathebula	Supervisor
WB Mathebula	Debarker Operator
SS Mathebula	Strapper Operator
E Mavimbela	Packer
WM Mdhuli	Veneer Handler
RT Mhangane	Sheet Turner
BL Mhlongo	Deal Frame Operator
RN Mkhabela	Stores Clerk
KJ Mkhantshwa	Checker
EV Mkhathshwa	Strapper
LS Mkhombo	Packer
B Mkhonza	Team Leader
PT Mndawe	Driver
FW Mndluli	Destacker
R Mnisi	Deal Frame Operator
E Mnisi	Packer
J Mohaole	Grade Stamper

Initial and surname	Job description
20-year long service continued	
TE Mokoena	Community Health Worker
AM Molobela	Sennebogen Driver
JM Moreku	Plumber
LM Mpangane	Boiler Operator
RQ Mpangane	Truck Mover
GV Msimango	Fitter
EN Mtsetfwa	Brushcutter Operator
E Ndlovu	Labourer
WM Ndlozi	Labourer
E Ngobeni	Sticker Supplier
E Ngomane	Labourer
MM Nkosi	Supervisor
M Nkosi	Saw Sharpener
BF Nkuna	Front End Loader Driver
SP Nonyana	Sticker Supplier
TD Nyalunga	Water Truck Driver
M Nyalungu	Cleaner
SM Nyundu	Planer Operator
E Seale	Semi-skilled Artisan
RM Segodi	Checker
LM Sekatane	Despatch Foreman
DI Selawu	Production Clerk
SB Selekeane	Optimiser Cross-cut
LK Shakwane	Supervisor
KT Sibuyi	Puller Green Chain
MT Sihlabela	Tally Clerk
J Silinda	Quality Controller
EZ Soko	Strapper Operator
L Streicher	Asset Controller
R Thabethe	Tally Clerk
GB Thulake	Cleaner
RA Zwane	Nursery Handyman
MM Zwane	Kiln and Boiler Foreman
25-year long service	
PM Chiloane	Sorter
SL Chiloane	Packer
NG Dikgale	Labourer
JW Fakude	Grader
S Kelly	Creditors Co-ordinator
EU Komane	Auto Stacker Operator
RS Lebyane	Sticker Supplier
LS Lesele	Plant Operator CC
BD Madalane	Labourer
AH Malele	Boiler Operator
IM Malinga	Log Frame Operator
H Malope	Traverse Operator
W Maphanga	Board Grader
RM Maphanka	Kilns Operator
AM Maseko	Strapper
MA Masemula	Hogger Driver
DT Mashego	Forklift Driver
EM Masinga	Quality Sampler
A Mathebula	Cross Cut Operator
C Mgiba	Optimiser Cross-cut
NA Mhlongo	Human Resources Officer

Initial and surname	Job description
25-year long service continued	
M Mkasi	Tractor Driver
G Mogane	Crane Operator
D Mokoena	Boiler Operator
KR Mona	Kilns Assistant
NH Monnig	Planning Manager
LP Moripa	Nursery Handyman
OT Ndhlovu	Labourer
J Ngwenyama	Labourer
JE Nhlapho	Board Edger Operator
PM Nkosi	Lawnmower Operator
EM Nkosi	Board Edger Operator
DZ Nkosi	Planer Shift Foreman
AM Nkosi	Boilermaker
S Nkosi	Fitter
A Nyathi	Log Frame Operator
BS Pule	Boiler Attendant
PB Selepe	Despatch Foreman
FS Thabethe	Supervisor
LS Theledi	Vat Loader
J Thibela	Hewsaw Operator
V Waterson	Dryside Manager
30-year long service	
EP Chiloane	Pressing and Finishing
ET Fakude	Stacker
GW Hadebe	Trimmer Operator
E Khumalo	Shift Boiler Supervisor
MG le Roux	Engineering Manager
P Likhele	Stacker
S Magagula	Front End Loader Driver
NS Makhubela	Labourer
AM Malaza	Debarker Operator
NS Mashego	Forklift Driver
AT Mashile	Grader
JN Masina	Production Clerk
TC Mathebula	Fuel Feeder
MM Mathebula	Supervisor
SM Mathebula	Transport Supervisor
NG Mndawe	Boiler Supervisor
TP Mndebele	Despatch Foreman
JM Mogane	Stacker
RF Mogane	Press Operator
CM Mokhomola	Supervisor
I Mokoena	Hogger Operator
DM Ngobeni	Kilns Assistant
TM Raselomane	Supervisor
JN Shabangu	Quality Controller
EJ Shabangu	Grader
B Thibela	Core Feeder
SN Xaba	Driver
35-year long service	
JZ Chauke	Fire Truck Driver
ES Kgoedi	Traverse Assistant
MJ Kgoedi	Artisan Aide
DN Letsoalo	Boiler Attendant
VM Makofane	Stores Clerk

Initial and surname	Job description
35-year long service continued	
RR Makofane	Forklift Driver
RD Makutu	Pressing and Finishing
MM Malele	Grader
MR Malele	Sawshop Supervisor
ST Malele	Warehouse Foreman
HJ Mashego	Quality Sampler
E Mashego	Forklift Driver
PZ Mathebula	Core Feeder
MS Mazibuko	Fitter Aide
MJ Mndawe	Senior Quality Controller
MM Ngondo	Receptionist
RA Nyalunga	Grader
40-year long service	
EA Monareng	Tractor Driver
JJ Ndhlovu	Transport Supervisor



JN Shabangu (left) 30 years service and Pieter van Zyl



JM Mogane (left) 30 years service and Pieter van Zyl



C Mokhomola (left) 35 years service and Pieter van Zyl

Social progress

SOCIAL PERFORMANCE FINANCIAL YEAR 2015

	2015	2014	
 HEALTH	Voluntary HIV/Aids tests	218	227
	HIV/Aids prevalence of employees tested	8	40
	New cases of tuberculosis	5	4
	Noise-induced hearing loss (NIHL) claims	1	7
 SAFETY	Injuries – lost time injury frequency rate (LTIFR)	1,75	1,22
 EMPLOYEES	Spend on formal employee training and development (R'm)	R4,1 million	R4,9 million
	Skills development of black employees as a percentage	62	91
	Leadership Development Programme percentage of black participants	44	47
 CSI	BBBEE rating in terms of the Generic Charter	Level 4	Level 4
	Percentage bursaries awarded to black matriculants (%)	96	100
	Percentage preferential procurement spend	69,68	70,23
	Enterprise development contribution (R'm)	R4,6 million	R6,1 million
	Percentage of employees who are black	91	91
	Corporate social investment in community programmes (R'm)	R4,9 million	R3,4 million

The sustainability of York is dependent on our ability to maximise value from fibre resource through our processing facilities in a sustainable and responsible way.

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

Like any organisation, York needs to maintain the trust of its stakeholders and to conduct its operations in an ethical way, while minimising negative impact on the societies and the natural environment within which it operates.

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

OUR EMPLOYEES

The capacity and capability of our employees is a cornerstone of York's sustainability. The delivery of quality timber and highly productive plantation assets, as well as York's competitive wood growing and production costs, is a reflection of the capability of its diverse and experienced workforce. At financial year-end, York had a total of 2 724 employees (2014: 2 713).

York conducts recruitment based on fair and objective criteria to create equal opportunity for all candidates

within a diverse employment pool. Remuneration of employees is fair, competitive and appropriately structured. An integrated performance management drives business results and ensures that the right work is being done to achieve the desired business objectives.

York supports its employees' right to freedom of association, and 72% of our South African workforce is unionised.

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

TALENT MANAGEMENT

Employer of choice...

Investing in future talent is important to York. We are striving to become an employer of choice for young graduates and, in order to realise this goal, have geared up our involvement with tertiary institutions.

The aim is to open up students' minds to a career in the timber industry and, more specifically, a career at York.

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

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

CTU Training Solutions: A field trip for ITC students was hosted by York, with the objective of introducing York as a potential employer. Association with a host of different institutions provides students with a glimpse of what they can expect at the workplace of a reputable employer.

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

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

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

EMPLOYEE DEVELOPMENT

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

YORK HAS A REPUTATION FOR EMPLOYING SOME OF THE FORESTRY AND TIMBER PROCESSING INDUSTRY'S TOP SPECIALISTS AND PROFESSIONALS.



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



YORK TIMBERS

is driven by the need to attract and develop talent appropriate to the growth strategy.

A FOCUS ON EMPLOYMENT EQUITY

York is committed to fair practice and has placed even greater focus on the implementation of affirmative action measures in the past financial year.

With this focus, the Company is confident that the numerical targets and goals set out in the Employment Equity Plan can be achieved. To facilitate the implementation and achievement of the plan, an Employment Equity Committee has been established for each site. These committees will further contribute to the realisation of equitable representation within York.

Social progress

continued

GROWING TALENT

Working within a high performance organisational culture, York employees are extremely competitive and strive to be the best at what they do. Both management and employees recognise that the collective performance culture of the Group is a contributing factor to its success.



Kuda Phairah
Harvesting Specialist

PERFORMANCE CULTURE

On an individual level, capability and fit with the culture at York, as well as a focus on deliverables, drives success in any position. There are critical roles that are key to the functioning of the business units. By identifying these roles and associated skills, York is in a position to ensure that employees are functioning to the best of their ability within their current positions. This process is also vital in providing a clear guide for the preparation of potential successors.

SUCCESSION

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

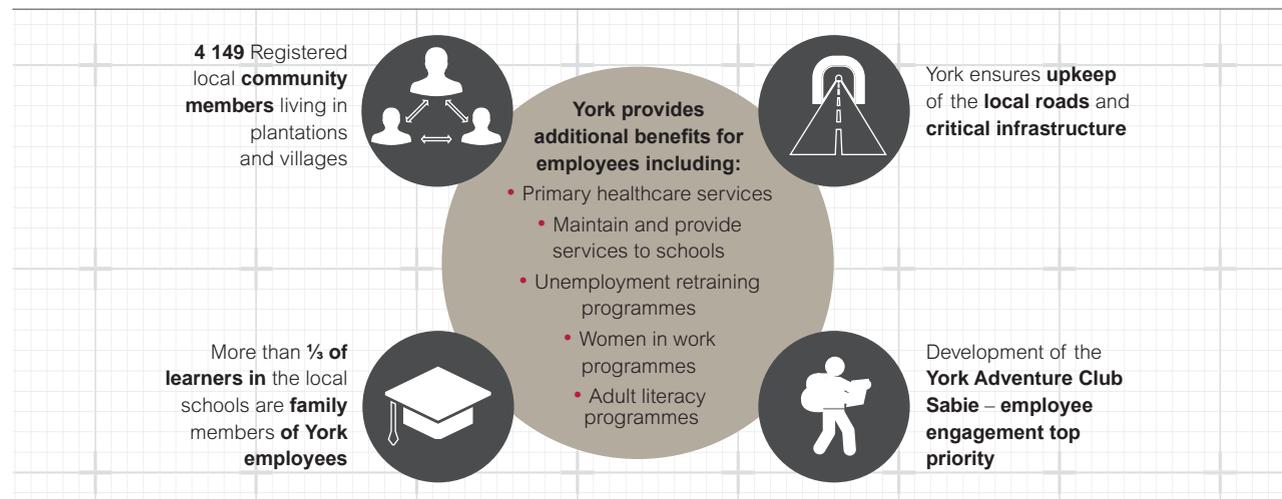
Skills matrices for critical roles provide a visual representation of the current behavioural and technical skills levels. Through these, skills gaps are identified and addressed timeously and potential successors can be measured against the skills requirements of the future position.



YORK VALUES AND REWARDS ITS EMPLOYEES FOR THE CONTRIBUTION EACH INDIVIDUAL MAKES TO THE REALISATION OF GROUP OBJECTIVES.

By ensuring individuals take ownership of their development, are engaged and neither underutilised nor over-extended, talent can be successfully nurtured to enhance York's performance culture of success.

INVOLVEMENT WITH LOCAL COMMUNITY



YORK IS A SOCIAL SUPPORTER AND PROMOTER OF COMMUNITIES AND FAMILY VALUES.

In its role as a good neighbour, true participation and involvement is intrinsic to the way York sees corporate social investment (CSI).

CSI STRATEGY

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

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

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

ENTERPRISE DEVELOPMENT Progress over time

An overarching goal of York's enterprise development (ED) initiatives is to provide continual development to the organisations that the Group champions. These initiatives include such projects as supporting Thaba Chweu municipality with the resources required to repair roads and infrastructure.

Another one of the major ED investments concerns the provision of facilities to Child Welfare SA White River, thereby empowering the organisation to render social and developmental services to children, families and communities within the demarcated service areas of White River, Sabie and Graskop. In addition, York's ED focus strengthened the small micro businesses belonging to York's contractors. This was achieved by providing accommodation, offices and facilities to these contractors, as well as developing contractor employees through accredited relevant training.

COMMUNITY AND YOUTH DEVELOPMENT

A primary objective of community development is to empower the youth in the York communities. This service is essential to counter past inequalities and to confirm the Group's commitment to broad-based black economic empowerment (BBBEE). Consequently, school groups have been sent on leadership and developmental camps; received

continued

specific school leadership training; and attended motivational and performance-based teaching. In addition, schools were assisted with major infrastructure repairs as well as new facilities. Further to this, York donated educational materials, tables and chairs as well as timber to assist with cooking and heating. York firmly believes in entrenching lifelong core values for sustainability, self-awareness and motivation. In this way, the youngsters it assists are able to make better use of all the opportunities presented to them.

- It encourages entrepreneurship through business skills development by providing skills programmes to community members. In addition, bursaries and skills programmes ensure a growth in skills capacity in order to actively engage within the economy of South Africa.
- Social responsibility drives are hosted to focus on raising awareness towards cancer and the greater rape intervention programme, promoting overall health and wellness, supporting the national blood service through attending blood donation clinics and supporting organisations for the disabled through donations. In addition, drives include the donation of clothes and personal time and labour towards building of a home for a pensioner.

YORK ALSO INVESTS IN PROJECTS AIMED AT JOB CREATION FOR THE UNEMPLOYED BY UPGRADING VILLAGES AND SCHOOLS.



YORK VALUES STAKEHOLDERS

York believes in working with various stakeholders to guarantee the community the support it deserves.

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

Anchoring the people; providing opportunity

What stood out for the Social Expert auditor, was the level of organisation, detail and activities undertaken by the Training department, the clinics, as well as our CSI contributions. The social audit was rounded off by a field visit on the Highveld, where two separate meetings were held with community stakeholders, comprising a large representation from many sectors of the community – over 50 people attended the two stakeholder sessions.

Very positive feedback on York's operational activities and its impact on the community was received and York was encouraged by them to continue with its CSI and community programmes.

BUDGET EXPENDITURE

York dedicates its annual CSI budget to projects invested in enterprise and community development.

The total budget for the 2015 financial year was R9,5 million (2014: R9,5 million). A total of R4,6 million of this budget was allocated to enterprise development and the remaining R4,9 million went to community development initiatives.

Another measure of York's commitment to the community is our assistance regarding overall wellness. During the past financial year a total of 15 568 patients were treated in the clinics and 25% of these patients received counselling.



COMMUNITY EMPOWERMENT INITIATIVES



Facilitate NQF level one course in general education and training certificate

PILGRIMS REST HIGH SCHOOL LEADERSHIP PROGRAMME developing young leaders

MEMEZILE HIGH SCHOOL

Major infrastructure projects such as kitchen and ablution facilities as well as leadership and personal development programmes



SASOL OIL COMMUNITY DEVELOPMENT PARTNERSHIP

CHICKEN CHALLENGE



Manufacturing and decoration of papier-mâché chicken canvases to raise funds for the Greater Rape Intervention Programme

RURAL DEVELOPMENT 20 young, black South Africans



were given an opportunity to study towards being internationally recognised fashion designers with the objective of contributing to the economy

SPEECH THERAPY



Ensuring effective speech and language literacy within several schools

WARBURTON COMBINED SCHOOL

Teaching of English, Physical Science and Life Science as well as donation of timber



OPEN WELLNESS DAY

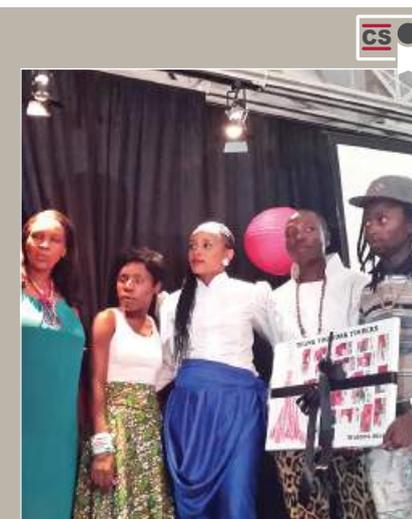
Ensuring HIV/Aids and tuberculosis awareness, counselling and treatment is afforded to the most isolated of communities



RURAL DEVELOPMENT

With the objective of achieving the National Skills Strategy the Fibre, Processing and Manufacturing SETA in partnership with York, implemented a rural development project whereby 20 young black South Africans were given the opportunity to study towards becoming an internationally recognised fashion designer. The economic and social benefits are showcased through the up-skilling of these students, which enhances their chances of employment as well as owning their own businesses in the future. Not only does this initiative entrench York's commitment to broad-based black economic empowerment, but it also consolidates firm relationship with the SETA.

The support (both financial and emotional) offered by York to the students has been positively received. Moreover, upon the completion of their studies in December 2014, ten of the students gained entrance into second year studies, which commenced January 2015. York sponsored three of the students.



continued



OPEN WELLNESS DAY



In a collaborative effort with AgriAids (non-governmental organisation), York hosted an Open Wellness Day for the greater Highveld York Community. AgriAids' ethos is to ensure HIV/Aids and tuberculosis awareness, counselling and treatment is afforded to the most isolated of communities. Since their vision married with York's social responsibility philosophy, a joint effort ensued. This entailed a greater buy-in from the health sector (Department of Health and numerous non-governmental organisations) to ensure a holistic approach to the community's health and to avoid the associated stigmas to screening only for HIV/Aids and tuberculosis. At York's Open Wellness Day a number of health issues were investigated for employees as well as neighbouring farm workers and residents of Nganga Village; including:

- Pre and post-test counselling;
- HIV/Aids counselling and testing;
- Tuberculosis screening and sputum collection;
- CD 4 counts;
- Tuberculosis testing;
- Male circumcision;
- Cervical cancer screening;
- Blood pressure;
- Glucose testing;
- Eye tests; and
- Weight management.

The outcome of this project was most successful as it consolidated York Timbers' drive to support its community, especially regarding the Company's view to ensure individual employees' health and wellness as well as that of the neighbouring villages. Moreover, the day ensured a lifelong working relationship with the municipality, community leaders, youth groups, local government, non-governmental organisations and the Department of Health. York firmly believes in working with various stakeholders to guarantee the community the greatest of opportunities.

FORESTRY LEARNERSHIP



With the objective of providing a national certificate to unemployed community members, the Learnership Programme was undertaken to empower and provide skills for its participants. In terms of the qualification, the course details a General Education and Training Certificate; General Forestry NQF Level one, totalling 120 credits. Such training is crucial to skills development and empowering unemployed community members. Skills include the use of maps to access and communicate information concerning routes, location and direction. Moreover, Mathematics and Communication are key unit standards for the learnership. Thus far, all 57 students have been deemed competent and a further 69 students commenced with the learnership programme.



CHICKEN CHALLENGE

The chicken challenge is a community-based project aimed at crafters, local artists and art lovers to raise funds in support of the Greater Rape Intervention Programme (GRIP).

Nhlanhla Mabunda, from Siyabonga Crafters, with another crafter, manufactures the chickens from papier-mâché. Artists and crafts people adopt a chicken canvas that they then decorate or deconstruct to create an artwork around a central theme. The chickens are auctioned off and the proceeds go to GRIP.

The auction was open for a month and a total of R58 000 was raised.

TRAINING AND DEVELOPMENT

LAYING FOUNDATIONS FOR GROWTH AND SUSTAINABILITY

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



YORK IS ALSO COGNISANT OF CONTINUOUS EVOLUTION WITHIN THE INDUSTRY AND COMMITTED TO MATCHING THE TRAINING NEEDS REQUIRED TO MEET THESE CHANGES.

NATIONAL ALIGNMENT

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

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

TRAINING HIGHLIGHTS

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

Training included:

- Statutory training such as mobile equipment and first aid;
- Non-statutory training such as mill processing, ethics and firefighting;



YORK TRAINING

York has Training Provider accreditation to deliver the highest standards of excellence during training.

- External training such as management development and technical training;
- CSI training such as learnership and leadership development at schools; and
- Commencement of training programmes aimed at addressing the National Skills Development Strategy as well as the industry needs.

TRAINING IS CRITICAL TO YORK'S GROWTH AND DEVELOPMENT

- In partnership with the Fibre, Processing and Manufacturing SETA, nine high-potential black employees were targeted to undergo an interactive management development programme. The programme is based on the principles of planning, organising, leading and controlling. This forms part of the Group's affirmative action and BBBEE measures to address the barriers to employment equity. The end result is aimed at ensuring future leaders are developed within York.

Social progress

continued

The programme is based on the following:



- In partnership with Alexander Proudfoot, 23 employees underwent an interactive programme aimed at a proactive approach to management, how to manage the system, process and people as well as identifying the right behaviours to achieve results, which leads to increased performance of the managers and their subordinates.
- Nine employees attended observation training for the purpose of familiarising the population with the meaning of non-value added time and the purpose of undertaking observations. The impact of the training is accurate and engaged observations, done objectively.
- Personal development and promoting leadership skills as a core value within York is attained through the leadership coaching programme. The process is aimed at unlocking the true potential of the people of York and improving their personal and professional performance through achieving customised goals. Some of the goals include personal growth, life planning

and management and competency development as well as problem-solving management.

- Further to this, a performance booster course, attended by 17 employees, is aimed at employees to gain a better understanding of self-motivation, a general improvement of well-being as well as improved emotional intelligence. The course further provides better time management skills and ensures a renewed focus and attitude in order to clearly define and achieve goals, which improves work performance.
- One employee has commenced the Executive Development Programme at the University of Stellenbosch. The programme brings high-calibre executive managers with strategic management responsibilities together to gain insight into their own leadership profiles and develop their knowledge, skills and professional networks. This is the top-tier programme of the University's comprehensive programme offerings and is facilitated by world-class local and international faculty. The programme

equips participants with integrated strategic management and leadership skills that will enable them to align their business practices to compete more successfully in a highly competitive global environment.

- An obstacle faced by many semi-skilled artisans is their inability to further develop their careers when they do not have formal trade qualifications. A recognition of prior learning programme was initiated to enable these employees to compete for vacant artisan positions. A total of 11 apprentices from Driekop, Sabie and Jessievale sawmills as well as Plywood were selected as part of a training initiative to address this challenge. This ensures that semi-skilled artisans are afforded the opportunity to successfully realise theoretical and practical components for trade tests. These 11 semi-skilled artisans are now fully qualified tradesmen.
- The apprenticeship programme at York included the recruitment of five tradesmen specifically, one millwright, two fitter and turners as well as two electrical students. The programme is spread over three phases, including theoretical exposure as well as practical experience over

a three-year period. Upon completion of the programme, the students will write the trade test and their competency will be determined.

- Fifteen employees attended a roof truss course, where material properties and structural form was explored. Some of the elements included wood properties, factors influencing structural form, preliminary design as well as construction. The course was successful in providing the knowledge on product application within the field.
- Various types of internal training were consolidated and successfully implemented at all sites. This training (both statutory and non-statutory) includes:
 - Mill processing;
 - Mobile equipment;
 - Safety training;
 - Firefighting;
 - Personal development;
 - Management training;
 - Forestry-related training; and
 - Community development.

Discretionary grants for the year were approved for a total of R3,8 million for allocated projects that meet the National Skills Development Strategy (NSDS). These projects include:

Training intervention	Number of approved beneficiaries	Unit cost R	Total cost R
Work experience	6	20 000	120 000
Internship	2	15 000	30 000
Adult education and training	28	3 000	84 000
Forestry learnership	30	23 666	710 000
Special project: Rural development	20	30 000	600 000
Apprenticeship RPL – fitters	9	5 000	45 000
Skills programme: Generic management	10	7 200	72 000
Skills programme: Generic management	15	7 200	108 000
Bursaries: Woodtech and forestry	2	105 000	210 000
Apprenticeship RPL – mechanic/electrical/fitters	6	5 000	30 000
Post-graduate bursary	1	100 000	100 000
Millwright apprenticeship	2	139 350	278 700
Fitter and turner apprenticeship	3	75 000	225 000
Skills programme: Generic management	10	7 200	72 000
Saw doctoring learnership	2	25 000	50 000
Electrical apprenticeship	3	139 483	418 450
Forestry learnership	28	25 000	700 000

continued

HEALTH AND WELLNESS

Creating a healthy work place

The wellness of the employees in the work place is ongoing, therefore the programme needs to be progressive and dynamic to suit the ever-changing needs of the York employees. The medical team's approach has been to focus on the total well-being of the employee – physical, psychological, social and spiritual.

During the reporting period the focus was on monitoring, sickness and absenteeism rates. Through this work study, the medical team has concluded that the employees are stressed due to difficult working hours and a need to balance competing work and personal demands. This stressful environment may contribute to the high general and specific levels of distress and eventual burn-out.

Additional support has been made available for vulnerable employees through specific mental health and social welfare services at the Department of Health and privately.

Our nursing staff, through counselling and education, has reduced the stigmatising attitude towards chronic physical, mental and spiritual diseases, although much intensive counselling still needs to be done to remove the barriers in all these fields.

Added to these initiatives is the York sport programmes, cycling and running through the beautiful pine and indigenous



HEALTH AND SAFETY

A positive health and safety culture is the core of successful organisations.

INITIATIVES WHICH ADDRESS THE STRESSFUL WORKING AND PERSONAL ENVIRONMENT ARE BEING CONSIDERED SUCH AS INDIVIDUAL COUNSELLING DONE BY THE MEDICAL STAFF IN THE CLINICS AS WELL AS VISITING EMPLOYEES IN THEIR HOMES, WHEN SUCH A NEED IS RECOGNISED.

forests, where fauna and flora can be viewed while exercising and de-stressing. York management, through its newsletter, encourages their employees to utilise their wonderful picnic sites as a way to spend quality time with their family and friends and, in so doing, avoid potential burn-out.

SAFETY PERSPECTIVE

A safe and positive core

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

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

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

TRACKING PROGRESS

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

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

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

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

PLANNING AND IMPLEMENTATION

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

The following priority areas were identified for action in the 2015 plan:

- Include all injury-related causes and corrective actions in SHE representative safety talks;
- Prevent forest fires through social interaction with communities;
- Minimise hand injuries through engineering revision and improved stacking practices;
- Continue training about hearing protection and ensure the knowledge is used effectively; and
- Disseminate York SHE standards to all forestry contractors and enforce the implementation of an effective health and safety system by conducting audits.

These priorities were based on the number of incidents known to have occurred at the various business units



YORK EMPLOYEES

Great importance is attached to ensure continued health, welfare and development for the York employee.

and on an assessment of the potential harm to employees. Outstanding actions are discussed monthly by the business unit manager and SHE practitioner during evaluation of the SHE system matrix. SHE practitioners monitor delivery of actions through SHE diaries and follow-up inspections.

SUSTAINED PERFORMANCE

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

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

Since Trainee SHE practitioners were employed at all business units within York, the lost time injury frequency rate (LTIFR) for the Group was above 2, which means that within York more than two employees were booked off by a medical practitioner every month over a period of 12 months due to injuries on duty. The LTIFR target set for the Group during 2015 was 0,75. The new target for 2016 will be 0,5.

The level of LTIFR in 2011 was an average of 1,9. This improved to 1,65 in 2013 and reduced again to 1,28 in 2014. Further improvements reflect levels as low as 1,25 in 2015.



Social progress

continued

CONTRACTOR CULTURE

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

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



FUTURE CHALLENGES

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

CONCLUSION

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

THE YORK ADVENTURE CLUB

The York Adventure Club was launched in September 2013 with the hosting of the very first York Enduro Mountain Bike Rally. The club provides a gateway to the forest experience, uniquely opening up York's land to a public audience. Whilst access is controlled and monitored for the safety of the plantation and its visitors, York provides a secure environment for the enjoyment of our beautiful landscapes, trails and dams for the use of mountain biking, walks, trail running, bird watching, fishing, orienteering and other outdoor activities. This ensures that all our visitors receive a warm welcome from York.

The York Enduro Mountain Bike Rally

The main objective of the club is to promote awareness and provide an experience of York for customers, suppliers, employees and the community. The York Enduro Mountain Bike Rally provides the perfect event for doing just that. Customers interact with the full York staff complement, experience the product life cycle and engage with the unique brand that is York. The community benefits from the people that the Enduro draws to Sabie. These are participants, professionals and spectators as well as local school children, who come to the area to enjoy the York Enduro. The community also benefits from funds raised during the York Enduro, which are given to worthy community projects. In 2014, Enduro participants were asked to donate used sports equipment and clothing, which will be distributed to the community. The York Enduro Mountain Bike Rally is York's flagship event and creates a platform where mountain bikers build relationships with our corporate clients and service providers. The event, held in Sabie, is based around the popular Enduro style of mountain bike racing. The four day event includes a downhill race, a two-part Enduro race, a figure of 8, Dual Eliminator and cross-country race. Each corporate team, consisting of four riders, a professional rider to ride with and form a five-man/woman team. This year, the event raised R130 000 and the monies were designated to benefit the local community. The importance of this event is promoting brand equity internally and externally. It also encourages engagement with our local community and employees.

The club has developed further by managing and hosting two additional high profile events:

The York Long Tom Marathon

This historic race used to be run from Sabie to Lydenburg. Due to lack of sponsors, the race

was cancelled on very short notice in 2013 and 2014. Athletics South Africa contacted York in the hope that York would be able to assist in hosting this event. It was agreed that the race could be changed to start and finish in Sabie. The race, which offers 21,1km, 42,2km and 55km distances is a Comrades Marathon qualifying race. From the start in Sabie, the race is uphill, with a glorious view of the mist carpet over the town of Sabie and the St Joseph's lilies in full bloom. The Long Tom Pass was named after the famous cannon that the Boers used to try to dislodge the British from Lydenburg (now Mashishing) in a battle during September 1900 as part of the Anglo-Boer War. The British were outgunned and outmanoeuvred by General Botha and his famous four-wheeled long-range artillery. The idea is to keep this race going as it is part of this area's history and has previously been voted amongst the top 5 ultra-marathons in South Africa. The race name has changed from the Long Tom Ultra to the York Long Tom Marathon. This year, the York Long Tom Marathon had more than 1 000 entries, with local businesses and accommodation venues benefiting from York sponsoring the event.

The Sasol Rally

The Sasol Rally has become one of the key activities that take place in Mpumalanga every year. It is regarded as one of the most scenic and spectacular

rallies in South Africa, and this year saw it celebrating its 24th year in existence. York is a proud sponsor by opening its plantation roads and allowing access to the organisers and participants of the event. Together with Sasol, social upliftment projects are identified, which support both education and environmental issues facing the region. Through these projects, Sasol and York make a difference to educational development and raise awareness around environmental challenges. The past three years' success with the Sasol partnership has paved the way to further develop this principle of land utilisation. A symbiotic relationship is established, which benefits the community while York garners reputational gain.

York employees constantly seek challenges and stimulation in their work and after-work activities. They are focused on continuously improving themselves, both professionally and personally. The York Adventure Club is a distinctive feature of York. The club inspires employees to live healthier lifestyles, encourages social interactions and creates a favourable attraction to competent talented people to join York.

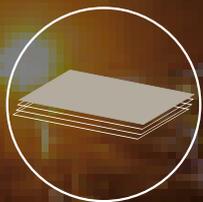
In this way, York promotes brand equity internally and externally while building a reputation as a responsible corporate citizen that also assists the community in establishing an income-generating activity that is vibrant, economic and sustainable.



York's strategy to move up the value chain is to **add value-added solid wood products** to its **product offering**



INCREASE
PRODUCT
DEVELOPMENT



Annual **FINANCIAL** STATEMENTS



Directors' responsibilities and approval

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of York Timber Holdings Limited (York), comprising the statement of financial position at 30 June 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, 71 of 2008. In addition, the directors are responsible for preparing the directors' report.

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

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

The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, 71 of 2008.

APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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

The consolidated annual financial statements, as identified in the first paragraph above, were approved by the Board of Directors on 28 September 2015 and signed by:



Pieter van Zyl
Chief Executive Officer



Pieter van Buuren
Chief Financial Officer
Preparer of the annual financial statements

Company Secretary's certificate

I certify that the requirements as contained in section 33 of the Companies Act of South Africa, 71 of 2008, have been met and that all returns, as are required in terms of the Act, have been submitted to the Registrar of Companies and that such returns are true, correct and up to date.



Han-hsiu Hsieh
Company Secretary

28 September 2015

Branch out
and invest
in an asset
class where
money does
grow on
trees

Audit Committee report

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

MANDATE AND TERMS OF REFERENCE

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

The Audit Committee's responsibilities include:

- Reviewing the annual financial statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents;
- Monitoring relevant compliance with legislation and JSE Listings Requirements;
- Reporting to the Board on the appropriateness of the Group's accounting policies and practices;
- Reviewing the expertise, resources and experience of the Company's finance function as well as the expertise and experience of the CFO;
- Considering the appointment and/or termination of the external auditor, including his/her audit fee, independence and objectivity, and determining the nature and extent of any non-audit services rendered by the external auditor; and
- Receiving and dealing appropriately with any complaints (internally and externally generated) relating to accounting policies or practices, internal audit or to the content of, or external auditing of the entities included in the Group's annual financial statements, or related matters.

MEMBERSHIP

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

- G Tipper
(Independent non-executive Chairman)
- Dr Azar Jammine
(Independent non-executive director)
- Shakeel Meer (Non-executive director)
- Thabo Mokgalha
(Independent non-executive director)

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

The JSE has confirmed that the constitution of the Audit Committee meets its requirements and that its functioning will not be compromised by the membership of a non-independent non-executive director.

The Chief Executive Officer, Chief Financial Officer, the heads of external and internal audit and other relevant parties attend Audit Committee meetings by invitation. The Company Secretary acts as the Committee secretary.

Internal audit is accountable to the Chief Financial Officer on day-to-day administrative matters.

During the 2015 financial year, two committee meetings were convened, and all of the Audit Committee members attended those meetings.

Where necessary, additional meetings may be convened.

STATUTORY DUTIES

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

The Audit Committee:

- Considered and satisfied itself that the external auditor was independent and agreed to nominate them for appointment for the 2016 financial year;
- Approved the fees to be paid to the external auditor for the 2015 financial year;
- Determined the terms of engagement of the external auditor for the 2015 financial year;
- Determined the nature and extent of the non-audit services rendered by the external auditor and pre-approved any proposed agreements with them for the provision of such services;
- Ensured that there is a risk-based internal audit function and approved the Internal Audit Plan for the year;
- Held separate meetings with management and the external and internal auditors to discuss relevant matters;

- Considered and satisfied itself as to the appropriateness and experience of the Chief Financial Officer as required by paragraph 3.84(h) of the JSE Listings Requirements;
- Reviewed the interim and consolidated annual financial statements and interim report of York Timber Holdings Limited; and
- Satisfied itself that the adoption of the going concern basis by York Timber Holdings Limited in preparing the interim and annual financial statements was appropriate.

INTERNAL CONTROLS

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

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

Management has concluded that the internal controls over financial reporting as at 30 June 2015 were appropriate.

RECOMMENDATION OF GROUP FINANCIAL STATEMENTS

Based on the information provided to the Audit Committee by management and considering the reports of the external and internal auditors, the Audit Committee is satisfied that the consolidated annual financial statements comply, in all material respects, with the requirements of the Companies Act, IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the JSE Listings Requirements.

The Audit Committee recommended the annual financial statements to the Board for adoption at a

meeting held on 21 September 2015. These annual financial statements will be open for discussion at the forthcoming annual general meeting.

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



Gavin Tipper

Chairman

Audit Committee

28 September 2015

Directors' report

The directors have pleasure in submitting their report on York's consolidated annual financial statements for the year ended 30 June 2015.

NATURE OF BUSINESS

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

York entered into a Joint Arrangement during the year, acquiring 50% of Mbulwa Lodge Proprietary Limited. The Joint Arrangement was acquired for the purpose of gaining access to firefighting, conferencing and accommodation facilities.

SHARE CAPITAL

	2015 R'000	2014 R'000	2015 Number of shares	2014 Number of shares
Issued				
Ordinary shares	16 377	16 562	327 543 879	331 240 597

Refer to note 15 to the consolidated annual financial statements for detail of the movement in authorised and issued share capital. During 2015 the Company purchased 3,7 million of its shares.

DIVIDENDS

The Board has resolved not to declare a dividend for the financial year ended 30 June 2015.

DIRECTORATE

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

Directors	Office	Designation	Changes
Dr Jim Myers	Chairperson	Non-executive Independent	
Paul Botha	Other	Non-executive	
Dr Azar Jammie	Other	Non-executive Independent	
Shakeel Meer	Other	Non-executive	
Dinga Mncube	Other	Non-executive Independent	
Thabo Mokgatla	Other	Non-executive	
Maserame Mouyeme	Other	Non-executive Independent	Appointed 22 May 2015
Gavin Tipper	Other	Non-executive Independent	
Pieter van Buuren	Chief Financial Officer	Executive	
Pieter van Zyl	Chief Executive Officer	Executive	

REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, 71 of 2008. The accounting policies applied are consistent with those applied in the prior year, except for the changes described in note 2.

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

DIRECTORS' SHAREHOLDING

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

Direct beneficial interest

Director	2015		2014	
	Number of shares	Percentage shareholding	Number of shares	Percentage shareholding
Gavin Tipper	15	–	15	–
Pieter van Zyl	247 369	0,07	247 369	0,07
	247 384	0,07	247 384	0,07

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 is subject to externally imposed capital requirements as a result of a debt-equity ratio requirement of below 1.5:1 in terms of the Land Bank loan facility (refer to note 17).

SPECIAL RESOLUTIONS

During the year three special resolutions were passed by York. The first resolution was for general authority to acquire and repurchase shares, the second was to approve the remuneration of non-executive directors and the third was regarding the provision of financial assistance in terms of sections 44 and 45 of the Companies Act of South Africa, 71 of 2008.

The only special resolution passed at subsidiary level was by Agentimber Proprietary Limited, regarding the provision of financial assistance in terms of section 45 of the Companies Act of South Africa, 71 of 2008.

EVENTS AFTER THE REPORTING PERIOD

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

GOING CONCERN

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

AUDITORS

KPMG Inc. continued in office as auditor of the Company for 2015.

SECRETARY

The Group Secretary is Ms Han-hsiu Hsieh.

INTEREST IN SUBSIDIARIES

Details of the Group's investment in subsidiaries are set out in note 33.

Directors' report

SHAREHOLDER PROFILE

The shareholder profile at 30 June 2015 was as follows:

	Number of shareholders	Percentage	Number of shares	Percentage
SHAREHOLDER ANALYSIS				
1 – 1 000 shares	258	27,59	97 451	0,03
1 001 – 10 000 shares	314	33,58	1 491 425	0,45
10 001 – 100 000 shares	253	27,06	9 186 400	2,77
100 001 – 1 000 000 shares	72	7,70	22 066 366	6,66
1 000 001 shares and over	38	4,07	294 702 237	90,09
	935	100,00	327 543 879	100,00

DISTRIBUTION OF SHAREHOLDERS

Banks/brokers	14	1,50	117 078	0,04
Close corporations	12	1,28	217 369	0,07
Development agencies	1	0,11	95 136 513	28,72
Empowerment	4	0,43	95 687 795	28,89
Endowment funds	15	1,60	1 233 546	0,37
Individuals	673	71,98	13 533 181	4,09
Insurance companies	5	0,52	7 800 732	2,35
Medical aid schemes	7	0,75	930 228	0,28
Mutual funds	54	5,78	84 296 450	25,45
Nominees and trusts	50	5,35	4 966 216	1,50
Other corporations	4	0,43	53 491	0,02
Private companies	32	3,42	8 433 228	3,66
Public entities	3	0,32	210 776	0,06
Retirement funds	60	6,42	14 879 076	4,49
Share trusts	1	0,11	48 200	0,01
	935	100,00	327 543 879	100,00

SHAREHOLDER TYPE

Directors of the Company	2	0,32	247 384	0,07
Share trusts	1	0,11	48 200	0,01
Empowerment	4	0,43	95 687 795	28,89
Strategic holdings (more than 10%)	1	0,11	95 136 513	28,73
Non-public shareholders	8	0,97	191 119 892	57,70
Public shareholders	927	99,03	136 423 987	42,30
Total	935	100,00	327 543 879	100,00

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

Industrial Development Corporation of South Africa	95 136 513	28,72
Lereko Metier Capital Growth Fund	54 915 003	16,58
Coronation Fund Managers	32 509 224	9,81
Bridge Creek Trading 10 Proprietary Limited	29 356 410	8,86
Auburn Avenue Trading 55 Proprietary Limited	11 416 382	3,45
Old Mutual Group	12 495 855	3,77
	235 829 387	71,19

Independent auditor's report

To the shareholders of York Timber Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

 We have audited the consolidated financial statements of York Timber Holdings Limited, which comprise the statement of financial position as at 30 June 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 134 to 187.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of York Timber Holdings Limited at 30 June 2015, 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, 71 of 2008.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT OF SOUTH AFRICA, 71 OF 2008

As part of our audit of the financial statements for the year ended 30 June 2015, we have read the Directors' report, Audit Committee's report and Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



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

29 September 2015

Statement of financial position

as at 30 June 2015

	Note	2015 R'000	2014 R'000
ASSETS			
Non-current assets		3 088 139	2 935 314
Biological assets	3	1 821 029	1 834 963
Investment property	4	21 895	21 866
Property, plant and equipment	5	628 112	463 645
Goodwill	6	565 442	565 442
Intangible assets	7	2 711	2 439
Other financial assets	9	41 900	38 464
Deferred tax	10	7 050	8 495
Current assets		982 843	784 518
Inventories	12	258 332	234 032
Current tax receivable	30	2 477	–
Trade and other receivables	13	210 928	171 893
Biological assets	3	319 038	268 129
Cash and cash equivalents	14	192 068	110 464
Total assets		4 070 982	3 719 832
EQUITY AND LIABILITIES			
Equity		2 419 994	2 327 102
Share capital	15	1 511 938	1 521 914
Reserves		732	(668)
Retained income		907 324	805 856
LIABILITIES			
Non-current liabilities		1 332 998	1 151 685
Loans from related parties	8	1 505	–
Loans and borrowings	17	678 150	528 459
Retirement benefit obligation	11	22 829	24 313
Deferred tax	10	605 605	574 879
Provisions	18	12 371	11 671
Cash-settled share-based payments	16	12 538	12 363
Current liabilities		317 990	241 045
Loans and borrowings	17	65 210	34 157
Current tax payable	30	79	2
Operating lease liability		540	358
Trade and other payables	20	249 775	192 743
Cash-settled share-based payments	16	2 386	13 785
Total liabilities		1 650 988	1 392 730
Total equity and liabilities		4 070 982	3 719 832

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2015

	Note	2015 R'000	2014 R'000
Revenue	21	1 543 149	1 323 976
Cost of sales		(1 138 734)	(946 031)
Gross profit		404 415	377 945
Other operating income	22	29 618	17 215
Selling, general and administration expenses		(290 012)	(278 349)
Operating profit	23	144 021	116 811
Investment income	24	3 585	5 820
Fair value adjustments	25	42 422	(2 084)
Bargain purchase	31	6 244	2 984
Finance costs	26	(58 385)	(56 440)
Profit before taxation		137 887	67 091
Taxation	27	(36 419)	(16 097)
Profit for the year		101 468	50 994
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements on defined benefit liability		1 944	(928)
Taxation related to remeasurements on defined benefit liability		(544)	260
Defined benefit plan reserve		1 400	(668)
<i>Items that may be reclassified to profit or loss:</i>			
Available-for-sale financial asset adjustments		–	(680)
Taxation related to available-for-sale financial assets		–	111
Available-for-sale reserve		–	(569)
Other comprehensive income for the year net of taxation		1 400	(1 237)
Total comprehensive income		102 868	49 757
Total comprehensive income attributable to:			
Owners of the parent		102 868	49 757
Earnings per share			
Basic and diluted earnings per share (cents)	39	31	15

Statement of changes in equity

for the year ended 30 June 2015

	Share capital R'000	Share premium R'000	Total share capital R'000	Fair value adjustment assets- available- for-sale reserve R'000	Defined benefit plan reserve R'000	Total reserves R'000	Retained income R'000	Total equity R'000
Balance at 1 July 2013	16 562	1 505 352	1 521 914	569	–	569	754 862	2 277 345
Profit for the year	–	–	–	–	–	–	50 994	50 994
Other comprehensive income	–	–	–	(569)	(668)	(1 237)	–	(1 237)
Total comprehensive income for the year	–	–	–	(569)	(668)	(1 237)	50 994	49 757
Balance at 1 July 2014	16 562	1 505 352	1 521 914	–	(668)	(668)	805 856	2 327 102
Profit for the year	–	–	–	–	–	–	101 468	101 468
Other comprehensive income	–	–	–	–	1 400	1 400	–	1 400
Total comprehensive income for the year	–	–	–	–	1 400	1 400	101 468	102 868
Purchase of own shares	(185)	(9 791)	(9 976)	–	–	–	–	(9 976)
Total contributions by and distributions to owners of Company recognised directly in equity	(185)	(9 791)	(9 976)	–	–	–	–	(9 976)
Balance at 30 June 2015	16 377	1 495 561	1 511 938	–	732	732	907 324	2 419 994
Note	15	15	15					

Statement of cash flows

for the year ended 30 June 2015

	Note	2014 R'000	2013 R'000
Cash flows from operating activities			
Cash generated from operations	29	182 574	151 461
Interest received		3 585	5 786
Dividends received		–	34
Finance costs		(58 385)	(56 440)
Tax paid	30	(7 193)	–
Net cash from operating activities		120 581	100 841
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(203 288)	(66 169)
Proceeds from disposal of property, plant and equipment	5	1 374	463
Purchase of intangible assets	7	(1 417)	(2 127)
Proceeds from sale of other intangible assets	7	41	37
Acquisition of subsidiaries net of cash acquired	31	(2 769)	(34 228)
Purchase of financial assets		(17 750)	(14 000)
Sale of financial assets		14 314	5 717
Purchase of biological assets	3	–	(4 206)
Sale of biological assets	3	5 477	–
Net cash applied to investing activities		(204 018)	(114 513)
Cash flows from financing activities			
Reduction of share capital or buyback of shares	15	(9 976)	–
Proceeds from loans and borrowings		219 274	4 768
Repayment of loans and borrowings		(44 257)	(39 326)
Net cash from/(applied to) financing activities		165 041	(34 558)
Cash movement for the year			
Cash at beginning of year		110 464	158 694
Cash at end of year	14	192 068	110 464

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

1. ACCOUNTING POLICIES

Basis of presentation

Reporting entity

York Timber Holdings Limited (York or the Company) is a company domiciled and incorporated in South Africa.

The financial statements of the Group for the year ended 30 June 2015 comprise the Company and its subsidiaries (collectively referred to as the Group and individually as Group entities). The core business activities of the Group comprise commercial forestry, softwood sawmilling, plywood manufacture and trade in timber products.

Statement of compliance

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

The consolidated annual financial statements were approved by the Board of Directors on 28 September 2015, the SENS announcement released on 29 September 2015 and the integrated annual report published on 29 September 2015.

Basis of measurement

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

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Biological assets are measured at fair value less costs to sell;
- Investment property is measured at fair value;
- Liabilities for cash-settled share-based payment arrangements are measured at fair value; and

- The retirement benefit obligation is recognised as the net total of the present value of the defined benefit obligation.

Functional and presentation currency

The consolidated annual financial statements are presented in South African Rand, which is the Company's functional currency. All financial information presented has been rounded to the nearest R'000.

Significant judgements and 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

- note 3 – Biological assets
- note 4 – Investment property
- note 5 – Property, plant and equipment
- note 6 – Goodwill
- note 10 – Deferred tax
- note 11 – Retirement benefits
- note 13 – Trade and other receivables
- note 16 – Share-based payments
- note 18 – Provisions

The accounting policies set out below have been applied consistently to all periods presented in these annual financial statements.

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

1. ACCOUNTING POLICIES continued

1.1 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, arises from a past event and its fair value can be measured reliably. The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Transaction costs that the Group incurs in connection with a business combination, such as

finder's fees, legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

Acquisitions prior to 1 July 2009

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

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

Non-controlling interests

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

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

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

Subsidiaries

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 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 arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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.

1.2 Foreign currency

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

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

Any foreign exchange differences are recognised in profit and loss in the year in which the difference occurs. The profits are included under other income and the losses are included under selling, general and distribution expenses.

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

1.3 Biological assets

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

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

1.4 Investment property

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

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

1. ACCOUNTING POLICIES continued

1.4 Investment property continued

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

When an item of property is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is, to the extent that the remeasurement of an investment property on the date of classification results in a gain, 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.

Investment property is initially recognised at cost and subsequently at fair value.

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

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

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

1.5 Property, plant and equipment

Owned assets

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

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

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

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

Subsequent costs

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

Depreciation

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

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

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

Leased assets

Finance leases

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

Finance leases where the Group is the lessee

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

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

Operating leases

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

1.6 Intangible assets

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

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

Useful life

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

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

Subsequent measurement

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

Amortisation

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

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

Item	Useful life
Computer software	5 years

1.7 Financial instruments

Non-derivative financial instruments

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

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

1. ACCOUNTING POLICIES continued

1.7 Financial instruments continued

Non-derivative financial instruments continued

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 respective Group company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

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

Available-for-sale financial assets

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

Loans and receivables

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

Determination of fair value

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

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

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

Derivatives

All derivative instruments are classified as financial assets or financial liabilities at fair value through profit or loss.

Derivatives are initially recognised at fair value, with directly attributable transaction costs being recognised in profit or loss. Derivatives are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, recent market transactions and valuation techniques, or discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

The fair value of forward exchange contracts is based on their over-the-counter traded price.

1.8 Tax

Current tax assets and liabilities

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

Deferred tax assets and liabilities

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

Deferred tax is not recognised for the following temporary differences:

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

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

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

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

Tax expenses

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

1.9 Inventories

Raw materials, work in progress and finished goods of timber and timber-related products and consumable stores are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The cost comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is based on the weighted average cost method.

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

1.10 Impairment of assets

Financial assets

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

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

1. ACCOUNTING POLICIES continued

1.10 Impairment of assets continued

Financial assets continued

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

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

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

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

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

Non-financial assets

The carrying amounts of the Group's non-financial assets other than biological assets, investment property, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be

impaired, its recoverable amount is estimated. For goodwill and intangible assets with an indefinite useful life, the recoverable amount is estimated at each reporting date.

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

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

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

An impairment loss in respect of goodwill is not reversed.

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

carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Share capital and equity

Ordinary share capital

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

Dividends

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

1.12 Share-based payments

Cash-settled transactions

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

1.13 Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

1. ACCOUNTING POLICIES continued

1.13 Employee benefits continued

Defined benefit plans continued

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 selling, general and distribution expenses.

1.14 Provisions

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

1.15 Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns or allowances, trade discounts and volume rebates. Revenue is recognised when the

significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably and there is no continuing management involvement with the goods.

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

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

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset. All other borrowing costs are expensed (refer note 26).

1.17 Investment income and finance cost

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

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

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

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

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

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

1.19 Rental income

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

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations not yet effective

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

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

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard could have a significant impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model in IAS 39 to an "expected credit loss" model. The Group is currently in the process of performing a more detailed assessment of the impact of this standard.

The standard is effective for annual periods beginning on or after 1 January 2018, with retrospective application and early adoption is permitted.

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 Transactions Involving Advertising Services.

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

This new standard is likely to have no significant impact on the Group. The Group is currently in the process of performing a more detailed assessment of the impact of this standard and will provide more information in the year ending 30 June 2016 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

2. NEW STANDARDS AND INTERPRETATIONS continued

2.1 Standards and interpretations not yet effective continued

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to the order of notes, other comprehensive income of equity-accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.

The amendments apply to annual periods beginning on or after 1 January 2016 and early application is permitted.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. As a consequence of these amendments, the Group will amend its accounting policy with effect from 1 July 2016 for acquisitions of interests in a joint operation.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

3. BIOLOGICAL ASSETS

	2015 R'000	2014 R'000
Reconciliation of biological assets	2 103 092	2 100 870
Opening balance		
Fair value adjustment:	435 042	447 357
– Increase due to growth and enumeration**	(68 958)	(123 284)
– Adjustment to standing timber values to reflect sales price, cost and discount rate assumptions***		
Decrease due to harvesting	(323 632)	(326 057)
Purchased plantations	–	4 206
Standing timber harvested	(5 477)	–
Closing balance	2 140 067	2 103 092
Classified as non-current assets	1 821 029	1 834 963
Classified as current assets*	319 038	268 129
	2 140 067	2 103 092
Change in discounted cash flows (DCF) value attributable to:		
Opening balance	2 103 092	2 100 870
Growth****	67 584	131 897
Revenue and price	152 217	53 659
Operating costs	(155 413)	(35 314)
Discount rate	(21 936)	(152 226)
Purchased plantations	–	4 206
Sale of plantations	(5 477)	–
Closing balance	2 140 067	2 103 092

	2015 Cubic metres	2014 Cubic metres
Reconciliation of standing volume		
Opening balance	5 596 093	5 325 421
Increase due to growth and enumeration**	963 350	961 402
Decrease due to harvesting	(725 782)	(690 730)
Closing balance	5 833 661	5 596 093

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

** Enumerations refer to updates that are made to the merchandising model's data due to more accurate information being collected about the trees in the plantations. These serve to adjust the model's theoretical yields to actual yields and is done systematically over the life of the tree.

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

**** Growth in the DCF model refers to forecast yield of planted trees at maturity and has been less than the prior year due to the temporary unplanted areas increasing during the year.

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

3. BIOLOGICAL ASSETS continued

	2015 Hectares	2014 Hectares
Quantities of biological assets		
Pine	54 136	54 126
Eucalyptus	2 906	3 605
Temporary unplanted areas	3 428	2 739
Additional areas with planting permits	4 580	4 580
Conservancy areas	28 938	28 938
Standing timber	–	110
Total	93 988	94 098

	2015 Cubic metres	2014 Cubic metres
Forecast volume of trees in the plantations at maturity as used in the DCF valuation (sum of maturity volumes over the 25 year cycle)		
Balance at year-end	22 594 545	22 275 836

Methodology and assumptions used in determining fair value

Volumes: The expected yields per log class are calculated with reference to growth models relevant to the nominal planted area. The growth models are derived from actual trial data that has been measured annually since 1976. A merchandising model, using the modelled tree shapes at various ages, is used to split the trees into predefined products.

Volume adjustment factor: Due to the susceptibility of the plantations to the environment, an adjustment factor is used to reduce the volumes obtained from the merchandising model. This percentage is mainly based on factors such as baboon damage and damage due to the natural elements such as wind, rain, hail, droughts and fires. An adjustment factor of 10% (2014: 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 6,5% pa over the next two years and at 6% pa over the long term (2014: 6,5% pa over the next two years and at 6% pa over the long term).

Operating costs: The costs are based on the unit cost of the forest management activities required to enable the trees to reach the age of felling. The costs include the current and future expected costs of harvesting, maintenance and risk management, as well as an appropriate amount of fixed overhead costs. The costs exclude the costs necessary to get the asset to the market. A long-term inflation rate of 5,7% pa in year one and 6% pa over the long term (2014: 5,5% pa) was used.

Costs to sell: Costs to sell are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes. The 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 company after-tax weighted average cost of capital (WACC) 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 by the plantation. The cash flow projections include specific estimates for 25 years. The expected net cash flows are discounted using a risk-adjusted discount rate.

3. BIOLOGICAL ASSETS continued

Level 3 fair value continued

	2015 Percentage	2014 Percentage
Key assumptions used in the calculation of the discount rate		
Risk-free rate: R186 bond	8,28	8,31
Cost of equity	15,28	15,25
Pre-tax cost of debt	10,25	10,00
Target debt:equity ratio	65,00	65,00
After-tax weighted average cost of capital	12,51	12,43

	2015 R'000	2014 R'000
Sensitivity analysis		
100 basis points increase in the current log price	37 566	34 054
25 basis points increase in forecast log prices	103 566	98 109
25 basis points increase in the forecast cost inflation rate	(32 062)	(27 965)
50 basis points increase in the pre-tax cost of debt	(34 228)	(33 655)
25 basis points increase in discount rate	(67 248)	(66 121)
100 basis points increase in projected volumes	35 657	34 578

The following 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 related to its commercial tree plantations, namely:

Regulatory and environmental risk: The Group has established environmental policies and procedures aimed at compliance with environmental legislation. Management performs regular reviews to identify environmental risks and to ensure that the management systems in place are adequate. The Group manages its plantations in compliance with the International Forest Stewardship Council's (FSC) requirements for sustainable forestry.

Supply and demand risks: The Group is exposed to risks arising from fluctuations in the price and sales volumes of log products. When possible, the Group manages this risk by aligning its harvest volume to the market. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand on a sustainable basis.

Climate and other risks: The Group's plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks. The Group subscribes to various national fire prevention associations which use differing weather conditions to indicate fire risk. The Group insures itself against natural disasters such as fires and floods. Refer to note 9.

Pledge as security

Land holdings amounting to 58 050 (2014: 34 869) hectares, including those on which the plantations are planted, and the fixed property referred to in note 5, were encumbered in favour of Micawber 558 Proprietary Limited, as security for loans and borrowings, as per note 17.

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

4. INVESTMENT PROPERTY

Reconciliation of investment property

	2015 R'000	2014 R'000
Opening balance	21 866	22 966
Transfers from property, plant and equipment	59	(1 000)
Fair value adjustments	(30)	(100)
Total	21 895	21 866

Lease agreements for investment properties are at market-related rentals and are renewed annually.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Group.

Details of valuation

The effective date of the latest external valuations was 30 June 2013. The valuations were performed by independent valuers. These valuers were not connected to the Group and had recent experience in location and category of the investment property being valued. The valuations were based on the open market value for existing use.

The directors made an assessment of the valuations at 30 June 2015, based on the ruling market conditions, and deemed the recognised valuations as appropriate.

The fair value measurement for investment property of R21,9 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Level 3 fair value

The valuation is based on the market value. The comparable sales approach is used to determine market value. It consists of comparing the subject property with similar properties that were sold in the recent past in an open market situation, making the necessary adjustments there from as well as taking into consideration market trends and then determining, based on that information, the market level for the subject property.

	2015 R'000	2014 R'000
Amounts recognised in profit and loss for the year		
Rental income from investment property	1 414	1 408
Direct operating expenses on rental-generating property	(1 828)	(1 700)
Total	(414)	(292)

5. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost R'000	Accu- mulated depre- ciation R'000	Carrying value R'000	Cost R'000	Accu- mulated depre- ciation R'000	Carrying value R'000
Land	115 123	–	115 123	114 264	–	114 264
Buildings	187 978	(53 871)	134 107	161 602	(46 363)	115 239
Plant and machinery	278 131	(105 478)	172 653	245 084	(75 260)	169 824
Work in progress	158 998	–	158 998	35 288	–	35 288
Other property, plant and equipment*	80 685	(33 454)	47 231	56 375	(27 345)	29 030
Total	820 915	(192 803)	628 112	612 613	(148 968)	463 645

* 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.

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

5. PROPERTY, PLANT AND EQUIPMENT continued

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Transfers from/(to) investment property R'000	Transfers from intangible assets to inventory R'000	Depreciation R'000	Impairment loss R'000	Total R'000
Reconciliation of property, plant and equipment – 2015									
Land	114 264	–	859	–	–	–	–	–	115 123
Buildings	115 239	10 159	15 141	(2)	(323)	–	(6 107)	–	134 107
Plant and machinery	169 824	37 615	180	(321)	264	–	(34 909)	–	172 653
Work in progress	35 288	123 710	–	–	–	–	–	–	158 998
Other property, plant and equipment*	29 030	31 804	271	(626)	–	–	(13 248)	–	47 231
	463 645	203 288	16 451	(949)	(59)	–	(54 264)	–	628 112

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Transfers from/(to) investment property R'000	Transfers from intangible assets to inventory** R'000	Depreciation R'000	Impairment loss R'000	Total R'000
Reconciliation of property, plant and equipment – 2014									
Land	114 264	–	–	–	300	–	–	(300)	114 264
Buildings	114 996	4 865	–	(1)	590	–	(5 193)	(18)	115 239
Plant and machinery	150 221	41 550	3 429	(265)	110	–	(25 221)	–	169 824
Work in progress	–	–	–	–	35 288	–	–	–	35 288
Other property, plant and equipment*	50 513	19 754	3 232	(380)	(35 288)	(1 009)	(7 792)	–	29 030
	429 994	66 169	6 661	(646)	1 000	(1 009)	(38 206)	(318)	463 645

Borrowing costs capitalised

Borrowing costs capitalised to Plywood Expansion Project

3 235

–

Capitalisation rate used on Land Bank loan (%)

10,25

–

Capitalisation rate used on bank overdraft (%)

8,75

–

* 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.

** Transfers in the prior financial year from intangible assets into work in progress of R0,984 million and from other assets to inventory of R1,993 million.

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

5. PROPERTY, PLANT AND EQUIPMENT continued

Pledged as security

Capitalised leased assets are encumbered in terms of finance lease and instalment sale agreements.

Land holdings amounting to 58 050 hectares (2014: 34 869 hectares) were encumbered in favour of Micawber 558 Proprietary Limited, as security for loans and borrowings, as per note 17.

Finance lease obligation

The Group entered into a finance lease obligation with WesBank for plant, equipment and vehicles. Refer note 17.

	2015 R'000	2014 R'000
Present value of minimum lease payments due at year-end	–	41
Carrying amount of assets subject to instalment sale liabilities		
Other assets	–	160

Instalment sale agreement obligation

The Group entered into instalment sale agreements with WesBank and Absa for plant, equipment and vehicles. Refer note 17.

	2015 R'000	2014 R'000
Present value of minimum lease payments due at year-end	34 481	11 643
Carrying amount of assets subject to instalment sale agreements		
Plant and machinery	–	273
Other assets	25 175	8 127
Total	25 175	8 400

6. GOODWILL

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

Goodwill is tested for impairment at each year-end. For the purpose of impairment testing, goodwill has been allocated to the forestry segment. The Group's assets are compared to the present value of the future cash flow (value in use) that is expected to flow from Group sales.

The value in use was determined based on management's past experience and is based on the assumptions detailed below. The cash flows have been based on the approved budget for the 2016 financial year as well as a forecast until 2030, using a long-term inflation rate of 5,5% (2014: 5,5%). The period is longer than would normally be the case due to the nature of the underlying assets. The plantations are managed in rotation, based on a clearfell age for pine of between 21 and 25 years. The plantations are managed to harvest approximately 2 500 hectares per annum.

6. GOODWILL continued

Volumes: The expected yields per log class are calculated with reference to growth models relevant to the nominal planted area. The growth models are derived from actual trial data that has been measured annually since 1976. A merchandising model, using the modelled tree shapes at various ages, is used to split the trees into predefined products.

Volume adjustment factor: Due to the susceptibility of the plantations to the environment, an adjustment factor is used to reduce the volumes obtained from the merchandising model. This percentage is mainly based on factors such as baboon damage and damage due to the natural elements such as wind, rain, hail, droughts and fires. An adjustment factor of 10% (2014: 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 6,5% pa over the first two years and at 6% pa over the long term (2014: 6,5% pa over the first two years and at 6% pa over the long term). These prices were adjusted in this calculation as a result of the Group's integrated business and supply versus demand projections, to effectively adjust log price increases to 6,64% (2014: 6,64%) over the long term.

Operating costs: The costs are based on the unit cost of the forest management activities required to enable the trees to reach the age of felling. The costs include the current and future expected costs of harvesting, maintenance and risk management, as well as an appropriate amount of fixed overhead costs. The costs exclude the costs necessary to get the asset to the market. A long-term inflation rate of 6% (2014: 5,5%) was used.

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

	2015 R'000	2014 R'000
Results of impairment testing		
Carrying amount of segment assets	2 438 690	2 428 350
Present value of segment's future cash flows	2 511 913	2 500 853
Net result (no impairment)	(73 223)	(72 503)

	2015 Percentage	2014 Percentage
Key assumptions used in the calculation of the discount rate		
Risk-free rate: R186 bond (2014: R186 bond)	8,28	8,31
Cost of equity	15,28	15,25
Pre-tax cost of debt	10,25	10,00
Debt:equity ratio	65,00	65,00
After-tax weighted average cost of capital	12,51	12,43

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

6. GOODWILL continued

The following sensitivity analysis shows how the present value of the segment's future cash flows would be affected if the key valuation parameters were attributed other values than those that form the basis of the current valuation of the segment's future cash flows. A decrease by the same percentage would have the opposite effect on the valuation.

	2015 R'000	2014 R'000
Sensitivity analysis		
100 basis points increase in the current log price*	65 114	61 224
25 basis points increase in forecast log prices*	142 375	127 241
25 basis points increase in forecast cost inflation rate	(79 950)	(62 662)
50 basis points increase in the pre-tax cost of debt	(53 148)	(50 617)
25 basis points increase in discount rate	(103 543)	(98 632)
100 basis points increase in projected volumes	49 606	42 664

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

7. INTANGIBLE ASSETS

	2015			2014		
	Cost R'000	Accu- mulated amorti- sation R'000	Carrying value R'000	Cost R'000	Accu- mulated amorti- sation R'000	Carrying value R'000
Computer software	7 758	(5 047)	2 711	7 576	(5 137)	2 439
Total	7 758	(5 047)	2 711	7 576	(5 137)	2 439

Reconciliation of intangible assets – 2015

	Opening balance R'000	Additions R'000	Disposals R'000	Amorti- sation R'000	Total R'000
Computer software	2 439	1 417	(41)	(1 104)	2 711

Reconciliation of intangible assets – 2014

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Amorti- sation R'000	Total R'000
Computer software	2 257	2 127	(37)	(984)	(924)	2 439

8. LOANS TO/(FROM) RELATED PARTIES JOINT OPERATOR

	2015 R'000	2014 R'000
Joint operator		
Mondi Timber (Wood Products) Proprietary Limited	(1 505)	–
The loan has no repayment terms and is interest-free		

9. OTHER FINANCIAL ASSETS

Loans and receivables

Self-insurance fund	41 900	38 464
Annual payments of R17,6 million are made to the self-insurance fund. For periods where the Experience Account balance is positive, the investment accrues interest at the 32 day call rate average for FNB, Absa and Nedbank, as published on the first business day of each month. Where the Experience Account balance is negative, interest is charged at the prime lending rate plus 200 basis points.		

Unlisted investments (level 2)

Self-insurance fund	41 900	38 464
An average interest rate of 5,42% (2014: 4,56%) was used to calculate interest earned on the deposit balance.		
The investment is unlisted and a cash equivalent in nature.		

10. DEFERRED TAX

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

	2015 R'000	2014 R'000
Deferred tax liability	(605 605)	(574 879)
Deferred tax asset	7 050	8 495
Total net deferred tax liability	(598 555)	(566 384)
Reconciliation of deferred tax liability		
At the beginning of the year	(566 384)	(550 507)
Increase in tax losses available for set-off against future taxable income	(16 546)	(13 085)
Originating temporary differences	(15 081)	(2 678)
Changes to other comprehensive income	(544)	131
Under-provision of deferred taxation in prior periods	–	(245)
Closing balance	(598 555)	(566 384)
The balance comprises the following items:		
Capital allowances	(32 110)	(32 807)
Biological assets	(591 534)	(579 369)
Provisions	18 520	22 134
Estimated tax loss	7 113	23 658
Defined benefit plan reserve	(544)	–
Closing balance	(598 555)	(566 384)

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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 such benefits. The assumptions used are consistent with those adopted by the actuaries in determining pension costs and, in addition, include long-term estimates of the increases in medical costs and appropriate discount rates. An actuarial valuation was carried out at year-end.

	2015 R'000	2014 R'000
Present value of defined benefit obligation		
Opening balance	(24 313)	(23 073)
Service cost	(29)	(37)
Interest cost	(2 188)	(1 915)
Remeasurements	1 944	(928)
Benefits paid to members	1 757	1 640
Closing balance	(22 829)	(24 313)

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

Sensitivity analysis

Assumed healthcare cost trend rates have a significant effect on the amount recognised in profit and loss. A 1% change in the medical inflation rate would have the following effects:

	2015 R'000	2014 R'000
100 basis points increase: Aggregate of the service and interest cost	86	34
100 basis points increase: Defined benefit obligation	2 163	2 410
100 basis points increase: Annual subsidy	561	–
Contributions towards defined benefit plan		
Contributions paid	1 719	1 696

	2015	2014
Key assumptions used		
Active members	21	23
Retired members	36	39
Total members	57	62
Average expected remaining working lifetime (years)	4,74	5,28
Discount rate (estimated corporate bond yield) (%)	9,10	9,00
Medical contribution inflation rate (%)	7,10	7,00

11. RETIREMENT BENEFITS continued

Defined contribution plan: Retirement fund

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

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

	2015	2014
Hospitality and General Provident Fund	637	711
York Timbers Provident Fund	1 588	1 476
Iliad Provident Fund	–	31
Alexander Forbes Provident Fund	322	248

Defined contribution plan: Pension fund

The Group has one pension fund.

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

	2015	2014
Alexander Forbes Pension Fund	27	21

Defined contribution plan: Medical aid fund

The Group facilitates contributions to a defined medical aid scheme for the benefit of its permanent employees and their dependants. In terms of the Group's policy there is no post-retirement medical aid obligation for current or retired employees, other than the closed group referred to above. The Group is under no obligation to cover any unfunded benefits.

Contributions towards defined contribution funds:

	2015 R'000	2014 R'000
ROL Provident Fund	–	6 919
Hospitality and General Provident Fund	4 008	4 119
York Timbers Provident Fund	12 052	11 959
Iliad Provident Fund	–	743
Alexander Forbes Provident Fund	10 532	1 444
ROL Pension Fund	–	204
Liberty Pension Fund	–	479
Alexander Forbes Pension Fund	914	134
Total	27 506	26 001

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12. INVENTORIES

	2015 R'000	2014 R'000
Raw materials	35 353	37 082
Work in progress	61 834	65 312
Timber products	119 368	101 793
Consumables	44 080	34 799
	260 635	238 986
Inventory write-downs	(2 303)	(4 954)
Total inventory	258 332	234 032
From 18 December 2014 to 31 March 2015 inventory was pledged as security for a temporary increase in general banking facilities with Rand Merchant Bank.		
Finished goods at net realisable value		
Finished goods carried at net realisable value	20 496	27 882

13. TRADE AND OTHER RECEIVABLES

Trade receivables (net of impairment)	196 854	157 909
Prepayments	1 714	4 992
Deposits	1 209	1 150
Value added tax receivable	7 015	6 062
Loans to employees and managers	756	717
Foreign exchange contract	221	–
Other receivables	3 159	1 063
Total	210 928	171 893

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 60 days past due are not considered to be impaired.

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

Ageing of trade receivables (net of impairment):

	2015 R'000	2014 R'000
Current	147 840	118 960
30 days	36 042	31 333
60 days and over	12 972	7 616
Total	196 854	157 909

13. TRADE AND OTHER RECEIVABLES continued

	2015 R'000	2014 R'000
Reconciliation of allowance for impairment of trade and other receivables		
Opening balance	9 818	16 684
Increase in allowance for impairment	–	1 497
Amounts written off as uncollectable	(2 233)	(8 363)
Closing balance	7 585	9 818

All other receivables are neither past due nor impaired.

Pledged as security

Trade receivables have been ceded to FirstRand Bank Limited as security for the banking facilities made available to the Group (refer note 14).

Trade and other receivables are classified as loans and receivables.

14. CASH AND CASH EQUIVALENTS

	2015 R'000	2014 R'000
Cash and cash equivalents consist of:		
Cash on hand	117	75
Bank balances	78 951	77 511
Short-term deposits	113 000	32 878
Closing balance	192 068	110 464
The banking facility granted by FirstRand Bank Limited is secured by a cession of trade receivables and CGIC insurance (refer note 13) and cross-suretyships of R5 million within the Group. The general banking facility is available to all companies across the Group.		
Total general banking facility	70 000	70 000
Guarantees	15 000	15 000
Letters of credit	20 000	–
Guarantees to Eskom Holdings Limited	2 246	3 184

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15. SHARE CAPITAL

	2015 R'000	2014 R'000
Authorised		
600 000 000 (2014: 600 000 000) ordinary shares of R0,05 each	30 000	30 000
Reconciliation of number of shares issued		
Opening balance	331 240 597	331 240 597
Shares purchased by subsidiary	(3 696 718)	–
	327 543 879	331 240 597

The Group repurchased shares in the open market at R2,69 weighted average cost per share in order to benefit from the discount between the share price and the tangible net asset value per share.

All unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting. Shareholder approval for repurchases of shares was obtained.

	2015 R'000	2014 R'000
Issued		
327 543 879 (2014: 331 240 597) ordinary shares of R0,05 each	16 377	16 562
Share premium	1 495 561	1 505 352
Total	1 511 938	1 521 914

16. SHARE-BASED PAYMENTS

The Group offers its key employees an employee share appreciation rights scheme. This long-term incentive (LTI) will be achieved through certain employees being afforded the right to receive a cash payment after the vesting period. This cash payment will be based on the appreciation in the value of the shares over a five-year period.

During the first portion of its life (the vesting period), the option cannot be exercised and is forfeited should the employee leave the employment of York Timbers Proprietary Limited. After the vesting date, the employees have the option to exercise their rights in three equal tranches at the end of years 3, 4 and 5 respectively. The option expires at the end of year 6.

The payout that a beneficiary of the share appreciation right scheme will receive is the difference between the spot price on the exercise date and the 30 day volume weighted average price on grant date.

The scheme is treated as a cash-settled scheme for the Group. Cash-settled schemes are valued at the reporting date in terms of IFRS 2 Share-Based Payments. Any changes in the cash-settled liability are recognised as part of employee costs.

16. SHARE-BASED PAYMENTS continued

	2015 thousands	2014 thousands
Reconciliation of the movement in share appreciation rights (number of shares)		
Opening balance	31 267	33 491
Rights conditionally awarded	6 300	600
Rights exercised	–	(2 824)
Closing balance	37 567	31 267

Six allotments of these appreciation rights were made, the first was on 17 November 2009 (LTI-1), the second on 1 July 2010 (LTI-2), the third on 1 July 2011 (LTI-3), the fourth on 1 July 2012 (LTI-4), the fifth on 1 June 2014 (LTI-5) and the sixth on 11 March 2015 (LTI-6). A notice of allocation was sent to beneficiaries. The transaction constitutes a call option with a term of six years from the grant date in the hands of the employees.

	LTI-1	LTI-2	LTI-3	LTI-4	LTI-5	LTI-6
Details of allotments are as follows:						
Grant date	17 Nov 2009	1 Jul 2010	1 Jul 2011	1 Jul 2012	1 Jun 2014	11 Mar 2015
Outstanding at year-end – share appreciation rights	3 685 856	3 360 319	21 137 726	2 482 865	600 000	6 300 000
Weighted exercise price	R2,74	R3,19	R3,64	R3,83	R3,60	R2,59
Vesting portion in three equal tranches annually commencing on	17 Nov 2012	1 Jul 2013	1 Jul 2014	1 Jul 2015	1 Jun 2017	11 Mar 2018
Maturity/expiry date	17 Nov 2015	1 Jul 2016	1 Jul 2017	1 Jul 2018	1 Jun 2020	11 Mar 2021
Outstanding appreciation rights (Rand) have the following exercise date profile						
Within one year	1 143	1 243	–	–	–	–
One to five years	–	–	10 258	1 342	186	752

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16. SHARE-BASED PAYMENTS continued

Fair value was determined using the Black-Scholes model. The following inputs were used:

	2015	2014
Key assumptions used		
Closing share price of York Timber Holdings Limited at year-end	R2,70	R3,50
Expected forfeitures per annum (%)	0	0
Expected exercise date	Variable	Variable
Expected volatility (%)	30 – 35	30 – 35
Dividend yield (%)	0	0
Bootstrapped zero coupon perfect fit swap curve (%)	5,29 – 7,69	5,29 – 7,73

Expected volatility was calculated using the equally weighted standard approach, by making use of the available historical share price data, for a period equal to the term to maturity of the scheme. Smoothing of the share price volatility was done to exclude the effects of the rights issues made by York Timber Holdings Limited on the volatility.

The risk-free interest rate was sourced from the Bond Exchange of South Africa. The bootstrapped zero coupon perfect fit swap curve as at year-end was used.

	2015 R'000	2014 R'000
The movement in valuation recognised as part of employee cost	(11 224)	3 300
Carrying amount of the liability arising from the share appreciation rights	14 924	26 148
Non-current liabilities	12 538	12 363
Current liabilities	2 386	13 785
Total cash-settled share-based payment liability	14 924	26 148

17. LOANS AND BORROWINGS

	2015 R'000	2014 R'000
Held at amortised cost		
Land Bank term loan	523 781	553 006
Land Bank Plywood Expansion Project loan	183 905	–
Mondi Timbers (Wood Products) Proprietary Limited	5 774	–
Loan raising fee	(2 068)	(2 075)
Instalment sale agreements	31 968	11 643
Finance lease obligation	–	42
	743 360	562 616
Non-current liabilities		
At amortised cost	678 150	528 459
Current liabilities		
At amortised cost	65 210	34 157
Total loans and borrowings	743 360	562 616

Land Bank term loan

This loan bears interest at an interest rate of 10,25% (2014: 10%) (prime plus 1%) per annum and is payable monthly in arrears over 10 years, of which seven are remaining.

Land Bank Plywood Expansion Project loan

This loan bears interest at an interest rate of 10,25% (prime plus 1%) 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 seven are remaining.

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

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 land holding of 58 050 hectares as recorded in note 5.
- Cession of insurance policy.
- Subordination of the shareholder's loan from York Timber Holdings Limited. The facility is held in York Timbers Proprietary Limited.
- 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.

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17. LOANS AND BORROWINGS continued

Mondi Timbers

The loan is repayable in three instalments of R3,3 million on 31 May, where two payments are remaining. The loan is not interest-bearing and has been recognised at its discounted value.

Loan raising fees

The Land Bank loan raising fee is amortised over the period of the loan using the effective interest rate method. The amortised amount is included in finance expenses (refer note 26).

	2015 R'000	2014 R'000
Instalment sale agreement obligation		
– within one year	9 924	5 570
– in second to fifth year inclusive	28 386	7 909
Total	38 310	13 479
Less: Future finance charges	(6 343)	(1 836)
Present value of minimum lease payments	31 967	11 643

These liabilities consist of 33 (2014: 21) instalment sale agreements, payable over a period of five years at an effective interest rate of 8,75% – 9,25% (2014: 8,5% – 9,1%) per annum. These liabilities are secured by plant and equipment and motor vehicles with a carrying value of R25,2 million (2014: R8,4 million). Refer note 5. These instalment sale agreements have no escalation clause. Repayments are based on the outstanding debt at the prevailing interest rate.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 5.

	2015 R'000	2014 R'000
Finance lease obligation		
– within one year	–	41
Total	–	41
Present value of minimum lease payments	–	41

This liability with WesBank was repaid during the year (2014: two months) at an effective interest rate of 9,25% (2014: 9%) per annum. This liability was secured by plant and equipment with a carrying value of R0,16 million in 2014. Refer note 5.

18. PROVISIONS

	Opening balance R'000	Reassessment of provision R'000	Total R'000
Reconciliation of provisions – 2015			
Environmental liability	11 671	700	12 371
Reconciliation of provisions – 2014			
Environmental liability	18 927	(7 256)	11 671

Environmental liability

This amount arose from a business combination during the 2007 financial year. It comprised contingent amounts assessed at the date of the transaction. At each financial period-end this amount is reassessed. The expected timing of the outflow of economic benefits is estimated to be during the next two to five years.

The reassessment in the current year relates to an inflation adjustment only.

19. 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. The responsibility of the Executive Committee is to assess performance and to make resource allocation decisions related to the individual operations of the Group. The Executive Committee is the CODM, as the committee is the highest level of management that performs these functions. The segment financial information provided to and used by the CODM forms the basis of the segment information disclosure in these financial statements.

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:** Five sawmills located in close proximity to Sabie, Graskop, White River, Warburton and Lothair produce and sell a broad range of structural and industrial sawn timber products; and
 - **Plywood:** A plywood plant in Sabie, which manufactures and sells plywood timber products.
- **Forestry:** The Group owns plantations in the Mpumalanga Province on which it grows pine and eucalyptus trees that are cultivated and managed on a rotational basis. The segment sells its products to its processing segment and to external customers.
- **Wholesale:** A warehouse located in Pretoria and two value adding and distribution centres, one in Germiston and the other in Cape Town, sell timber-related products from the sawmills and the plywood plant.

The Group operates in one geographic segment, namely countries within the Southern Africa Development Community (SADC). Refer to the section on credit risk in note 36 for disclosure on major customers.

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19. OPERATING SEGMENTS continued

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

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

The segment assets and liabilities are not separately disclosed as this information is not presented to the CODM.

Transactions between segments are done at arm's length.

The segment information presented to the committee for the reportable segments for the year ended 30 June 2015:

	Processing plants R'000	Wholesale R'000	Forestry R'000	Total R'000
2015				
Revenue: external sales	1 079 157	400 399	62 833	1 542 389
Revenue: inter-segment sales	206 763	–	603 115	809 878
	1 285 920	400 399	665 948	2 352 267
Depreciation, amortisation and impairments	(44 402)	(1 424)	(6 005)	(51 831)
Reportable segment profit*	97 026	4 065	93 131	194 222
Material non-cash items:				
Fair value adjustment to biological assets	–	–	42 452	42 452
Capital expenditure	182 542	407	10 850	193 799
2014				
Revenue: external sales	996 886	278 568	47 822	1 323 276
Revenue: inter-segment sales	177 133	–	572 946	750 079
	1 174 019	278 568	620 768	2 073 355
Depreciation, amortisation and impairments	(31 761)	(1 154)	(3 693)	(36 608)
Reportable segment profit*	54 331	(5 289)	118 478	167 520
Material non-cash items:				
Fair value adjustment to biological assets	–	–	(1 984)	(1 984)
Capital expenditure	52 872	3 482	7 993	64 347

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

19. OPERATING SEGMENTS continued

Reconciliation of reportable segment revenue and profit

	2015 R'000	2014 R'000
Revenue		
Total revenue for reportable segments	2 352 267	2 073 355
Other revenue	760	700
Elimination of inter-segment revenue	(809 878)	(750 079)
Consolidated revenue	1 543 149	1 323 976
Profit		
Total EBITDA for reportable segments	194 222	167 520
Depreciation, amortisation and impairment	(51 831)	(36 608)
Unallocated amounts	1 630	(14 101)
Operating profit	144 021	116 811

Refer to note 36, where sales to the three largest customers are disclosed.

20. TRADE AND OTHER PAYABLES

	2015 R'000	2014 R'000
Trade payables	180 417	134 202
Value added taxation payable	10 418	8 650
Other payables and accruals	57 965	47 727
Accrued leave pay	–	728
Accrued bonus	–	513
Other accrued expenses	240	88
Deposits received	735	620
Foreign exchange contract	–	215
Total	249 775	192 743

21. REVENUE

Sale of goods	1 535 081	1 317 968
Rendering of services	6 655	5 128
Rental income	760	700
Other revenue	653	180
Total	1 543 149	1 323 976

22. OTHER INCOME

Profit and loss on sale of assets	946	853
Profit and loss on exchange differences	2 755	24
Rental income	2 298	2 315
Discount received	2 176	2 567
Recoveries	170	3 058
Sundry income	15 955	3 629
Scrap sales	3 234	1 469
Other income	2 084	3 300
	29 618	17 215

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23. OPERATING PROFIT

	2015 R'000	2014 R'000
Operating profit for the year is stated after:		
Operating lease charges		
Premises	6 746	5 969
Equipment	1 202	1 379
Total	7 948	7 348
(Profit)/loss on sale of property, plant and equipment	(373)	183
Profit on sale of other financial assets	(50)	(742)
Impairment of property, plant and equipment	–	318
Reversal of impairment of trade and other receivables	–	(6 866)
(Gain)/loss on exchange differences	(2 657)	306
Amortisation of intangible assets	1 104	924
Depreciation of property, plant and equipment	54 264	38 206
Employee cost (including share-based payments)	304 102	309 984
Research and development	879	205
Distribution and selling expense	114 562	108 884
Share-based payment (reversal)/expenses	(11 224)	2 701
Directors' emoluments	8 168	13 178

24. INVESTMENT INCOME

Dividend revenue		
Listed financial assets – local	–	34
Interest revenue		
Bank deposits	1 491	4 252
Other interest	2 094	1 534
	3 585	5 786
Total	3 585	5 820

All interest was generated from the loans and receivables class of financial assets.

25. FAIR VALUE ADJUSTMENTS

Investment property	(30)	(100)
Biological assets	42 452	(1 984)
Total	42 422	(2 084)

26. FINANCE COSTS

Trade and other payables	10	3
Interest on loans and borrowings held at amortised cost	57 477	56 124
Loan raising fee – amortised	417	282
Other interest paid	481	31
Total	58 385	56 440

27. TAXATION

	2015 R'000	2014 R'000
Major components of the tax expense		
Current		
Local income tax: current year	4 793	–
Deferred		
Deferred tax: current year	31 626	16 097
Total	36 419	16 097

	2015 Percentage	2014 Percentage
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate:		
Applicable tax rate	28,00	28,00
Disallowable expenditure	0,27	2,41
Non-taxable income	(0,66)	(0,55)
Inter-group eliminations	(1,30)	(6,49)
Temporary differences – correction in current year	–	0,37
Capital gains tax	0,10	0,25
	26,41	23,99

	2015 R'000	2014 R'000
Taxation related to components of other comprehensive income		
Available-for-sale financial asset adjustments	–	111
Remeasurements of defined benefit liability	(544)	260
Total	(544)	371

28. AUDITOR'S REMUNERATION

Audit fees	3 663	3 031
Other services	379	67
Total	4 042	3 098

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29. CASH GENERATED FROM OPERATIONS

	2015 R'000	2014 R'000
Profit before taxation	137 887	67 091
Adjustments for:		
Depreciation and amortisation	55 368	39 130
Profit on sale of assets	(423)	(559)
Bargain purchase	(6 244)	(2 984)
Dividends received	–	(34)
Interest received – investment	(3 585)	(5 786)
Finance costs	58 385	56 440
Fair value adjustments	(42 422)	2 084
Impairments/(reversal of impairments)	–	318
Increase in operating lease liability	182	194
Increase in retirement benefit liabilities	460	313
Movements in provisions	700	(7 256)
Share-based payment expense	(11 224)	2 701
Changes in working capital:		
Inventories	(24 300)	(19 796)
Trade and other receivables	(39 033)	3 133
Trade and other payables	56 823	16 472
	182 574	151 461
30. TAX PAID		
Balance at beginning of year	(2)	(2)
Current tax for the year recognised in profit or loss	(4 793)	–
Balance at end of year	(2 398)	2
Total	(7 193)	–

31. BUSINESS COMBINATIONS

	2015 R'000	2014 R'000
Aggregated business combinations		
Property, plant and equipment	16 451	6 661
Deferred tax	(6)	–
Inventories	–	(21 282)
Loans to directors, managers and employees	(1 505)	–
Current tax receivable	7	–
Trade and other receivables	28	17 720
Cash and cash equivalents	564	–
Trade and other payables	(235)	(8 451)
Total identifiable net assets	15 304	37 212
Bargain purchase on acquisition	(6 244)	(2 984)
	9 060	34 228
Consideration paid		
Cash	(3 333)	(34 228)
Asset – deferred payments (fair value)	(5 727)	–
	(9 060)	(34 228)
Net cash outflow on acquisition		
Cash consideration paid	(9 060)	(34 228)
Cash acquired	564	–
	(8 496)	(34 228)

Iliad Africa Limited Timber Wholesale

During the previous year, defined tangible operating assets and defined liabilities of two divisions of Iliad Africa Limited Timber Wholesale were purchased. These businesses comprised Germiston-based Thorpe Timbers, a manufacturer and wholesale distributor of timber, as well as Cape Town-based Timber Preservation Services that operates a timber value adding, treating and wholesale distribution business.

The bargain purchase is the result of the recognition of assets at fair value exceeding the consideration paid. These assets were valued at market prices for similar assets. Revenue since acquisition amounted to R163,3 million and a loss before taxation of R10,5 million was incurred.

Acquisition of Mbulwa Lodge Proprietary Limited

York Timbers Proprietary Limited entered into a Joint Arrangement on 1 June 2015, to acquire 50% of Mbulwa Lodge Proprietary Limited. Mbulwa Lodge is located on Portion 2 of Farm Olifantsgeraamte No. 198, Mpumalanga. The Joint Arrangement was acquired for the purpose of gaining access to firefighting, conferencing and accommodation facilities. The fair value of the assets acquired exceeded the consideration paid.

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

for the year ended 30 June 2015

32. COMMITMENTS

	2015 R'000	2014 R'000
Authorised capital expenditure		
Already contracted, but not provided for		
Property, plant and equipment	124 034	5 068
Not yet contracted		
Property, plant and equipment	8 097	290 160

This committed expenditure relates to plant and equipment and 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.

33. RELATED PARTIES

Relationships

<i>Subsidiaries</i>	York Timbers Proprietary Limited
	Agentimber Proprietary Limited
	Inland Realty Proprietary Limited*
	Beth Warehouse Proprietary Limited*
	Longbogen Proprietary Limited
	Pretoria Amalgamated Transport Proprietary Limited
	Sonrach Properties Proprietary Limited
	Bonheur 50 Investments Proprietary Limited**
	Global Forest Products Proprietary Limited*
	Global Sawmills Proprietary Limited
	Madiba Forest Products Proprietary Limited
	Madiba Timbers Proprietary Limited
	South African Plywood Proprietary Limited*
	York Timbers Chile Limitada
	Partner in Joint Mondi Timbers (Wood Products) Proprietary Limited operation

Joint operation Mbulwa Lodge Proprietary Limited Directors

Directors Refer to note 34

All of the companies are incorporated and domiciled in the Republic of South Africa, except for York Timbers Chile Limitada which is incorporated and domiciled in Chile. The holding in and voting power of York Timber Holdings Limited in all subsidiaries is 100%, except in Bonheur 50 Investments Proprietary Limited, where it is 70%.

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

** Non-controlling interest in the subsidiary amounts to 30% (equivalent to an amount of R30). Non-controlling interest is not disclosed in the Group's consolidated financial statements as this amount is less than R1 000.

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

33. RELATED PARTIES continued

	2015 R'000	2014 R'000
Related party transactions		
Purchases from/(sales to) related parties		
Agentimber Proprietary Limited	(206 763)	(177 133)
York Timber Proprietary Limited	206 763	177 133
Rent paid to/(received from) related parties		
Sonrach Properties Proprietary Limited	1 439	1 357
Agentimber Proprietary Limited	(1 439)	(1 357)
Administration fees paid to/(received from) related parties		
Agentimber Proprietary Limited	(4 958)	(3 778)
York Timbers Proprietary Limited	4 958	3 778
Recoveries paid to/(received from) related parties		
York Timber Holdings Limited	6 124	4 063
York Timbers Proprietary Limited	(6 124)	(4 063)

34. DIRECTORS' EMOLUMENTS

	Basic salary R'000	Other cash benefits R'000	Bonus R'000	Total R'000
Payments to executive directors				
2015				
Pieter van Buuren	2 100	–	212	2 312
Pieter van Zyl	4 941	–	3 500	8 441
Total	7 041	–	3 712	10 753
2014				
Pieter van Buuren (Appointed 1 October 2013)	1 196	229	–	1 425
Pieter van Zyl*	8 272	802	–	9 074
Total	9 468	1 031	–	10 499

* A once-off payment was included to correct prior year salaries versus industry benchmark.

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

34. DIRECTORS' EMOLUMENTS continued

Share appreciation right (Rand) awards granted to the executive directors

	Type of award	Awards held at the beginning of the year	Awards granted/ (exercised/ forfeited)	Awards held at the end of the year	Strike price	Total value provided at the end of the year
2015						
Pieter van Zyl	1	3 226	–	3 226	2,74	1 000
	2	3 113	–	3 113	3,19	1 152
	3	19 200	–	19 200	3,64	9 317
Pieter van Buuren	5	600	–	600	3,60	186
	6	–	600	600	2,59	72
Total		26 139	600	26 739		11 727

	Type of award	Awards held at the beginning of the year	Awards granted during the year	Awards held at the end of the year	Strike price	Total value provided at the end of the year
2014						
Pieter van Zyl	1	3 226	–	3 226	2,74	3 930
	2	3 113	–	3 113	3,19	3 255
	3	19 200	–	19 200	3,64	16 692
Pieter van Buuren	5	–	600	600	3,60	17
(Appointed 1 October 2013)						
Total		25 539	600	26 139		23 894

Six allotments of these appreciation rights were made, the first on 17 November 2009 (LTI-1), the second on 1 July 2010 (LTI-2), the third on 1 July 2011 (LTI-3), the fourth on 1 July 2012 (LTI-4), the fifth on 1 June 2014 (LTI-5) and the sixth on 11 March 2015 (LTI-6). A notice of allocation was sent to beneficiaries. The transaction constitutes a call option with a term of six years from the grant date in the hands of the employees.

	2015 R'000	2014 R'000
Payments to non-executive directors		
Dr Jim Myers	652	665
Dr Azar Jammine	305	330
Shakeel Meer*	225	218
Paul Botha*	305	356
Dinga Mncube	305	348
Thabo Mokgatha	258	315
Gavin Tipper	340	447
	2 390	2 679

* Directors' fees paid to these non-executive directors were paid to the companies represented by them.

35. PRIOR PERIOD RECLASSIFICATIONS

During the year it was established that depreciation and utility expenses previously classified as part of selling, general and administration expenses should be reclassified to cost of sales as these expenses are directly linked to the manufacturing of timber-related products. The consolidated amount of the adjustment amounted to R66 830 (2014: R54 013). The directors have not presented a third column in the statement of financial position as this reclassification is limited to the statement of profit or loss and other comprehensive income.

The reclassification result is as follows:

	2015 R'000	2014 R'000
Statement of profit or loss and other comprehensive income		
Cost of sales	–	54 013
Selling, general and administration expense	–	(54 013)
Impact on operating profit	–	–
Impact on profit after tax	–	–

36. RISK MANAGEMENT

Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 8 and 17, cash and cash equivalents disclosed in note 14 and equity, as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing percentage.

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

The gearing percentages at 30 June 2015 and 2014, respectively, were as follows:

	Note	2015 R'000	2014 R'000
Total borrowings			
Loans to/(from) Group companies	8	1 505	–
Loans and borrowings	17	743 360	562 616
		744 865	562 616
Less: Cash and cash equivalents	14	192 068	110 464
Net debt		552 797	452 152
Total equity		2 419 994	2 327 102
Total capital		2 972 791	2 779 254
Gearing percentage (%)		19	16

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

36. 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 these financial risks. Furthermore, quantitative disclosures are included throughout these annual financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's executives are responsible for developing and monitoring the Group's risk management policies. The Group's executives report regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group has a Risk and Innovation Committee which oversees how management monitors compliance with the Group's risk management policies and procedures and to review the adequacy of the risk management framework in relation to the risks faced by the Group. This function was previously performed by the Audit Committee. The Risk and Innovation Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and *ad hoc* reviews of risk management controls and procedures.

The Group monitors its forecast financial position on a regular basis. The Group's 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 members also receive reports from independent consultants and receive presentations from advisers 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 members.

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

36. RISK MANAGEMENT continued

Liquidity risk continued

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate level of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines. Refer to note 14.

The Group's liquidity risk is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings, based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year R'000	Between one and five years R'000	After five years R'000
At 30 June 2015			
Loans and borrowings	104 113	648 384	317 346
Trade and other payables	239 357	–	–
At 30 June 2014			
Loans and borrowings	88 882	399 319	352 549
Foreign exchange contract	215	–	–
Trade and other payables	192 528	–	–

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and from investment securities.

Trade receivables comprise a widespread customer base. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 28% (2014: 31%) of the Group's revenue is attributable to sales transactions with three (2014: three) multi-national customers.

	2015 Percentage of revenue	2014 Percentage of revenue
Customer		
A	12	13
B	9	11
C	7	7
	28	31

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

36. RISK MANAGEMENT continued

Credit risk continued

Management has established a centralised receivables department and a credit policy. Under the credit policy, each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available and, in some cases, bank references. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set, based on internal or external ratings in accordance with limits set by the Board.

The utilisation of credit limits is regularly monitored. Customers that fail to meet the Group's benchmark on creditworthiness may transact with the Group only on a pre-payment basis. The Group does not require collateral in respect of trade and other receivables.

Credit guarantee insurance is purchased from Credit Guarantee Insurance Corporation of Africa Limited (CGIC). The total credit limit guaranteed by CGIC is R59 million, with a deductible annual aggregate of R1,5 million and 15% of each claim thereafter.

The Group only had three investments in equity securities, all of which were listed on the JSE Limited.

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

	2015 R'000	2014 R'000
Financial instrument		
Trade and other receivables	203 692	171 893
Other financial assets	41 900	38 464
Cash and cash equivalents	192 068	110 464
Foreign exchange contract	221	–

Market risk

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

Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates.

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

36. RISK MANAGEMENT continued

Interest rate risk continued

The impact on post-tax profit of a 1% shift in the interest rate on liabilities that represent the major interest-bearing positions would be a R4 million increase or decrease.

	2015 R'000	2014 R'000
Variable interest rate		
Loans and borrowings	743 360	562 615

Foreign exchange risk

The Group operates in one geographical segment, namely countries within SADC. All transactions with customers in the SADC countries are denominated in SA Rand and do not expose the Group to currency risks.

Future commitments as well as recognised assets and liabilities that are denominated in a currency that is not the functional currency, expose the Group to currency risks. Most of the Group's purchases are denominated in SA Rand. However, certain engineering machinery and equipment denominated in US Dollar (USD) or Euro (Eur) was purchased during the year. This exposed the subsidiary companies to changes in the foreign exchange rates. To manage this risk, the Group makes use of forward contracts, transacted by the Group treasury. This is done on an *ad hoc* basis, as deemed appropriate or when required by the supplier. A net profit of R2,7 million (2014: R0,3 million loss) was realised. At the reporting date, forward exchange contracts of USD1,1 million and Eur 31 thousand were outstanding. The unrealised profit at year-end was R0,2 million.

All the Group's subsidiaries are local, except for York Timbers Chile Limitada, which is incorporated and domiciled in Chile. The Group has not hedged this investment as this entity does not trade.

The Group's borrowings and cash deposits are all denominated in SA Rand and have no currency risk exposure.

A 100 basis point change in the Rand/US Dollar and Rand/Euro exchange rate will result in a R0,1 million impact on profit or loss for outstanding forward exchange contracts.

Fair value of financial assets and financial liabilities

Loans and receivables, including trade and other receivables, are measured at amortised cost using the effective interest rate method, less any impairment losses. These values do not differ materially from the fair value, which is estimated as the present value of future cash flows discounted at the market rate of interest at reporting date.

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

The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties on an arm's length basis.

Notes to the consolidated annual financial statements

for the year ended 30 June 2015

36. RISK MANAGEMENT continued

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical instruments;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Valuation techniques using significant unobservable inputs (i.e. market data).

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2015		2014	
	Level 1 R'000	Level 2 R'000	Level 1 R'000	Level 2 R'000
Financial instrument				
Other financial assets	–	41 900	–	38 464

During the reporting period, no transfers have been made between the hierarchy levels. No change occurred from the prior reporting period in the valuation techniques applied to financial instruments.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the SA Rand swap zero coupon yield curve of 8,28% (2014: 8,31%), at the reporting date.

37. GOING CONCERN

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

38. EVENTS AFTER THE REPORTING PERIOD

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

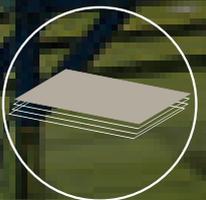
39. EARNINGS PER SHARE

	2015 R'000	2014 R'000
The calculation of basic earnings per share is based on:		
Basic earnings attributed to ordinary shareholders	101 468	50 994
Reconciliation of weighted average number of ordinary shares		
Issued number of shares	327 544	331 241
Weighted average number of ordinary shares	331 032	331 241
Earnings per share (cents)	31	15
Headline earnings per share		
Reconciliation of basic headline earnings per share is based on:		
Basic earnings attributed to ordinary shareholders	101 468	50 994
Profit on sale of assets	(423)	(559)
Tax on profit on sale of assets	119	157
Impairment of plant, equipment and vehicles	–	318
Tax on impairment of plant, equipment and vehicles	–	(89)
Bargain purchase	(6 244)	(2 984)
Fair value adjustment on investment property	30	100
Tax on fair value adjustment on investment property	(6)	(19)
Headline earnings for the year	94 944	47 918
Weighted average number of ordinary shares	331 032	331 241
Headline earnings per share (cents)	29	14

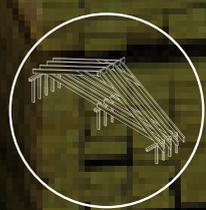
There were no instruments that had a dilutive effect.

York is adaptable to evolving market and working conditions

SHAREHOLDERS' INFORMATION



**OPERATE
IN DIVERSITY
AT OPTIMAL
LEVELS**





YORK TIMBER HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1916/004890/06)
(York or the Company or the Group)
ISIN code: ZAE000133450 | Share code: YRK

Notice is hereby given that an annual general meeting of shareholders of the Company will be held on Wednesday, 4 November 2015 at 09:00 at 2nd Floor, 5 Commerce Square, 39 Rivonia Road (entrance in Helling Road), Sandhurst, Johannesburg to deal with such business as may lawfully be dealt with at the annual general meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (the Companies Act), the memorandum of incorporation (MOI) of the Company and the JSE Limited Listings Requirements (JSE Listings Requirements).

The notice of the Company's annual general meeting has been sent to shareholders who were recorded as such in the Company's securities register on Friday, 2 October 2015, being the notice record date used to determine which shareholders are entitled to receive notice of the annual general meeting.

The record date on which members must be recorded as such in the register maintained by the transfer secretaries of the Company for the purpose of being entitled to attend and vote at the annual general meeting is Friday, 30 October 2015. The last day to trade in order to be entitled to vote at the annual general meeting will, therefore be Friday, 23 October 2015.

Meeting participants (including shareholders and proxies) are required to provide satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

ORDINARY RESOLUTION NUMBER 1

Adoption of the annual financial statements for the year ended 30 June 2015

"Resolved that the annual financial statements of the Company and its subsidiaries, which include the directors' report and Audit Committee report for the year ended 30 June 2015, be and are hereby adopted."

The consolidated audited annual financial statements of the Company (as approved by the Board of Directors of the Company (the Board)), incorporating the reports of the external auditor, Audit Committee and directors for the year ended 30 June 2015, have been distributed as required and will be presented.

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

The complete annual financial statements and integrated annual report are available on the Company's website: www.york.co.za.

ORDINARY RESOLUTION NUMBER 2

Election of directors of the Company

"Resolved that shareholders elect each by way of a separate vote, the following directors who retire by rotation in terms of the Company's MOI, and who, being eligible, have offered themselves for re-election:

- 2.1 Dr Jim Myers
- 2.2 Paul Botha
- 2.3 Dr Azar Jammine

It is further resolved that the shareholders ratify the appointment of the following director:

- 2.4 Maserame Mouyeme."



Brief résumés in respect of each director are contained on pages 28 and 29 of the integrated annual report.

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.



The complete annual financial statements and integrated annual report are available on the Company's website: www.york.co.za.

ORDINARY RESOLUTION NUMBER 3

Re-appointment of external auditor

"Resolved that shareholders authorise the Board to re-appoint KPMG Incorporated, KPMG Forum, Suite 501, The Pinnacle, 1 Parkin Street, Nelspruit, South Africa as the independent external auditor and Jeremy van Niekerk as the individual designated auditor of the Company who will undertake the audit for the ensuing year."

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

ORDINARY RESOLUTION NUMBER 4

Election of Audit Committee members

"Resolved that shareholders elect, each by way of a separate vote, the following non-executive directors as members of the York Audit Committee, with effect from the end of this annual general meeting until the conclusion of the next annual general meeting of the Company:

- 4.1 Gavin Tipper
- 4.2 Dr Azar Jammine
- 4.3 Shakeel Meer
- 4.4 Thabo Mokgatha."



Brief résumés of these directors offering themselves for election as members of the York Audit Committee are enclosed on pages 28 and 29 of the integrated annual report.

The percentage of voting rights that will be required for each of these resolutions to be adopted is more than 50% of the votes exercised on each resolution.

ORDINARY RESOLUTION NUMBER 5

Endorsement of York remuneration policy

"Resolved that shareholders endorse, by way of a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of the non-executive directors and the members of Board committees for their services as directors and members of committees), as set out in the integrated annual report on page 82."



The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

ORDINARY RESOLUTION NUMBER 6

Authority to sign all required documents

"Resolved that, subject to the passing of the ordinary and special resolutions at the annual general meeting, any director of the Company or the Company Secretary shall be and is hereby authorised to sign all documents and perform all acts which may be required to give effect to such ordinary and special resolutions."

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

ORDINARY RESOLUTION NUMBER 7

Adoption of the York Timber Holdings Limited 2015 Share Plan

"Resolved, in accordance with schedule 14 to the JSE Listings Requirements, that the directors be and are hereby authorised to establish the York Timber Holdings Limited 2015 Share Plan."

In terms of the JSE Listings Requirements, the passing of this resolution requires the approval of a 75% majority of the votes cast by shareholders

Notice of annual general meeting

continued

SPECIAL RESOLUTION NUMBER 1

General authority to acquire (repurchase) shares

"Resolved that the Company and its subsidiaries be and are hereby authorised by way of a general authority, to acquire from time to time the issued ordinary shares of the Company upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MOI of the Company, the JSE Listings Requirements and the provisions of the Companies Act, where applicable and provided:

- Any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement with the counterparty;
- This general authority shall be valid until the earlier of the Company's next annual general meeting or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 1;
- An announcement will be published as soon as the Company or any of its subsidiaries have acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue and for each 3% in aggregate of the initial number acquired thereafter, in compliance with paragraph 11.27 of the JSE Listings Requirements;
- Acquisitions of shares in aggregate in any one financial year may not exceed 10% of the Company's ordinary issued share capital, as the case may be, as at the date of passing of this special resolution number 1, provided that the acquisition of shares as treasury shares by a subsidiary of the Company shall not be effected to the extent that in aggregate more than 10% of the number of issued shares in the Company are held by or for the benefit of all the subsidiaries of the Company taken together;

- Ordinary shares will not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares for the five business days immediately preceding the date the transaction is effected. The JSE should be consulted for a ruling if the Company's securities have not traded in such five business day period;
- The Company has been given authority by its MOI;
- At any point in time, the Company and/or its subsidiaries may only appoint one agent to effect any such acquisition;
- A resolution has been passed by the Board confirming that the Board has authorised the general repurchase, that the Company passed the solvency and liquidity test and that since the test was done, there have been no material changes to the financial position of the Group; and
- The Company and/or its subsidiaries do not acquire any shares during a prohibited period, as defined in the JSE Listings Requirements unless a repurchase programme is in place, where dates and quantities of ordinary shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed to the JSE prior to the commencement of the prohibited period."



The JSE Listings Requirements require, in terms of section 11.26, the following disclosures, which appear in the integrated annual report:

- Directors and management on pages 28 to 31
- Major shareholders on page 132
- Directors' interests in securities on page 131
- Share capital of the Company on page 166

Litigation statement

The directors, whose names appear on pages 28 and 29 of the integrated annual report of which this notice of annual general meeting forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or had in the

recent past, being at least the previous 12 months, a material effect on the Group's financial position.

Directors' responsibility statement



The directors, whose names appear on pages 28 and 29 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of the notice of annual general meeting.

Statement of Board's intention

The directors consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which is in the best interests of the Company and its shareholders.

The directors are of the opinion that it would be in the best interests of the Company to extend such general authority and thereby allow the Company or any of its subsidiaries to be in a position to acquire the shares issued by the Company through the order book of the JSE, should the market conditions, tax dispensation and price justify such an action.

The percentage of voting rights that will be required for this resolution to be adopted is at least 75% of the votes exercised on the resolution.

Reason for and effect of special resolution number 1

The reason for and effect of special resolution number 1 is to grant the Company and/or its subsidiaries general approval to acquire the

Company's issued shares on such terms, conditions and such amounts determined from time to time by the directors of the Company and subject to the limitations set out above.

SPECIAL RESOLUTION NUMBER 2

Remuneration of non-executive directors

"Resolved that the Board and committee fees for non-executive directors for the financial year ending 30 June 2016, as set out in the note below, be and are hereby authorised, in accordance with section 66 (8) – (9) of the Companies Act and that the Company may continue to pay directors' fees at the annual rates specified in the note below, for the period from 30 June 2015 until the Company's 2016 annual general meeting."

Function	Annual fee (paid six-monthly in arrears) R '000
Chairman of the Board	701
Non-executive directors	169
Chairman of the Audit Committee	111
Member of the Audit Committee	58
Chairman of the Remuneration Committee	111
Chairman of the Nomination Committee	58
Member of the Remuneration and Nomination Committee	58
Chairman of the Risk and Innovation Committee	111
Member of the Risk and Innovation Committee	58
Chairman of the Social and Ethics Committee	111
Member of the Social and Ethics Committee	58

The percentage of voting rights that will be required for this resolution to be adopted is at least 75% of the votes exercised on the resolution.

Notice of annual general meeting

continued

Reason for and effect of special resolution number 2

The Companies Act requires shareholder approval of directors' fees prior to payment of such fees.

SPECIAL RESOLUTION NUMBER 3 Financial assistance in terms of sections 44 and 45 of the Companies Act

"Resolved that the Board of the Company be and is hereby authorised, subject to sections 44 and 45 of the Companies Act, the MOI of the Company and the JSE Listings Requirements, to authorise the Company to provide direct or indirect financial assistance, to a related or inter-related company or corporation, provided that no such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this special resolution number 3."

The percentage of voting rights that will be required for this resolution to be adopted is at least 75% of the votes exercised on the resolution.

Reason for and effect of special resolution number 3

The reason for and effect of the special resolution referred to above, is to permit the Company to provide direct or indirect financial assistance to the entities referred to above.

This notice constitutes notice in terms of section 45(5) of the Companies Act that the Board has passed the same resolution, which resolution will take effect on the passing of special resolution number 3 set out above.

VOTING INSTRUCTIONS

In terms of the Companies Act, any member entitled to attend and vote at the above annual general meeting may appoint one or more persons as proxy, to attend and speak and vote in his stead. A proxy need not be a member of the Company. Forms of proxy must be deposited at the office of the transfer

secretaries not later than 48 hours before the time fixed for the annual general meeting (excluding Saturdays, Sundays and public holidays).

If your York shares have been dematerialised and are held in a nominee account, then your Central Securities Depository Participant (CSDP) or broker, as the case may be, should contact you to ascertain how you wish to cast your vote at the annual general meeting and thereafter cast your vote in accordance with your instructions.

If you have not been contacted it would be advisable for you to contact your CSDP or broker, as the case may be, and furnish them with your instructions. If your CSDP or broker, as the case may be, does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them, or if the mandate is silent in this regard to abstain from voting.

Dematerialised shareholders whose shares are held in a nominee account must not complete the attached form of proxy. Unless you advise your CSDP or broker timeously in terms of the agreement between yourself and your CSDP or broker by the cut-off time advised by them that you wish to attend the annual general meeting or send a proxy to represent you at the annual general meeting, your CSDP or broker will assume you do not wish to attend the annual general meeting or send a proxy. If you wish to attend the annual general meeting, your CSDP or broker will issue the necessary letter of representation to you to attend the annual general meeting.

Shareholders who have dematerialised their shares through a CSDP or broker, other than "own name" registered dematerialised shareholders, who wish to attend the annual general meeting, must request their CSDP or broker to issue them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker.

SHAREHOLDER RIGHTS

In terms of section 58 of the Companies Act, shareholders have rights to be represented by proxy as herewith stated. An extract of section 58 is included in the form of proxy.

It is requested that forms of proxy should be forwarded to reach the Company's transfer secretaries at the address given below by no later than Monday, 2 November 2015 at 09:00.

TELEPHONIC PARTICIPATION IN THE ANNUAL GENERAL MEETING

In terms of sections 63(2) and 63(3) of the Companies Act, shareholders or their proxies may participate in the annual general meeting by way of telephone conference call and, if they wish to do so:

- must contact the Company Secretary (by email to: shsieh@york.co.za) by no later than Friday, 30 October 2015 at 09:00 in order to obtain a personal identification number (PIN) and dial-in details for that conference call;
- will be required to provide satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the annual general meeting.

PRINTING AND DISTRIBUTION OF REPORT

In line with York's continuous efforts to contain costs, the Company is currently rationalising the printing and postage of various reports. It is proposed that reports and other communications from the Company be, as far as possible, delivered to shareholders by electronic mail (email) or posted on the Company's website with an email alert being sent to shareholders notifying them that the report or communication is available on the Company's website. Accordingly, a form is attached to this notice of annual general meeting whereby shareholders can elect to receive any reports or other communications of notices from the Company by email.

By order of the Board



Sue Hsieh
Company Secretary

28 September 2015

Transfer secretaries

Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107

Explanatory notes to proposed resolutions

ORDINARY RESOLUTION 1: ANNUAL FINANCIAL STATEMENTS

The ordinary business to be considered at the annual general meeting of the Company is more fully governed in terms of the MOI of the Company. In short, the ordinary business at an annual general meeting is to receive and consider the annual financial statements, to declare or sanction dividends (where applicable), to elect directors, auditors and other officers in the place of those retiring by rotation or otherwise and to elect the Audit Committee. No special business shall be transacted at an annual general meeting unless due notice thereof has been given.

ORDINARY RESOLUTION 2: ELECTION OF DIRECTORS

The rotation of directors is more fully governed in terms of paragraphs 5.1.3 and 5.1.4 of the MOI of the Company, which require one-third of the directors to retire from office at the annual general meeting. The retiring directors at each annual general meeting shall be those who have been longest in office since their last election or appointment. If, at the date of the annual general meeting, any director will have held office for a period of three years since his last election or appointment, he shall retire at such annual general meeting, either as one of the directors to retire in pursuance of the foregoing or additionally thereto. A retiring director shall act as a director throughout the annual general meeting at which he retires. The retiring directors shall be eligible for re-election. Dr Jim Myers, Paul Botha and Dr Azar Jammie offer themselves for re-election.

Paragraph 5.1.12 of the Company's MOI provides that:

The appointment of a director, whether to fill a casual vacancy or as an addition to the Board (or otherwise), must be confirmed by shareholders at the annual general meeting following such appointment. Maserame Mouyeme was appointed as independent non-executive director by the Board with effect from 22 May 2015 and her appointment requires ratification by shareholders at the annual general meeting.

ORDINARY RESOLUTION 3: RE-APPOINTMENT OF EXTERNAL AUDITOR

The Audit Committee considered and assessed the independence of the external auditor, KPMG Incorporated, KPMG Forum, Suite 501, The Pinnacle, 1 Parkin Street, Nelspruit, South Africa, in accordance with section 90 of the Companies Act. The Audit Committee was satisfied with KPMG's (Nelspruit) independence. Heinrich Mans will rotate off the audit at the end of the 2015 financial year to comply with mandatory rotation requirements. Jeremy van Niekerk will commence as the audit partner for the Group audit from financial years ending 2016. Furthermore, the Audit Committee has, in terms of paragraph 3.86 of the JSE Listings Requirements, considered and satisfied itself that Jeremy van Niekerk, the individual auditor, is accredited to appear on the JSE List of Accredited Auditors, in compliance with section 22 of the JSE Listings Requirements. The Audit Committee nominated the reappointment of KPMG (Nelspruit) as registered auditor for the 2016 financial year, with Jeremy van Niekerk as the individual designated auditor of the Company for the ensuing year. The Board has accepted the recommendation of the Audit Committee, subject to shareholder approval as required in terms of section 90(1) of the Companies Act.

The auditor will remain the appointed auditor until the conclusion of the next annual general meeting of the Company.

ORDINARY RESOLUTION 4: ELECTION OF AUDIT COMMITTEE MEMBERS

In terms of section 94(2) of the Companies Act, the Company must elect an Audit Committee comprising at least three independent members. Whilst the members of the Audit Committee are nominated by the Board, the election of each member to the committee must be individually approved by the shareholders at each annual general meeting. The proposed members of the Audit Committee have experience in audit, accounting, economics, human resources, commerce and general industry, among others.

The Board confirms that Gavin Tipper, Dr Azar Jammie and Thabo Mokgatla are independent non-executive directors as contemplated in the King Code of Governance Principles 2009 (King III) and the JSE Listings Requirements. Shakeel Meer is an independent non-executive director as contemplated in terms of the Companies Act.

Each proposed member of the Audit Committee of the Company is a suitably qualified and skilled director of the Company. The proposed members of the Audit Committee are not:

- involved in the day-to-day management of the business and have not been so involved at any time during the previous financial year;
- prescribed officers or full-time employees of the Company or another related or inter-related company, or have been such an officer or employee at any time during the previous three financial years;
- material suppliers or customers of the Company; and/or
- related to any person who falls into the criteria set out above.

ORDINARY RESOLUTION 5: ENDORSEMENT OF YORK'S REMUNERATION POLICY

The endorsement of York's remuneration policy is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the Company's remuneration policy regarding executive directors.

ORDINARY RESOLUTION 6: AUTHORITY TO SIGN ALL REQUIRED DOCUMENTS

This requests authority to be given to a director or the Company Secretary to sign such documents and execute such actions as will be required to register and give effect to the resolutions passed.

ORDINARY RESOLUTION 7: ADOPTION OF THE YORK TIMBER HOLDINGS LIMITED 2015 SHARE PLAN

The purpose of the York Timber Holdings Limited 2015 Share Plan shall be to attract, motivate, reward and retain participants who are able to influence the performance of the Group, on a basis which aligns their interests with those of the Company's shareholders.

The York Timber Holdings Limited 2015 Share Plan will lie open for inspection at the Company's registered office, during normal business hours from 29 September 2015 to 4 November 2015 and is also available on the Company's website (www.york.co.za).

The salient features of The York Timber Holdings Limited 2015 Share Plan is set out below.

The York Timber Holdings Limited 2015 Share Plan – Salient features

Introduction and purpose

York Timber Holdings Limited ("York" or the "Company") proposes to introduce The York Timber Holdings Limited Share Plan ("Share Plan") for purposes of enriching the reward and performance characteristics of the current cash-settled share appreciation rights scheme, and thus better attract, retain, motivate and reward executives, managers and key employees who are able to influence the performance of the Company and its subsidiaries (the "Group") (collectively, the "Participants") on a basis which aligns their interests with those of the Company's shareholders.

On an annual basis, in terms of the Share Plan, the Board of Directors of York (the "Board") may, at the direction of the Remuneration Committee, resolve to:

- award a Participant "**Performance Shares**" ("**Award**"), the vesting of which shall be no earlier than the 3rd anniversary from the date on which the Award was made ("**Award Date**") and to the extent that the Group has met specified performance criteria over the intervening three year period as set at the Award Date;
- grant a Participant "**Restricted Shares**" ("**Grant**"), the vesting of which shall be no earlier than the

Explanatory notes to proposed resolutions

continued

3rd anniversary from the date on which the Grant was made ("**Grant Date**") and to the extent that the Participant has met specified performance criteria over the intervening three year period as set at the Grant Date.

It is firmly believed that the combining of the two elements, namely the Group's performance and the Participant's performance, will serve to reward the required attributes of shareholder alignment, retention of key talent and long-term, sustained performance, as well as share price growth.

Salient features of the Share Plan are detailed below:

Participants

Persons eligible to participate in the Share Plan will include executive directors, senior managers and/or key employees of any member company of the Group that is the employer of a particular Participant ("**Employer Company**"), including any present or future executive director holding salaried employment or office, which executive director, senior manager and/or employee shall be selected by the Board from time to time in its sole and absolute discretion, but excluding any non-executive director.

It is envisaged that an Award will be made to executive directors who are able to influence and impact long-term strategic performance of the Group and Grants will be predominantly made to high performing senior managers to assist in their retention.

Basis of Awards or Grants

The Board may, at the direction of its Remuneration Committee, and taking into account the Share Plan methodology and model, resolve to make Awards or Grants to Participants, from time to time, in accordance with an Award or Grant methodology which takes into consideration, *inter alia*, a Participant's current status, his role and current remuneration. The Award or Grant methodology will form part of the Group's remuneration policy.

Rights of Participants

Prior to vesting and settlement of Awards and Grants, the Participants shall have no rights whatsoever in and to the Performance Shares and/or Restricted Shares.

Settlement

The Board shall, prior to the 3rd anniversary of the Award Date and/or Grant Date ("**Vesting Date**"), assess and determine the extent to which the performance criteria imposed by the Board ("**Performance Criteria**"), as set at the Award Date and/or Grant Date, respectively, have been achieved.

The Performance Shares and/or Restricted Shares comprising that portion of an Award and/or Grant, respectively, in respect of which the Performance Criteria having been achieved shall vest on the Vesting Date and the balance, shall be cancelled.

The Share Plan allows for settlement to be made in ordinary shares of no par value in the share capital of York ("**Shares**") or cash. Settlement by way of Shares may be by way of:

- the issue and allotment by York of Shares into the name of the Participant; or
- the acquisition, by an Employer Company, of Shares on the exchange operated by the JSE Limited (the "**JSE**") and the transfer of such Shares to the Participant; or
- the use of the services of a treasury company, script lender or any other external third party to trade and thereby settle on behalf of the Employer Company.

Share Limits

The maximum number of Shares which may be issued and allocated under the Share Plan shall not exceed 9 000 000 Shares ("**Share Plan Limit**"), which represents approximately 3% of the total number of issued Shares as at the date of this notice of annual general meeting ("**Notice Date**"). The maximum number of Shares which may be issued and allotted to any one Participant shall not exceed 3 000 000 Shares ("**Participant Limit**"), which represents approximately 1% of the number of issued shares as at this Notice Date.

Performance Shares and/or Retention Shares may be purchased through the exchange operated by the JSE, in order to satisfy obligations in terms of the Share Plan. In the determination of the number of Shares which may be issued and allotted in settlement of Awards and/or Grants, those Performance Shares and/or Retention Shares purchased through the exchange operated by the JSE shall not be taken into account.

Share Limit Adjustments

If the Company undergoes a change of control, as defined in the Share Plan, after an Award Date or Grant Date, the rights (whether conditional or otherwise) in and to the Performance Shares and/or Restricted Shares of Participants under this Share Plan will, to the extent necessary, be accommodated on a basis which shall be determined by the Board to be fair and reasonable to the Participants.

If the Company undergoes a sub-division or consolidation of Shares, such adjustments shall be made to the Share Plan Limit and if the Company undergoes a capitalisation issue, a special dividend, a rights issue or reduction of capital, such adjustments shall be made to the Participant Limit. Such adjustments should give a Participant entitlement to the same proportion of the equity capital as that to which he/she was previously entitled.

The issue of Shares as consideration for an acquisition, the issue of Shares for cash and the issue of Shares for a vendor consideration placing, will not be regarded as a circumstance that requires any adjustment to the Share Plan Limit or the Participant Limit.

Such adjustments shall be confirmed by the auditors to the Company and to the JSE in writing at the time the adjustment is finalised. These adjustments will be reported on in the Company's annual financial statements in the year during which the adjustment is made.

Performance Shares and/or Retention Shares, which are not subsequently settled to a Participant as a result of the forfeiture thereof, will revert back to the Share Plan.

Consideration

The Participant will pay no consideration for the acceptance of an Award and/or Grant or settlement of the Performance Shares and/or Retention Shares, respectively.

Termination of employment

A Participant who ceases to be employed by an Employer Company on the basis that he is immediately thereafter employed by another Employer Company or thereafter re-employed by such Employer Company pursuant to it being determined that his employment was terminated on a basis which was not

lawful in terms of the Labour Relations Act 66 of 1995 ("**LRA**"), shall be deemed not to have terminated his employment for the purposes of the Share Plan and his rights (whether conditional or otherwise) in and to the Performance Shares and/or Restricted Shares shall be deemed to be unaffected.

If a Participant ceases to be employed by an Employer Company, prior to the Vesting Date, due to death, injury, disability or ill health, dismissal based on Operational Requirements as contemplated in the LRA, retirement; a mutually agreed termination of employment or the Employer Company by which he is employed ceasing to be a member company of the Group, the Participant will:

- on the date of termination of employment, receive a portion of the Performance Shares to which the Participant is entitled, subject to the performance criteria being met, based on the formula set out in the Share Plan; and
- on the date of termination of employment, receive all Retention Shares to which the Participant is entitled, subject to the performance criteria being met.

If a Participant ceases to be employed by an Employer Company, prior to the Vesting Date, due to resignation, misconduct or poor performance, the Participant will forfeit all unvested Performance Shares and/or Retention Shares and such Awards and/or Grants, respectively, will be cancelled on the date of termination of employment.

Insolvency

If the Company is placed in business rescue or liquidation, then the Share Plan shall *ipso facto* lapse as from the date of business rescue or liquidation and any Award and/or Grant which has not yet been settled shall *ipso facto* lapse from that date

Amendment

The Board may amend any of the provisions of the Share Plan subject to the prior approval (if required) of every stock exchange on which the Shares are for the time being listed, provided that no such amendment negatively affecting the rights (whether conditional or otherwise) in and to the Award or Grant of any Participant shall be effected without the prior written consent of the Participant concerned, and provided further that no such amendment affecting

Explanatory notes to proposed resolutions

continued

any of the following matters shall be enforced unless it is approved by ordinary resolution approved by a 75% majority of the votes cast by shareholders present or represented by proxy at a general meeting (excluding all of the votes attached to Shares owned or controlled by existing Participants in the Share Plan):

- the category of Participants;
- the definition of fair market value as defined in the Share Plan;
- the calculation of the Share Plan Limit;
- the calculation of the Participant Limit;
- the voting, dividend, transfer or other rights (including rights on liquidation of the Company) which may attach to any Award and/or Grant;
- the basis for Awards and Grants in terms of the Share Plan;
- the adjustment of Awards and/or Grants in the event of a variation of capital of the Company or as a result of a change in control, as defined in the Share Plan;
- the procedure to be adopted in respect of the vesting of Awards and/or Grants in the event of termination of employment; or
- the provisions in respect of the amendment of the Share Plan.

General

The York Timber Holdings Limited 2015 Share Plan will lie open for inspection at the Company's registered office, during normal business hours from 29 September 2015 to 4 November 2015 and is also available on the Company's website (www.york.co.za).

In terms of the JSE Listings Requirements, the passing of ordinary resolution number 7, for purposes of adopting the Share Plan, requires the approval of a 75% majority of the voting rights exercised on the resolution.

SPECIAL RESOLUTION 1: GENERAL AUTHORITY TO ACQUIRE (REPURCHASE) SHARES

This is to grant the Company and its subsidiaries a general authority to facilitate the acquisition by the Company and/or its subsidiaries of the Company's own shares, which general authority shall be valid until the earlier of the next annual general meeting

of the Company, or the variation or revocation of such general authority by special resolution at any subsequent general meeting of the Company, provided that this general authority shall not extend beyond 15 months from the date of the passing of special resolution number 1. Having considered the current cash flow position of the Company, the Board could contemplate a general repurchase of shares.

SPECIAL RESOLUTION 2: REMUNERATION OF NON-EXECUTIVE DIRECTORS

In terms of section 66(8) – (9) of the Companies Act, remuneration may only be paid to directors, for their service as directors, in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of the Company's MOI.

SPECIAL RESOLUTION 3: FINANCIAL ASSISTANCE IN TERMS OF SECTIONS 44 AND 45 OF THE COMPANIES ACT

This general authority would assist the Company *inter alia* with making inter-company loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. The existence of a general shareholder authority would avoid the need to refer each instance to members for approval, which might impede the negotiations and add time and expense. If approved, this general authority will expire at the end of two years.

The Board must, when considering such assistance, either for the specific recipient or generally for a category, ensure that:

- the Company will satisfy the solvency and liquidity test immediately after providing the financial assistance; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

Form of proxy



YORK TIMBER HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1916/004890/06)

(York or the Company)

ISIN code: ZAE000133450 | Share code: YRK

Form of proxy for the annual general meeting to be held on Wednesday, 4 November 2015 at 09:00 at 2nd Floor, 5 Commerce Square, 39 Rivonia Road (entrance in Helling Road), Sandhurst, Johannesburg – for use by certificated ordinary shareholders and dematerialised ordinary shareholders with “own name” registration only.

Holders of dematerialised ordinary shares other than “own name” registration must inform their Central Securities Depository Participant (CSDP) or broker of their intention to attend the annual general meeting and request their CSDP to issue them with the necessary authorisation to attend the annual general meeting in person or provide their CSDP of broker with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented thereat.

I/We _____
(Please print)

Of (address) _____

Being the registered holder(s) of _____ ordinary shares in the capital of the Company do hereby appoint

1. _____ or failing him/her,

2. _____ or failing him/her,

the Chairman of the annual general meeting as my/our proxy to act on my/our behalf at the annual general meeting of the Company which will be held on Wednesday, 4 November 2015 at 09:00 for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions:

		For	Against	Abstain
1.	Ordinary resolution number 1: Adoption of the annual financial statements			
2.	Ordinary resolution number 2: (by separate resolutions) Re-election of directors who retire by rotation:			
2.1	Dr Jim Myers			
2.2	Paul Botha			
2.3	Dr Azar Jammie			
	To ratify the appointment of the following director who was appointed by the Board as independent non-executive director of the Company with effect from 22 May 2015:			
2.4	Maserame Mouyeme			

Form of proxy

continued

	For	Against	Abstain
3. Ordinary resolution number 3: Re-appointment of external auditor			
4. Ordinary resolution number 4: Election of Audit Committee members:			
4.1 Gavin Tipper			
4.2 Dr Azar Jammine			
4.3 Shakeel Meer			
4.4 Thabo Mokgatla			
5. Ordinary resolution number 5: Endorsement of the York remuneration policy			
6. Ordinary resolution number 6: Authority to sign documents			
7. Ordinary resolution number 7: Adoption of the York Timber Holdings Limited 2015 Share Plan			
8. Special resolution number 1: General authority to acquire (repurchase) shares			
9. Special resolution number 2: Remuneration of non-executive directors			
10. Special resolution number 3: Financial assistance			

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy will be entitled to vote or abstain as he/she deems fit.

Signed at _____ on _____ 2015

Signature _____ Assisted by me (where applicable)

Election form

To receive the documents required to be distributed to shareholders in terms of the Companies Act electronically



YORK TIMBER HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1916/004890/06)
(York or the Company)
ISIN code: ZAE000133450 | Share code: YRK

To: The directors
York Timber Holdings Limited

I/We _____ the undersigned
(Please print)

Of (address) _____

Being the registered holder(s) of _____ ordinary shares in the capital of the Company

do hereby elect to receive any documents or notices from York, by electronic post, to the extent that the Company is permitted to so distribute any notices, documents, records or statements in terms of the Companies Act, 71 of 2008, as amended, and any and every other statute, ordinance, regulation or rule in force from time to time, including the JSE Limited Listings Requirements, concerning companies and affecting York.

I/We hereby furnish the following email address and/or fax number for such electronic communication:

Email address _____

Fax number _____

Any written amendment or withdrawal of any such notice of consent by me/us, shall only take effect if signed by me/us and received by the Company.

Signed at _____ on _____ 2015

Signature _____ Assisted by me (where applicable)

Please complete, detach and return this election form to York's transfer secretaries, Computershare Investor Services Proprietary Limited, by no later than Monday, 2 November 2015 at 09:00 by way of any of the methods listed below:

Delivery: 70 Marshall Street, Johannesburg 2001

Post: PO Box 61051, Marshalltown 2107

Email: ecomms@computershare.co.za

Fax: 011 688 5248

Notes to the form of proxy

1. An ordinary shareholder holding dematerialised shares by "own name" registration, or who holds shares that are not dematerialised, may insert the name of a proxy or the names of up to two alternative proxies of the ordinary shareholder's choice in the space provided, with or without deleting "the Chairman of the annual general meeting". The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Should a proxy not be specified, this will be exercised by the Chairman of the annual general meeting. A proxy need not be a shareholder of the Company.
2. An ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the Company. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the ordinary shareholder in the appropriate box(es). An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the entire shareholder's votes exercisable thereat. An ordinary shareholder or his/her proxy is not obliged to use all the votes exercisable by the ordinary shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the ordinary shareholder.
3. If any ordinary shareholder does not indicate on this instrument that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
4. The completion and lodging of this proxy form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat instead of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form, unless previously recorded by the Company or waived by the Chairman of the annual general meeting.
6. The Chairman of the annual general meeting may reject or accept any proxy form which is completed and/or received other than in compliance with these notes.
7. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.
8. It is requested that this proxy form should be completed and returned to the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, by any of the following methods so as to reach them by no later than Monday, 2 November 2015 at 09:00:

Delivery: 70 Marshall Street, Johannesburg 2001

Post: PO Box 61051, Marshalltown 2107

Email: proxy@computershare.co.za

Fax: 011 688 5238
9. Should a shareholder lodge the proxy form with the transfer secretaries less than 48 hours before the annual general meeting, such shareholder will also be required to furnish a copy of such proxy form to the Chairman of the annual general meeting before the appointed proxy exercises any such shareholder's rights at the annual general meeting.

Additional forms of proxy are available from the transfer secretaries on request.

Summary of rights contained in section 58

of the Companies Act

In terms of section 58 of the Companies Act:

- A shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
- A proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment
 - by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company;
 - A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise; and
 - If the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
 - the relevant shareholder; or
 - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

York Timber Holdings Limited

Incorporated in the Republic of South Africa
 Registration number: 1916/004890/06
 JSE share code: YRK
 ISIN: ZAE000133450
 York or the Company or the Group

Tax reference number

9225/039/71/9

Country of incorporation and domicile

South Africa

Nature of business and principal activities

Operation of plantations, sawmills, a plywood plant and wholesale lumber and plywood sales

Auditor

KPMG Inc.
 Chartered Accountants (SA)
 Registered Auditors

Transfer secretaries

Computershare Investor Services
 Proprietary Limited

Sponsor

One Capital

Registered office and business address

York Corporate Office
 3 Main Road, Sabie 1260

Postal address

PO Box 1191, Sabie 1260

Directors**Executive directors**

Pieter van Zyl (*Chief Executive Officer*)
 Pieter van Buuren (*Chief Financial Officer*)

Non-executive directors

Dr Jim Myers* (*Chairman, USA*)
 Paul Botha
 Dr Azar Jammie*
 Shakeel Meer
 Dinga Mncube*
 Thabo Mokgatla*
 Maserame Mouyeme*
 Gavin Tipper*

**Independent*

Company Secretary

Han-hsiu (Sue) Hsieh
 shsieh@york.co.za

Share- holders' diary

FINANCIAL YEAR-END

30 June

ANNOUNCEMENT OF ANNUAL RESULTS

29 September 2015

INTEGRATED ANNUAL REPORT POSTED

7 October 2015

ANNUAL GENERAL MEETING

4 November 2015

ANNOUNCEMENT OF INTERIM RESULTS

March 2016

GLOSSARY

BIOMASS: means organic materials, such as plant matter, that have not become fossilized and are used as energy source for the generation of electricity.

CAMCORE: is an international organisation that provides its members with improved germplasm and advice as well as to keep abreast of the development of modern tree breeding technology.

CCA: Chromated Copper Arsenate

CLEARFELL: is a forestry practice in which most or all trees in an area are cut down.

DNA FINGERPRINTING: process of creating a genetic profile for each clone in the orchard.

FSC: Forest Stewardship Council

LOGTRACE: a unique tracking system developed by York which records the log electronically and tracks it through the total supply chain from forest to mill.

NOSA: National Occupational Safety Association (South Africa)

OSB: oriented strand board

PLU: Pluvial Land Unit is a unique soil/climate combined forest site.

RAUTE DRYER: a machine that dries the veneer sheets to a specified moisture content.

REIPPPP: Renewable Energy Independent Power Producer Procurement Programme.

ROOTSTOCK: is the lower portion of the grafted plant, the part that produces its roots.

SCION: is the part of the grafted plant that will produce the plant's shoots and is chosen for the good characteristics it can give to these plant parts.

SETA: Sector Education Training Authority

THINNING: is a silviculture activity involving the removal of the least performing trees to allow for more room for growth for the remaining trees.

VACSOL: white spirit based treatment used on timber for interior applications.



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