

ANNUAL REPORT 2010

## COMPANY PROFILE

[www.york.co.za](http://www.york.co.za)



York has the largest market share of the South African lumber and plywood market resulting from its sustainable biological assets intergrated with primary and value added processes through the entire value chain. York operates in various trade sectors and markets, both domestic and overseas.

With over 65,000 hectares of sustainable pine and eucalyptus plantations certified by the Forestry Stewardship Council, the core business of the group is solid wood processing. Its five mills convert round logs into a wide range of sawn lumber products such as structural timber, scaffolding, furniture components, wood laminates, plywood, as well as wood chips used in the pulp and paper industry and for generating both thermal and electrical energy. The technologically advanced plywood plant, timber value adding facility and the warehouse distribution network enables York to effectively and efficiently market its products in an array of other industries.



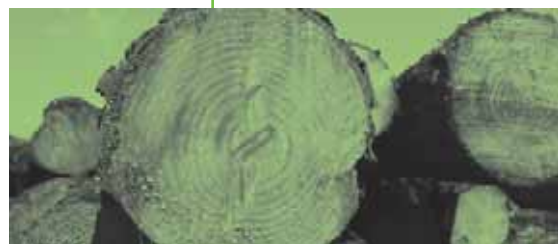
York is committed to practicing sustainable forestry, conserving natural resources and continually improving its environmental management practices. Actively promoting biodiversity and ensuring sustainability, York sets aside and manages areas suitable for flora and fauna to live and grow. Approximately one-third of the landholding (27 000 hectares) is conservation areas with representative samples of the various habitats and ecosystems that naturally occur in these particular areas.

York's success can be attributed to a variety of strategies; one of the most important being its approach to Biological Asset Management. The key focus in this area of the business is ensuring the optimal usage and sustainability of the asset through silviculture regimes, harvesting planning and log to mill matching to ensure the optimal saleable product.

York is the most advanced solid wood processing company in Southern Africa and one of the key drivers behind York's turnaround and it's maintenance of the largest market share is the quality of its people who are recruited for their skills and foresight. Every employee of York is highly valued and recognized as the source of its competitive advantage.

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## CHAIRPERSON'S REPORT



Jim Myers  
Chairperson of the board



**“It is with great pride that I present York’s latest set of financial results for the twelve month period to June 2010.”**

The year under review has been a challenging one from both external and internal aspects. Internally, in focusing on sustainability, we finalised the restructuring of the company by right sizing and raising capital to reduce our exposure to debt. From an external perspective and as predicted in 2009, South Africa’s recovery to normalised economic activity has been slow and cautious and the first half of 2010’s results show the squeeze on the market due to negative sentiment in the building and construction sector, driven by the bank’s tight control on lending.

The Forestry Industry is a key sector for the creation of jobs and the future of economic development, York alone employs, both directly and indirectly, over 4000 people in the Provinces of Mpumalanga, KwaZulu-Natal, Limpopo, North West and Gauteng, and is in fact listed as a key sector for national economic development. Despite this, we have experienced a localized approach from the government in the development of the industry. The future of the industry is dependent on the creation and development of rural infrastructure and housing coupled with effective management at a municipal level. This will drive the need for the products that the industry creates.

We also need to consider the future of the industry in terms of skills and technology. A broad co-ordinated approach by government will give the requisite skills and technological understanding in the solid wood processing industry to create forestry and engineering specialists for the future. Additionally, the local manufacturing of new technology for more optimal processing practices is distinctly lacking, creating more pressure on the sustainability of companies which require a more focused optimisation on existing resources.

Due to the importance of securing the future of the industry, this role of lobbying for skills and technological advancements has fallen to the senior management in the private sector, which consumes a significant amount of time.

In the last 12 months alone, there have been mill closures illustrating the need to reconsider our industry structures and prevent further job losses. Competition is no longer from local suppliers, due to the limited sawlog availability, but from overseas entrants to the market. This raises the question of further consolidation in our industry that will require a different approach by the local competition authorities. The York approach to its own closures, however,



ensured that the retrenched workers were afforded the opportunity to join the skills and enterprise development programme. This programme has been a significant part of the future of the local communities in which we unfortunately had to close our mills.

## RESULTS

Some significant wins were made in this financial year including the recapitalisation of the balance sheet, a successful negotiation of the debt repayment and a revision of the debt terms. Unfortunately York's management concluded the closure of three of our operating units; however, this was to ensure we underpinned a right sizing and optimisation approach to ensure the future sustainability of the business, which has proven to be the correct strategy.

I am pleased to announce, due to our focused and analytical approach, the organisation improved its financial profit and cash flow generation of the 2010 financial year.

We were also pleased with the confidence in York Timbers. In December 2009, the rights issue was concluded with an oversubscription of 166%, endorsing the strategic direction and restructuring plans.

## CHANGES TO THE BOARD

As announced in the last Annual Financial Report, Mr Andrew Bonamour, Ms Grathal Motau and Mr Simon Murray stepped down from the board and I would like to once again take this opportunity to thank them for the valuable contributions they made during the restructuring of the business.

As part of the restructuring of the company, we decided to extend the philosophy to the composition of the board and reduce the number of directors. Therefore, in March 2010, Mr Pieter Odendall, Mr Tlhopheno Modise, Mr Dick Claunch all resigned as directors and I would like to thank them all for their support and guidance during this challenging year.

Additionally, Mr Gay Mokoena, stepped down as Executive Director in March 2010 and took up a permanent post on the Executive Committee of the organisation providing his specialist expertise in the development of government relationships. We look forward to continuing our relationship with him.

Mr Francois Dekker resigned as Company Secretary and took up the valued position of Corporate Risk Officer for York Timbers, I thank him for his contribution to the successful governance of the York Timbers Board. To ensure our good corporate governance is continued, we appointed Fusion Corporate Secretarial Services (Pty) Ltd, represented by Melinda van den Berg as Company Secretary in December 2009.

In May 2010, Mr Gavin Tipper was appointed to the Board as an independent non-executive director and will also serve as Chairman of the Audit Committee. We welcome him back as a valuable resource to the board and company.

The tireless efforts of the reconstituted board during the past year are highly appreciated and I look forward to the continued growth in York's performance in the coming year.

We envisage further appointments of non-executive directors to the board in the coming financial year.

## APPRECIATION

The employees and management of York deserve my and the Board's appreciation for their dedication and commitment during this challenging year. The drive to right size and realign the company for the benefit of shareholders and employees alike has allowed us to move forwards with ensuring a sustainable business both in the value chain and market proposition. I would also like to thank our shareholders, customers and suppliers for their continued support and look forward to deepening these relationships in the years to come.

**Jim Myers**

*Chairman*



## BOARD OF DIRECTORS



Jim Myers (70) (US Citizen)  
Non-Executive Chairman

Chairman, Blackstar Managers. Directorships: Spescom Software Inc., Econet Wireless Global, AMB Holdings, American Chamber of Commerce (SA) and President of American Chamber of Commerce. Jim has over 25 years experience in the telecommunications industry, with recent focus on the African continent. Jim's wide ranging experience includes the definition, development and implementation of management systems for the finance, engineering and production disciplines. He turned the American Chamber of Commerce from a low key South African business organization to a strong issue-oriented American organization, for which he is still President. Additionally he was the advisor to the successful empowerment shareholder in Second Network Operator and was the principal driver behind the establishment and promotion of the consortium that acquired the SBC/Telekom Malaysia equity stake in Telkom SA; the incumbent telecommunications operator in South Africa. Jim was appointed Non-Executive Director of York in February 2007. He also holds a Bachelors Degree in Mathematics, a Masters in Applied Mathematics and a PhD in Industrial Engineering/ Operations Research.

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Piet van Zyl (47)  
Chief Executive Officer

Piet van Zyl holds a BSc Agric and BSc Agric Economics (Hons) degrees from the University of Pretoria and completed his MBL through UNISA. Having held the positions of Managing Director of HM Timber Limited, Director of Klein Karoo International and a Senior Business Analyst for the IDC's Wood Paper and Forestry division, Piet is a highly experienced figure in the solid wood processing industry. His diverse skills in manufacturing, marketing, change management, investment banking, people and strategy development provide a solid platform for the development of the organization.

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Duncan Erskine (37)  
Chief Financial Officer

A specialist in the financial management of forestry and sustainable timber processing companies, Duncan completed his articles at PricewaterhouseCoopers following completion of his B.Comm with Honours at the University of KwaZulu Natal. Duncan qualified as a Chartered Accountant in 1999, thereafter holding an audit Management position for five years at PwC. He has solidified this wide ranging knowledge of the industry through holding the position of Financial Manager at HM Timber Limited. Duncan's technical financial skill enables him to steer the organisation through the highly controlled listed environment.

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Paul Botha (47)  
Non-Executive Director

Paul is a practicing attorney and notary public having been in private practice since 1986. Paul carried out a substantial amount of cross-border mergers and acquisitions work throughout Africa until 1997 when he established an advisory business for Brait, an international investment banking business. Paul was the CEO of Brait Advisory from 1998 to 2003. Currently, Paul is a founder and CEO of Metier Investment & Advisory Services (Pty) Ltd, a niche corporate finance and investment house. He is also a principal in the Lereko Metier Capital Growth Fund. Under the name of Paul Botha & Associates, Paul provides commercial lawyering and corporate advice. He serves on the boards of numerous businesses and has acted as an adviser on more than 140 transactions, including private equity and Stock Exchange related transactions. His qualifications include BA LLB, HDip Company Law, HDip Tax, Notary Public. Paul was appointed Non-Executive Director in 2007.

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Shakeel Meer (48)  
Non-Executive Director

Shakeel is a member of the IDC's Executive Management with overall responsibility for IDC investments in the Metals, Wood and Paper, Chemicals, Textiles and clothing and Construction related sectors. In addition, he has overall responsibility for managing off-balance sheet and ring-fenced funds. This responsibility is backed up by his previous experience in mechanical engineering including the design and maintenance of systems, due diligence and project development in various sectors through his previous position as head of Agro Industries Strategic Business Unit and Corporate Strategy and Portfolio Management at the IDC. Shakeel holds a BSc Mechanical Engineering from the University of KwaZulu Natal, Developing Strategy for Value Creation from the London Business School, Senior Management Development Programme with Euromoney and a MBL from UNISA. Shakeel was appointed Non-Executive Director in 2007.

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Gavin Tipper (45)  
Non-Executive Director

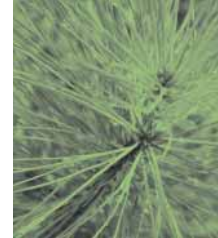
Gavin completed his articles with KPMG in 1987 and went on to hold the position of Technical Partner before joining Coronation Holdings Ltd in 2001 as Chief Operating Officer. He is currently an Executive Director of its successor company CIT dealing in various financial instruments and long-term equity investments. Gavin holds directorships with AVI Limited, Interwaste Holdings Limited, Coronation Investments and Trading Limited and is Chairman of Redefine Functional Plc, an AIM London Listed company. He holds BCom and BAcc degrees from Wits University and a MBA from the University of Cape Town. Gavin is a Chartered Accountant and was appointed a Non-Executive Director in 2010.

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## CHIEF EXECUTIVE OFFICER'S REPORT



Piet van Zyl  
Chief Executive Officer



“Despite the tight market conditions, we have managed to take a significant step forward in the ensured sustainability of the business through right sizing and realignment of all operations.”

### OVERVIEW OF MACRO ENVIRONMENT

In 2009, I reported that the deterioration in trading conditions experienced by the Group required firm remedial action and the development of a corporate strategy to ensure the long term sustainability of the Group. Despite the market conditions, we have managed to take a significant step forward in the ensured sustainability of the business through right sizing and realignment of all operations.

The market was very challenging at the beginning of the year under review in line with the reduction in the building and construction industry slow down. In order for York to retain market share and work towards the pleasing results achieved in the second half of the year, we implemented a dynamic marketing strategy that ensured our competitiveness.

For the financial year under review lumber volumes remained under pressure, although there were signs in the last six months of recovery, however, demand on an annual basis was on a par with the previous financial year's volumes. At these volumes, pricing pressure remained and year on year industry prices reduced by 4% in nominal terms.

Industry information indicates that since 1997 there has been an average margin squeeze of some 3.5% per annum between

the delivered cost of sawlogs and the final product selling price. Industry margins were under pressure and with the restructuring of the organisation York managed to regain some of the lost margin. The successful restructuring was achieved through York employee's commitment to ensuring cost efficiencies.

Additionally, it has been reported by various industry focused institutes that sustainable log supply in South Africa has been severely affected by various threats such as adverse weather conditions, environmental legislation, skills and rural infrastructure. In fact, a report published by Crickmay in May 2010 modelled various scenarios showing a substantial shortfall in logs based on certain economic growth assumptions. We are hopeful of the various initiatives being promoted by government will find solutions to this and will bear fruit in the years to come.

Despite the harshness of the economy and the uncertain market conditions, York continues to be the leading solid wood processing organisation in South Africa. As indicated in 2009, the year under review would focus on optimisation and alignment to ensure effectively run operations structured to achieve profitability. And this was achieved through the commitment and dedication of all York employees.



## YORK REFOCUSSED

Some key improvements were made to ensure this success including cost optimisation throughout the value chain, alignment of policies and procedures to ensure good governance and efficient operational management, upgrades on financial reporting practices, improvements to the information management system allowing real time stock and order monitoring for optimised supply chain management. Additionally, we fully commissioned the rebuilt Driekop mill, introduced new management structures and inculcated a new culture of performance across the organisation.

### 1) Focus on improving the biological asset

This objective has been achieved through the implementation of improved fire prevention measures resulting in a record low of only 0.01% being affected by fires during the very dry fire season this year. Additionally, a spatial analysis completed in this year provided us with the ability to understand the optimum process of regulating the yield of our biological asset to smooth out the affect of the irregularities in the plantations following the 2007/2008 fires. We have a significant focus on genetic improvement on planting material and through our own nursery ensure effective site and specie matching.

### 2) Cost competitiveness and optimisation

Management and employees paid particular attention to cost reducing activities through the development of improved systems and processes, for example, the establishment of an end to end supply chain management function. This ensures an improved matching of stock availability to customer requirements and location to continue to deliver a competitive service in the tight market.

### 3) Improved skills

Focus has been on ensuring that the business is operated by the best people in the field, through the recruitment of both technical and industry specialists to give a different perspective on the way in which we do business.

Additionally we have invested in our existing employees to enhance their skills. Employee engagement, superior performance and development are high priorities for the company. The climate in terms of culture is a constant focus of the management team and significant strides have been made in creating a passionate and committed team, which is evident through the results.

The right sizing of York's operations was continued through the successful closure of the three identified mills. No industrial action occurred and the costs associated with the operations were eliminated. A full restructuring of the entire management team was implemented and our salaried staff, understanding the rationale and committing themselves to the future of the business, accepted a 10% reduction to avoid further closures and retrenchments.

We made significant strides in the optimisation of York's own raw material in that the number of external logs purchased was approximately half than budgeted. Therefore, all internal raw material sources were utilised prior to considering obtaining external sources.

A more focused supply chain function was implemented and now works closely with the Operations and Sales & Marketing to ensure efficiencies resulting in a marked increase in volumes and on time dispatches.

A significant deliverable, which will see the impact in the coming financial year, is the development of a log tracking system. The log tracking system provides for bar coding of the asset at the point of harvest. Every log's history from the compartment to the mill is then tracked to ensure we move forward to the philosophy of 'precision forestry'. The system is linked to our recently overhauled Information Management System, thereby giving a real time view of our biological asset.

With the focus on process efficiencies; an integrated business systems project was initiated across all processing operations, whereby process and flow balancing initiatives will be identified to smooth out bottlenecks in the supply chain.



## RESULTS

As these initiatives have borne fruit, our six monthly operating result ending June 2010, showed significant improvement. York further adopted a discounted valuation methodology to value its biological asset, this value is a fair reflection of the asset class and addresses all the significant silviculture practices over a full rotation. The net standing value does not affect the future required forestry activities to maturity. Consequently, York is proud to present improved earnings.

The coming financial year will focus on seven key areas:

### 1) Cost Optimisation

This includes ensuring optimal capacity utilisation of all processing plants achieved through work load balancing and raw material matching to the most profitable product mix. Plantation management practices will be carried out simultaneously to optimise the plantation value.

### 2) Resource Optimisation

Focus will be given to improving the ratio of hectare to final product yield, aligning the available resources to processing capacities and implementation of the log tracking and waste management systems.

### 3) Maximising Cashflow

We will continue to work on improving our systems and control measures to ensure effective management of working capital and meeting our covenants and debt repayments while generating cash for investment in the future growth and sustainability of the company.

### 4) Continued Improvement in Biological Asset

The management of the biological asset will continue in its advances through enhanced silviculture activities and genetic improvements. In addition, we will be focusing on upgrading our roads and other critical infrastructure.

### 5) Maintenance of Market Share

Priority in this area will be given to expansion of our SADC footprint, understanding and matching optimal client base to product mix and further streamlining our logistics and supply chain management

### 6) Investment in Human Capital

Investments will be made in the development of future leaders, critical skills and increasing professional skills across the organisation

### 7) Strategic Growth

We will be evaluating a variety of strategic growth opportunities with a view to alignment with cash generation abilities and access to new resources

During the year, York addressed the empowerment structure funded by Blackstar, this structure was no longer viable and unfortunately had to be collapsed. The impact is highlighted in the financial statements.

The Jessievale Sawmill has the potential to increase its intake, optimising the available biological asset in the Highveld and maximising the product offering to our customer base. This project is in advanced stages of completing the feasibility study.

The confidence that was expressed in York's approach to this past financial year was endorsed by the shareholders through the rights issue concluding at an oversubscription of 166%. This strategy to raising capital for the restructuring demonstrated their support and provides a background to York being a good investment for the future due to the new and sound management practices adopted.

I would like to take this opportunity to thank the employees and management of York for their ability to change their mindset towards delivery of results and a willingness to work under the immense pressure by pulling together as a team.

I would also like to share my appreciation for the support from the Board of Directors throughout the year and for their tireless foresight and diligence.

**Piet van Zyl**

*Chief Executive Officer*



## CHIEF FINANCIAL OFFICER'S REPORT

### FINANCIAL OVERVIEW

<b>R 000</b>	<b>Audited 2010</b>	<b>Audited 2009</b>	<b>%</b>
	<b>12 months</b>	<b>12 months</b>	<b>Change</b>
Group revenue	909 361	1 095 290	-17
Gross profit	350 117	333 067	5
Operating profit before insurance proceeds and impairment of assets	69 264	20 499	238
Profit/(Loss) before finance costs	235 121	(127 866)	-284
Net cash finance costs	(124 769)	(191 578)	-35
Cash flow from operating activities before insurance proceeds	93 349	62 217	50
Biological assets	1 921 674	1 738 371	11%
Interest bearing Liabilities	(681 970)	(1 190 740)	-42
Net working capital	115 060	119 267	-4
Earnings per share	30	(296)	-90
Net asset value per share	594*	407*	45

\* Using currently in issue number of shares (not weighted average)

Major financial highlights for the year under review include:

- Recapitalised balance sheet;
- Negotiated debt repayment and revised debt terms;
- The closure of three operating units;
- Right sizing, complete restructured business management and cost structures;
- Business refocused on:
  - Optimising the use of own raw material sources; and
  - Supply chain management.
- Improved financial profit and cash flow generation for second six months of the 2010 financial year
- The discounted cash flow method has been adopted to calculate the fair value of the biological asset.

The rights issue concluded in December 2009 was over-subscribed by 166%, which is a clear endorsement of York's strategic direction announced during the period as part of the Group's restructuring plans. This raised R500 million in equity.

R450 million of the rights issue was utilised to pay off debt. This debt reduction was largely achieved on a pro-rata basis when compared to the existing debt structure. Therefore, the average cost of debt has not been significantly impacted, however the reduction in balance has reduced the interest obligation significantly. The remaining R50 million was earmarked for strategic capital expenditure.

The goal to reduce fixed and overhead costs of over R72 million, on an annualised basis, has been exceeded by R7 million. This was achieved through a comprehensive right sizing exercise that involved the complete top down re-structuring of all salaried staff.

Improved operating efficiencies, a renewed focus to optimise the raw material base and integration with comprehensive supply chain management, provided York with the basis to significantly improve financial performance during the second six months of the financial year. This is despite economic conditions deteriorating further than anticipated at the outset of this financial period.



## CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

The discounted cash flow method is widely used in the Forestry, Paper and Pulp industry to calculate the fair value of biological assets. Following careful consideration and full consultation through the Audit and Risk Committee, the Board of Directors have endorsed the recommendation that this method should be adopted, as it is most likely to provide an accurate and consistent fair value of the asset. This has resulted in an increase of approximately 10.5% when compared to the asset's value of the comparative period.

Aligned with this method adoption, and as required by International Financial Reporting Standards, the goodwill associated with the plantations has been tested through a detailed valuation process. The goodwill, which arose as a result of the acquisition of Global Forest Products, remains

largely intact as a result of this test. An impairment amounting to approximately R45 million was required. York's management and board believes that future economic benefit is expected to flow to the Group as York's sustainable forestry management and silviculture plans will result in a significant increase in the sustainable volume offtake from the plantations.

Sustainability of the plantation asset is being enhanced through continued accelerated re-planting of the fire-damaged areas of the recent past. During the period under review, in excess of double the number of hectares were re-planted when compared to those hectares harvested. This situation will continue for a further financial period, by when, all areas affected will be re-planted.

### INCOME STATEMENT SUMMARY

<b>R 000</b>	<b>Audited 2010</b>	<b>Audited 2009</b>	<b>% Change</b>
Revenue	909 361	1 095 290	-17
Gross profit	350 117	333 067	5
Selling, general and administration costs	(300 805)	(322 127)	-7
Normalised operating profit	69 264	20 501	238
Insurance proceeds	8 519	158 731	-95
Impairment of assets (including goodwill)	(42 598)	(43 390)	-2
Operating profit	35 185	135 842	-74
Restructuring	(333)	(18 735)	-98
Loss on non-current assets held for sale	-	(373)	-100
Fair value adjustments	200 269	(244 598)	-65
Profit/(Loss) before finance costs	235 121	(127 864)	-284

Despite reduced revenue, a product of the current economic environment resulting from product pricing, gross profit increased by 5%. This was primarily a result of better optimisation of raw material and efficiency practices in York's processing operations.

A portion of the cost reductions assist in this improved gross profit, the remainder drives the reduced selling, general and administration costs.

The resultant normalised operating profit for the year has improved nearly four times. This result is normalised for



insurance proceeds, and impairments resulting from the restructuring and closure of certain business units, in the case of 2009, and goodwill for 2010.

During the period under review certain material items affected the results:

- The majority of the fair value adjustment of R200.2 million resulted from the biological asset valuation method adoption discussed earlier.
- Some salient features of the Biological Asset:
  - Total standing volume increased year on year by ca. 50 000 cubic metres,
  - Saw log prices remained static during the year, with
  - Pulp log prices reducing in line with lower demand from paper and board manufacturers, and

- Forestry costs rose on the back of inflationary pressures;
- Insurance proceeds resulting from a fire at the Sabie Mill Administration Building;
- The interest rate swap entered into at the commencement of the debt raising (hedging derivative) was settled by a similar portion to the debt repayment. This resulted in a portion of the previously effective portion of the hedge being released to the income statement from equity.
- Previously consolidated SPE's were disposed of by York on 25 November 2009, resulting in a significant portion of the other operating income.

## FINANCE COSTS

<b>R 000</b>	<b>Audited 2010</b>	<b>Audited 2009</b>	<b>% Change</b>
Finance expense	177 361	197 894	-1
Finance costs excluding hedge	107 978	173 312	-38
Hedge interest expense (actually paid)	16 791	18 266	-8
Hedge interest released from equity (on settlement of derivative interest rate swap)	29 577	-	-
Hedge interest expense (ineffective portion)	23 015	6 316	264
Total finance income	(2 810)	(13 133)	-79
Net finance expense	174 551	184 761	-6

- Net finance charges have reduced by 5%. Cash required to settle finance charges has however reduced substantially to R124.5 million from R191.5 million. This follows from the reduction in interest bearing borrowings resulting from the debt repayment in December 2009 of R450 million.

- As a consequence of the debt repayment, the interest rate swap derivative was partially settled (40%) in order that it remains matched to the debt obligations. This resulted in interest previously raised as equity, requiring an accelerated release to the income statement.



**WORKING CAPITAL**

<b>R 000</b>	<b>Audited 2010</b>	<b>Audited 2009</b>	<b>% Change</b>
Inventories	138 040	226 467	-39
Trade and other receivables	104 334	117 999	-12
Trade and other payables	(127 314)	(225 199)	-43
Net working capital	115 060	119 267	-4
% of Sales	12.6%	10.9%	16

Working capital has normalised from the perspective of lower inventory levels and reduced payables. Net working capital has reduced, creating cash of R4 million for the year.

- Net working capital decreased by R4.2 million due primarily to reduced receivables. This does result from the lower revenue, but this is combined with an element of better collection efficiency.
- Stock levels were much higher in 2009, a result of stock-piled saw logs associated with the fire damage of 2007 and 2008. In addition, higher than optimal processed

timber products inventories, resulting from the slow-down in economic activity.

- Payables in 2009 were significantly higher than normal, a result of extended credit terms associated with fire damaged saw logs purchased from external suppliers.
- Inventory has reduced to normalised levels through a sustained management focus on right sizing, restructuring initiatives and supply chain management. Payables have reduced to normalised levels following the expiration of the extended terms offered by the log suppliers.

**SOURCE AND APPLICATION OF FUNDS FOR THE PERIOD UNDER REVIEW**

<b>R 000</b>	<b>Audited 2010</b>	<b>Audited 2009</b>	<b>% Change</b>
Cash generated by operations excluding insurance proceeds	86 228	33 663	156%
Insurance proceeds	8 519	158 731	-95%
Movement in working capital	7 121	28 553	-75%
Cash generated by operating activities	101 868	220 947	-54%
Proceeds from share issue	491 107	-	-
<b>Funds sourced by York</b>	<b>592 975</b>	<b>220 947</b>	<b>168%</b>
<b>Application of funds:</b>			
Net finance cost paid	(129 665)	(168 549)	-23%
Debt capital settled	(494 854)	(34 739)	1 324%
Capital expenditure	(17 095)	(130 604)	-87%
Other	8 710	14 828	-41%
Net cash utilised	(39 929)	(98 116)	-59%



Normalised cash generated from operations year on year has improved in line with the operating profit.

Apart from the proceeds of the December 2009 rights offer, significantly higher cash was generated by operations in 2010. Insurance proceeds propped up funding for 2009 and these

proceeds were predominantly utilised to rebuild the Driekop sawmill.

Proceeds of the rights issue were mainly utilised to settle debt. As a consequence of the reduced debt capital, net finance cost has reduced and will reduce further once the full impact of the debt reduction materialises.

## CAPITAL STRUCTURE

R 000	Audited 2010	Audited 2009	Effective Interest rate at reporting date*
<b>Shareholders equity</b>			
Share Capital	16 562	3 919	
Share Premium	1 505 352	1 026 888	
Reserves	(26 136)	(88 438)	
Retained Income	471 763	407 237	
	<b>1 967 541</b>	<b>1 349 606</b>	
<b>Fixed rate borrowings</b>			
	<b>634 296</b>	<b>1 102 249</b>	
RMB Senior Term A	80 300	148 476	12.60
RMB Senior Term B	156 980	280 119	12.75
RMB Senior Term C	124 353	203 840	13.10
RMB Mezzanine Facility	269 456	441 669	17.85
Preference shares	-	11 680	
Loan raising fees	(19 030)	(23 927)	
Derivative - interest rate swap	22 237	35 319	
	<b>47 675</b>	<b>93 564</b>	
<b>Variable rate borrowings</b>			
	<b>17 955</b>	<b>31 378</b>	<b>9.25</b>
Finance leases and installment sales	17 955	31 378	9.25
Other	29 719	62 186	9.51
	<b>681 970</b>	<b>1 190 773</b>	
	<b>% of Debt</b>	<b>% of Debt</b>	
Weighted average fixed interest rate	93	93	
Weighted average variable interest rate	7	7	

\*fixed by interest rate swap as appropriate

- York successfully raised R500 million through the rights issue of December 2009. Certain costs were incurred during this process and these have been written-off against share premium.



- During November 2009, certain SPE's funded by Blackstar were in default of their lending obligations and were collapsed. This resulted in York deconsolidating these structures creating a gain of R10 million. This prompted Blackstar to request early conversion of the preference shares owned by the SPE's in York. Shareholders approved the early conversion in June 2010 and the conversion of the 2.9 million shares has been effected.
- Debt of R508.8 million was settled during the current financial period. R450 million was repaid in December in line with the capital raising and through agreement with the lenders. The remainder was capital; settled in the normal course of the debt amortisation.
- The interest rate swap agreement taken out at inception of the debt being raised was partially settled in order for it's matching with the outstanding debt to remain intact.
- Interest rates remain hedged (through the interest rate swap) until July 2011 at which time further hedging will be considered in terms of the appropriate risk management philosophy.

### CONCLUSION

A summary of performance for the preceding six-month periods shows a significant improvement. A comparison between December interim results to full year results reflects that the significant portion of normalised operating

profit was achieved in the second half of the year. In its own right, the last six months normalised operating profit exceeded the comparable amount for the entire prior financial period.

This performance is a result of the restructuring and right sizing strategy introduced by management. Cost optimisation targets have been exceeded on top of production efficiency improvements, optimised supply chain management and a focused approach to raw material optimisation. Management budget to make further improvements in all of these areas and continue to strive for marginal unit cost optimisation.

A key feature of the annual results is the adoption of the discounted cash flow method for determining fair value of the biological asset. This has resulted in a net higher value of the Forestry business: as the newly adopted method now considers the current planted trees grown to maturity and therefore better reflects the realistic fair value of the plantation on a normalised basis.

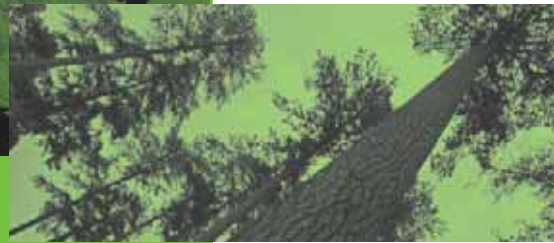
The resultant net asset value of York amounts to nearly R2 billion or R5.94 per share (based on the gross ordinary shares in issue presently).

### Duncan Erskine

*Chief Financial Officer*



## SUSTAINABILITY REPORT



York is the only JSE-listed company with its Head Office in Mpumalanga and is therefore one of the largest private sector employers in the Province. The core business is developing and maintaining sustainable plantations and following harvesting the trees, processing logs into high quality finished products used in the construction, furniture and packaging industries.

York's sustainability is predicated on its people both from an employee perspective and the broader communities in which it operates, and is an implied and integrated measure across all areas of performance within the organisation.

The success of York in the past year has been driven by the focus on attracting, developing and retaining a team of highly capable people. This is achieved through providing clear leadership, career opportunities and a working environment that is challenging, dynamic and ever changing for the better.

The Human Capital Strategy for the year under review focused on assisting the employees in recovering from restructuring and retrenchment activities and developing a culture of teamwork and performance excellence.

A proactive approach was adopted to address the challenges of cost optimisation, critical skills shortages, rapid technological change and the desire to transform the company. One approach was the development of a talent management system to retain and develop identified talent within the organization in the form of a leadership coaching programme.

All York employees understand and benefit from the leadership's commitment in providing development opportunities to improve performance in their day to day activities. Every single employee is treated with dignity and fair and transparent practices ensures that they can work in an environment free of harassment and discrimination.

The implementation of Human Resources Policies and Practices continued in this financial period ensuring compliance with various regulatory and legal requirements. This included the development of a York specific performance management system to instill a performance excellence culture. This has been rolled out across the business to ensure effective talent and value management systems based on the strategic objectives of the company are in use.



SUSTAINABILITY REPORT CONTINUED

Employee engagement, discretionary effort, performance, productivity and commitment to the company are all gauged and managed within the framework of the Performance Management System.

Every Manager's ability to communicate change and build employee commitment to change is receiving attention as line managers represent the most consistent source of employee messages. Training in managing for high performance is also due to be implemented for the management team.

The elements of remuneration and their role in the organisation are under review, with job profiles, job evaluations and the remuneration strategy and policy in its entirety being scrutinised in terms of their fit with the requirements of the business.

There is also a focus on ensuring a consistent pool of skilled individuals, who are being developed with a view to filling pivotal positions, if the need arises, to further ensure the sustainability of critical skills for the future of York.

The York Training Unit went from strength to strength in this financial year through provision of technical skills training, equipment handling, computer literacy, ABET and apprenticeship programmes to its workforce. Training targets were achieved and the Quality Management System was effectively utilised to monitor the quality of the training implemented.

4,480 employee instances of training occurred in this financial year compared to 2,412 in the last financial year with an overall investment of R5,2 million in learning and development activities.

Type of training	Total trained	Indian	Coloured	Black	White	M	F
Mobile Equipment	215	0	0	215	0	205	10
Safety	2 255	2	0	2 227	26	1 755	500
Quality	583	0	0	583	0	327	256
Mill Processing	1341	0	0	1 341	0	996	345
Software Skills	39	3	0	22	14	26	13
Basic Management Skills	49	0	0	49	0	44	5
<b>Grand Total - In-house</b>	<b>4 291</b>	<b>5</b>	<b>0</b>	<b>4 246</b>	<b>40</b>	<b>3 172</b>	<b>1 119</b>
Higher Education Diplomas and Degrees	32	0	0	26	6	18	14
Bursaries	3	0	0	3	0	1	2
Technical/ Apprenticeships	14	0	2	10	2	12	2
Learnerships	9	0	0	9	0	9	0
ABET	78	0	0	78	0	41	37
Management Development	53	3	0	21	29	33	20
<b>Grand Total - All</b>	<b>4 480</b>	<b>8</b>	<b>2</b>	<b>4 393</b>	<b>77</b>	<b>3 286</b>	<b>1 194</b>
<b>Total Contractor Training</b>	<b>138</b>	<b>0</b>	<b>0</b>	<b>132</b>	<b>6</b>	<b>107</b>	<b>31</b>



A new approach to apprenticeship training has been adopted. This entails ensuring high potential candidates are selected from the outset. This involves employing a range of psychometric and aptitude tests and carefully mentoring apprentices to ensure they are retained and can enjoy a successful career in the organization.

In the year under review, York's staff compliment consisted of 4,313 employees, made up of 2,499 (58%) direct employees and 1,814 (42%) employed through our contractor relationships. When comparing with the population density of the Province as a whole, York proactively contributes to the development of Employment Equity.

	York	Mpumalanga Economically Active Population
Black	91.72%	92%
Coloured	0.76%	1%
Indian	0.32%	0.38%
White	7.08%	7%

The organization experienced a 5.82% staff turnover rate which is higher than the industry benchmark of 2.57%. This was expected as we moved forward with the right sizing process, optimisation and implementation of positive improvements in the disciplinary process. Additionally, the focus of creating a culture of high performance will naturally cause staff with an entrenched mentality, who are resistant to change, to choose to move to a more suitable environment. The turnover rate was made up of 75 waged / 5 salaried dismissals and 28 waged / 39 salaried resignations.

Overtime is required periodically due to production demands, preventative maintenance and machinery breakdowns. This however, has to be carefully managed to ensure that it is authorized and that the company receives the value from the extra hours worked, often at higher pay rates. In line with managing our human resources effectively, a project is in progress which ensures that the scheduling of overtime is prudently controlled and that the return on the overtime hours paid for is evident.

Approximately 68.69% of York's workforce belongs to trade unions. CEPPWAWU, as the biggest union, represents 97% of the York employees unionised.

A 7.5% increase was successfully negotiated across the normal time basic wages employees. In the continued implementation of the five year plan for aligning the conditions of service of ex-York and GFP employees, a further adjustment was made in this financial period totaling 0.25%.

Industrial Relations were conducted in a professional manner throughout this financial year, further building the trust of employees and mitigating the risk of industrial action. Focus will remain on creating a positive climate with organised labour and promoting the benefits to employees of a job well done. Industrial relations training for line managers and shop stewards as well as supervisory development training all contributed to a sound Industrial Relations climate.

York is a signatory to the Forestry Charter and attained a Broad Based Black Economic Empowerment rating of Level 4 during this financial year.

York believes in ensuring equity in the workplace whilst maintaining a level of performance excellence. This is achieved through ensuring that employees can compete for job opportunities based on merit and a track record of adding value as well as on the representation of different racial groups.

In line with the Company's objective to optimise human resources, a project is underway to determine the production potential of the four York Timbers sawmills and Plywood plant. This is a work load balancing analysis which will determine the required resource utilisation per operational discipline within the sawmills. The approach will take into consideration both direct and indirect operations. The human resource utilisation will also be balanced to variable production criteria and levels.

Externally, York continues to work with communities through a focused Land Claims Handling Strategy and Corporate Social Responsibility Programme.



The joint Land Claims Strategy developed in conjunction with the Mpumalanga Land Claims Commission continues to prove successful. The Land Claims Commissioner (LCC) has indicated that there is a small chance that any claim could be settled this coming financial year. No claim was settled last financial year. Gazetted land claims affect approximately 38% of York's land holdings. These still require research and verification by the LCC.

York has also initiated business relationships with communities that are in the process of obtaining land with plantations through the land restitution process. These communities are not York's land claimants. Most of the communities are in the process of receiving their land. The main aim of working closely with these communities is to ensure that York increases its prospects of obtaining raw material supply.

Apart from complying with the Forestry Charter, York's Corporate Social Investment (CSI) Strategy aims to make a meaningful contribution in the communities where York conducts its business. In this financial year York invested and facilitated grants for over R7.5m in various CSI community projects.

Following the retrenchment of York Staff in the current financial year, a programme was developed, that will position these retrenched employees strategically for meaningful participation in the mainstream economy of the country. This is achieved by providing training that will assist them in starting and managing their own businesses successfully. Over the last financial year grants of R4.5 million have been facilitated for training to manufacture furniture and start small businesses. The next step of the programme is to provide management guidance, business startup capital and entrepreneurial support in conjunction with the Department of Economic Development, Environment and Tourism of the Province of Mpumalanga.

As a responsible steward of the environment, York is committed to practicing sustainable forestry, conserving natural resources and energy whilst continually improving its environmental practices.

A measure of this is the maintenance of the Forest Stewardship Council (FSC) certification for both the York plantations and sawmills. This certification assures stakeholders that products resulting from the York operations meet the social, economic and ecological needs of present and future generations.

York is committed over for the next 5 years to improve the air quality, water and waste treatment processes at all sawmills ensuring full compliance with current legislation. In this financial year, York commissioned a co-generation plant feasibility study with the objective of consuming all bio-waste for conversion into heat and electrical energy. This would further reduce reliance on external energy sources.

Natural timber and timber fibres from sustainable sources are the only material used in the manufacture of York's products, reducing the pressure on natural forests. All of the products are fully biodegradable and have no adverse effect when introduced into the environment.

A further internal initiative in this financial year stems from a streamlined capital replacement programme which ensures that electrical motors are replaced with more efficient units. Additionally, York's dust extraction systems are being optimized to reduce energy consumption.

Long term forest sustainability is determined through a process known as normalisation of the growing stock. This is impacted not by the clearfell quantity, but by the area planted each year. The purpose of normalising the growing stock is to ensure an even age-class distribution, which in turn facilitates a regulated annual clearfell quantity. Due to the current uneven age-class distribution, largely the result of the 2007/2008 fires, it will take some time to achieve an even age-class distribution.

Resulting from the extensive replanting effort following the 2007/2008 fires, the equivalent of eight year's growing area has been established in the last two years. As a direct consequence of this the future volume offtake from our plantation will increase significantly.



York actively promotes biodiversity by setting aside 27,000 hectares, (approximately one-third of the landholding) and managing areas suitable for rare animals and plant species and to conserve representative samples of the various habitats and eco-systems that naturally occur in the particular area.

Forestry planting permits have been fully utilised by the industry at large and commercial expansion of the York plantation areas has been impacted by this. However, we have still managed to increase plantation areas by 4,000 more hectares to ensure our future commercial sustainability due to better Biological Asset Management.

Each forestry estate has an integrated weed control programme governed by management principles for both commercial and protected areas. A guiding principle is the reduction in the usage of the quantity of pesticides, all of which comply with the approved chemicals list issued by the FSC. All employees have access to an environmental guideline for York's biodiversity values.

The protected areas set aside for conservation have been categorised according to type and characteristic, and recorded on the management database. Their parameters are included on the plantation maps to further guide production planning processes.

York owns and manages a total of 1,100 hectares of indigenous forest within these protected habitats. Indigenous forests are protected in terms of the National Forest Act, Act No 84 of 1998 and are considered High Conservation Value Forests by the FSC.

The formal monitoring programme for these and other important areas such as water quality is undertaken by independent specialists.

York protects and manages seven Natural Heritage Sites, which are registered under the South African National Heritage Programme as they are of significant historical or ecological importance in a national context. The sites, all located on York property, include a tree fern reserve, grasslands, caves and rock art paintings. All of the sites have been photographed, documented and recorded on a database

and have individual site management plans which are reviewed annually. The objective of the plans centre around the control of access to ensure that the sites will be preserved for the enjoyment of future generations.

A Safety, Health and Environment Quality Division has been established to develop, implement, manage and monitor quality systems and processes across all operations to ensure their continued compliance and certification to the various quality assurance bodies.

York has SATAS certification for all its processed structural products including upgrading of finger-jointed timber to the approved SATAS structural grade. Ongoing compliance entails regular system audits and product inspections according to set standards and permit conditions. Additionally, the Plywood plant is audited by SATAS for their compliance to the Certification Europe standard by the British Standards Institute (BSI), this certification has been incorporated into the ISO 9001 system to ensure process efficiencies.

ISO 9001 systems (certified by SGS) have been developed across most operations within York and Forestry, Jessievale and Driekop Mills certification is nearing completion.

Through the FSC certification, the processing sites are certified for Chain of Custody (COC) and Forestry is certified for both Forest Management (FM) and Controlled Wood (CW). This certification is audited annually.

All certifications across York operations are being carried out with view for a single certification body for all systems further impacting the drive for cost and process efficiencies.

York is focused on ensuring that a safe working environment is created and maintained for every employee and the general public. This is achieved by implementing practical procedures and precautions that are to be observed by all its employees, contractors and visitors. These procedures and guidelines comply with both statutory requirements and safety standards. The NOSA 5 Star System is used at all of York's processing sites. York only works with contractors that are using the NOSA 3 Star system. This approach has ensured a reduction in health and safety related incidents in this financial year.



	2008/2009	2009/2010
Total Injury on duty	316	302
Lost Time Injuries	66	44
Fatalities	0	0

Safety Committee meetings are held at all business units on a monthly basis to monitor and revise the safety systems based on hazards identified during the period. Additionally, toolbox talks are held on a weekly basis with employees to remind them of their role to ensure safety in the workplace.

York provides occupational and primary health services through its clinics at all mills, which are each managed by a qualified and experienced Occupational Health and Primary Health Care Registered Nurse, and regularly visited by a Registered Health Practitioner. These clinics provide primary care to all employees that do not have medical aid cover. Consulting with an average of 30 patients per day, they also provide treatment for any injuries on duty and medication is also dispensed at the clinic in accordance with the Occupational Health and Safety Act No 84 of 1993. This enables a continued healthy workforce with a minimum in lost working time due to illness. The Jessievale Clinic also provides care to the surrounding community.

York is proud of these facilities as they are seen by the workforce as an avenue for counselling and comfort for employees and their families from Community Health Workers and Clinic Sisters. The staff even go so far as helping employees with monthly budgets, referral to debt counsellors and family counselling, in fact all aspects of wellness, including assistance with traditional approaches to medicine. All primary health care needs are fully met by the clinics as well as chronic treatment and medication is supplied. And every employee is assessed occupationally to ensure that they are suited to the job. Both Clinic Sisters and Community health nurses are well known for their love and care for the employees at every clinic site, going beyond the call of duty daily. Their dedication makes the employment environment supportive and responsive to employees needs.

**MEMBERSHIPS IN ASSOCIATIONS,  
PROJECTS AND COMMITTEES**

- Sawmilling South Africa (SSA)
- South African Wood Preservers Association (SAWPA)
- Forestry South Africa (FSA)
- CAMCORE
- Institute for Commercial Forestry Research (ICFR)
- Sirex Working Group
- Timber Industry Pesticide Working Group
- Forest Engineering South Africa (FESA)
- Food and Agricultural Bio-Technology Institute (FABI)
- South African Institute of Forestry
- Baboon Damage Working Group
- Lowveld Chamber of Business and Tourism (LCBT)
- Sabie Chamber of Commerce and Tourism
- Council for Scientific and Industrial Research (CSIR) Tree Breeding Platform
- Lowveld and Escarpment Fire Protection Association (LEFPA)
- Mpuluzi Fire Protection Association
- International Forest Stewardship Council (FSC)
- Economic Chamber Representative of National Initiative
- South African Bureau of Standards (SABS) Technical Committee
- Grassland Stewardship Programme
- Seedling Growers Association of South Africa

York is committed to contributing towards resolving sustainable development challenges that face our country and will continue to strive to:

- Improve safety procedures and practices;
- Improve environmental management practices; and
- Advance socio-economic transformation in South Africa

**Piet van Zyl**  
*Chief Executive Officer*



## CORPORATE GOVERNANCE REPORT



### INTRODUCTION

The business model of York Timber Holdings (“York”) is to maintain and grow mutually beneficial business relationships by ensuring that the Company provides its customers with quality and relevant products at market related prices to enable their ability to make a fair profit or achieve a fair return on investment.

York values fair trading which encompasses the values of accountability, transparency and integrity. Therefore, York’s commitment to good corporate governance is not simply compliance driven; it is the framework of the Company’s organisational culture and drives its business strategies. It is a dynamic commitment, which is responsive to the expectations of the Company’s stakeholders and infuses York’s stance as a responsible corporate citizen.

York maintains the highest standards of ethical behaviour in the way that it conducts its business. This value system is intended to guide the standard of behaviour that York applies in its interactions with all stakeholders, placing a special emphasis on its interactions with each other, its customers,

its shareholders, its suppliers and the communities in which York operates.

### COMPLIANCE WITH REGULATORY PROVISIONS

#### **Companies Act No 61 of 1973, the requirements of the JSE Limited and King III.**

York is subject to the ongoing disclosure, corporate governance and other requirements imposed by the Companies Act 61 of 1973, the requirements of the JSE Limited and the King III Report on Corporate Governance.

York has adhered to the statutory duties and responsibilities imposed by the Companies Act and the requirements of the JSE Limited.

To ensure that York’s corporate governance framework continues to be of a superior standard and that it remains aligned with governance best practice developments, the Board is in process of considering the implications of the key differences between the King II and the King III Codes.



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

### BOARD OF DIRECTORS

The Board of Directors 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 to fairly present the state of affairs of the Company and the Group. This is achieved through the maintenance and management of an effective risk management system, internal controls and the highest standard of corporate governance.

### BOARD CHARTER

A Board Charter, which regulates how business is to be conducted by the Board in accordance with the principle of good corporate governance, is in the process of being revised to consider the guidelines in King III.

### BOARD COMPOSITION

A key aspect of the Company's governance philosophy is that no one individual has unfettered powers of decision making. The Board is chaired by an independent, non-executive Chairman, Mr. James Patrick Myers. The role of the Chairman and the Chief Executive Officer remained separate throughout the year under review.

The composition of the board is based on competency carrying equal weight to independence in respect to York's affairs. The directors bring a wide range of expertise both commercial, technical and business acumen allowing them to exercise independent judgment in Board deliberations and decisions. A Board evaluation was conducted, and the overall outcome was that the current Board was performing in line with and in certain circumstances above expectation. This evaluation will be conducted annually and individual director performance appraisals will be carried out during this financial year.

As part of the stated intention of York to restructure and reposition the Group, the composition of the Board was also assessed and recommendations were made. The objective of the Board restructure is to align it more closely with the right sizing activities of the Company during the past year and to improve overall Board efficiency. The Board is also considering the King III recommendations. It is expected that the board restructure will be completed during the following year with further appointments of independent non-executive directors.

The Board of York at year-end comprised six (6) directors

- Independent non-executive director and chairman: James Patrick Myers
- Independent non-executive director: Gavin Robert Tipper
- Non-executive directors: Shakeel Ahmed Unus Meer and Paul Christopher Botha
- Chief Executive Officer: Pieter Prins van Zyl
- Chief Financial Officer: Duncan James Erskine

In line with the restructuring of the company, we decided to extend the philosophy to the composition of the Board and reduce the number of directors. Details of the resignations and appointments of directors appear on page 3.



## BOARD RESPONSIBILITIES

The Board is accountable to the stakeholders for exercising leadership, integrity and judgment 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:

- Approving the strategic direction of York
- Setting strategic objectives and key policies and ensuring communication of these to applicable management levels
- Monitoring the implementation of management's plans and strategies
- Reviewing and approving overall policies and processes to maintain the integrity of the Company's risk management and internal controls
- Determining and defining investment and performance criteria
- Reviewing and approving the annual business plan, budget and monitoring performance against budget
- Identifying and continually reviewing key risks, as well as the mitigation thereof by management, against a background of economic, environmental and social issues
- Monitoring of financial and internal control development
- Continually rating the Company's own performance relative to budgets, competitors and prevailing economic conditions
- Approving major capital expenditure programmes, significant acquisitions and disposals
- Approving investment, divestment, reinforcing and restructuring transactions
- Developing and implementing employment equity plans
- Developing and implementing employee remuneration plans including share scheme management
- Appointing the chief executive officer and monitoring succession plans; and
- Evaluating the performance of the Company's directors

## CHAIRMAN

York's chairman, Mr. Myers, is responsible for appraising the performance of the CEO and board of directors, at least once a year. The chairman's performance is evaluated on an annual basis. The role of the CEO and Chairman remains separate.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors contribute significantly at meetings.

The following criteria have been confirmed in terms of the independent non-executive directors and applies for the respective director. The same criteria will be applied in the future appointment of independent non-executive directors:

- The director is not a representative of any shareholder who has the ability to control or materially influence management or the board;
- The director holds less than 7.5% of the total issued share capital of the Company;
- The director was not employed by the Company or the Group in any executive capacity for the preceding three financial years;
- The director is not a member of the immediate family of an individual who is, or has been in any of the past three financial years, employed by the Company or the Group in an executive capacity;
- The director is not a professional adviser to the Company or the Group, other than in the capacity as a director;
- The director is not a supplier or material supplier to the Company or Group, or to the clients of the Group;
- The director has no material contractual relationship with the Company or Group; and
- The director is free from any business or other relationship which could be seen to materially interfere with the individual's capacity to act in an independent



manner. It is noted that participants in a share incentive scheme will not be regarded as independent.

### NON-EXECUTIVE DIRECTORS

The non-executive directors contribute significantly at meetings. They are not involved in the day-to-day operations of York nor are they fulltime salaried employees. They are all individuals of high calibre and credibility. Non-executive directors have unrestricted access to management. No non-executive director has a service contract enduring beyond a year and re-appointment is subject to performance and evaluation.

### EXECUTIVE DIRECTORS: CEO AND CFO

Whilst retaining overall accountability and subject to matters reserved to itself, the Board has delegated to the executive directors authority to conduct the day-to-day business of York. They are full time salaried employees of the Company. They are held accountable through regular reports to the Board and are measured against agreed performance criteria and objectives appropriate to the current stage in the business cycle and the prospects of each business unit.

In terms of their delegated authority the executive directors meet twice monthly as the Executive Committee of York and regularly interface 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.

### NOMINATION PROCEDURE

In line with York's documented procedure, each of the directors must have been separately identified by the Remuneration and Nomination Committee as persons with the required skills and experience to bring to bear on the strategy, performance, standard of conduct and resources of the Company. The Board as a whole, individually considers the nomination and values of those that will ensure diversity and full and free exchange amongst Board members. In line

with King III, all proposed candidates will be subject to background screening.

### ROTATION OF DIRECTORS

The rotation of directors is more fully governed in terms of section 15.1-15.5 of York's Articles. One third of the Board members are required to retire by rotation every year and, if eligible, are considered for reappointment at the annual general meeting. A retiring director shall act as a director throughout the meeting at which he retires.

### BOARD MEETING FREQUENCY AND ATTENDANCE

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 beginning of a calendar year and convened by formal notice incorporating a detailed agenda supported by relevant written proposals and comprehensive reports. Management aims to disseminate meaningful, relevant and complete information in a timely manner prior to Board meetings. The Board further received the reports of the chairpersons of the Audit and Risk, and Remuneration and Nomination committees. Where necessary, decisions are taken between Board meetings by written resolution as provided for in the Company's articles of association.

During the period under review meetings were held and attended as follows:

Key:	
Present	P
Absent	X
Apology	A
Alternate	AP
Invitee	I



## BOARD MEETING ATTENDANCE

Board	27-Aug 2009	15-Sep 2009	30-Sep 2009	17-Nov 2009	24-Mar 2010	09-Apr 2010	08-Jun 2010	Total
Jim Myers (Chair)	P	P	P	P	P	P	P	7
Andrew Bonamour	A	P	A	-	-	-	-	1
Richard Claunch	P	P	P	P	P	-	-	5
Simon Murray	P	P	A	-	-	-	-	2
Tlhopheho Modise	P	P	P	P	P	-	-	5
Shakeel Meer	P	P	P	A	A	P	P	5
Paul Botha	P	P	P	P	P	P	P	7
Pieter Odendaal	P	P	P	P	P	-	-	5
Gavin Tipper	-	-	-	-	-	-	P	1
Grathel Motau	X	X	P	-	-	-	-	1
Piet van Zyl - CEO	P	P	P	P	P	P	P	7
Duncan Erskine - CFO	P	P	P	P	P	P	P	7
Gay Mokoena - Exec dir	P	P	P	P	P	I	I	5

The Director fee structure remained the same as 2009. Full details of the emoluments are included in note 42 of the Consolidated Annual Financial Statements.

## 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 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 references are being reviewed to be aligned with the recommendations of King III.

All the sub-committees' chairpersons and members have unfettered access to the Chairperson of the Board and the Board as a whole. The sub-committees and or their respective members may freely meet with any York employee, manager and/or executive director and appoint independent consultants to obtain professional advice, at the Company's expense, to assist with the proper discharge of the sub-committee's responsibilities.

The chairperson of each Board sub-committee annually reports to the Board the extent and manner in which the particular committee has performed its mandate. The sub-committee is subject to regular evaluation by the board in regard to performance and effectiveness.



The following sub-committees were in operation in the financial year under review:

- Audit & Risk Committee
- Remuneration & Nomination Committee

### AUDIT AND RISK COMMITTEE

The Chairperson of the Audit and Risk Committee of the Company has pleasure in submitting this report, as required by section 269A and 270A of the Companies Act.

### MEMBERS

The current members of the Audit Committee are Gavin Robert Tipper (Chairman); Paul Christopher Botha and Shakeel Ahmed Unus Meer.

### TERMS OF REFERENCE

During the period under review the Audit and Risk Committee has satisfied its responsibilities in compliance with its Board approved terms of Reference.

### THE EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS.

The audit and risk committee confirmed that it has reviewed and discussed the annual financial statements with the

independent external auditors and Financial Director. Based on the Information provided to the Audit and Risk Committee by management and considering the Report of the Auditors, the Committee was satisfied that the Group complies, in all material respects, with the requirements of the Companies Act 61 of 1973, the Corporate Law Amendment Act 24 of 2006, International Financial Reporting Standards (IFRS) and the requirements of the JSE Limited.

After agreeing that the going concern premise was appropriate, the Audit and Risk committee has recommended the adoption of the annual financial statements by the Board at a meeting held on the 13th of September 2010. These financial statements will be open for discussion at the forthcoming annual general meeting.

### MEETINGS

The committee meets at least quarterly to examine and review the management accounts, interim results and annual financial statements of the company. Meetings are further attended by invitees, including the Chief Executive Officer, Chief Financial Officer, external and internal auditors. The Company Secretary acts as the Committee Secretary. In the period under review meetings were held and attended as follows:

Audit & Risk	14-Aug 2009	09-Sep 2009	08-Dec 2009	23-Feb 2010	Total
Paul Botha	P	P	P	P	4
Tlhophoho Modise	P	P	P	P	4
Andrew Bonamour	A	A	-	-	0
Grathel Motau (Chair)	P	P	-	-	2
Richard Claunch (Interim Chair)	-	-	P	P	2
Piet van Zyl - CEO	I	I	I	I	4
Duncan Erskine - CFO	I	I	I	I	4



### INTERNAL AUDIT FUNCTION

The financial control system is managed by means of ongoing analysis of segmental contributions that are consolidated into detailed management accounts. An independent firm performs an ongoing internal audit of York's operations and accounts. The aim is to have structures in place that monitor key risk areas and further strengthen management's ability to control, minimise and, where possible, avoid adverse risk. Internal Audit annually submits a work plan and reports at a senior level to the independent Chairperson of the Audit Committee.

### FINANCIAL DIRECTOR

As required by the JSE Listings Requirement 3.84(h), the Audit and Risk committee has satisfied itself that the Financial Director, Mr. Duncan James Erskine has appropriate expertise and experience to continue in his position as Financial Director.

### EXTERNAL AUDITORS

The external auditor has unrestricted access to the Audit and Risk committee, which ensures its independence, and that it is in no way impaired. The Audit and Risk Committee confirms that it has nominated the auditors for re-appointment. The Audit and Risk Committee has further evaluated the independence of KPMG Incorporated as the external auditors as required in terms of section 270A (5)(a)(b)(c)(d) and is satisfied that they have maintained their independence during the year. The committee has nominated for approval at the annual general meeting, KPMG as the external auditor for the 2011 financial year and Heinrich Mans as the designated auditor.

### ANNUAL AUDIT FEES

The approved normal annual audit fee for the financial period under review amounted to R2 500 000 (excluding VAT and disbursements) and was authorised by the Committee.

### NON AUDIT FEES

The audit committee set the principles for recommending the use of the external auditors for non-audit services. The board approved a non-audit service to be rendered by KPMG

for a fraud and ethics hotline in the amount of R18 000 (excl VAT) per annum.

All non-audit services remain subject to negotiation by management and the auditors. In the event that any non audit services exceed the pre-approved amounts, they will be reviewed and reapproved by the Audit and Risk Committee.

### RISK MANAGEMENT

The board as a whole currently performs the risk assessments of the Group and the Audit and Risk Committee oversees the management thereof.

### INSURANCE COVER

York maintains comprehensive insurance cover against plantation fire, all risk asset cover, business interruption and loss of profits. Its insurance cover is reviewed annually in consultation with brokers and industry experts. In addition, York, in consultation with its broker and insurer's representatives, conducts operation specific audits which are documented and used to systematically further reduce operational risk. These ongoing annual risk audits include the preparation of Fire Protection Plans for its various plantation regions.

The Board is satisfied that the Audit and Risk Committee has, in compliance with its terms of reference, performed its responsibilities for the period under review. The chairman of the Audit and Risk Committee, or in his absence, the other members of the audit and risk committee, will attend the annual general meeting to answer questions falling within the mandate of:

### THE REMUNERATION AND NOMINATION COMMITTEE

### ROLE AND RESPONSIBILITY

The Remuneration and Nomination Committee is mandated to develop and from time to time review the remuneration strategy of York and also to screen and recommend candidates for Board and other senior appointments. It further addresses issues relating to the performance



management policies of the Company. The Committee discharges its responsibilities with the assistance of independent remuneration consultants (and their reports based on industry comparatives). The Committee reports its recommendations to the Board which, as a whole, considers the Committee's proposals.

The Chairperson of the Remuneration and Nomination Committee of the Company has pleasure in submitting this report.

### MEMBERS

The current members of the Remuneration and Nomination Committee are James Patrick Myers (Chairman); Paul Christopher Botha and Shakeel Ahmed Unus Meer.

### TERMS OF REFERENCE

During the period under review the Remuneration and Nomination Committee has satisfied its responsibilities in compliance with its Board approved terms of Reference.

### MEETINGS

The Remuneration and Nomination Committee meets at least three times a year. Meetings are further attended by invitees, including the Chief Executive Officer, who is not entitled to vote. None of the executive directors participate in discussions regarding their own remuneration. The Company Secretary acts as the Committee Secretary. In the period under review, meetings were held and attended as follows:

Remuneration & Nomination	15-Aug 2009	22-Oct 2009	12-Nov 2009	Total
Jim Myers (Chair)	P	P	P	3
Richard Claunch	P	P	P	3
Simon Murray	P	-	-	1
Shakeel Meer	A	P	P	2
Paul Botha	P	P	P	1
Piet van Zyl - CEO - Invitee	-	-	1	1

### REMUNERATION POLICIES

Yorks' remuneration policies are designed with the intention of ensuring the achievement of the Company's objectives and encourage sustainable long-term performance. Remuneration is linked to corporate and individual performance and reviewed at appropriate intervals to motivate employees to perform to a required standard and to retain their services by offering and maintaining market-related remuneration in line with their performance.

The Remuneration & Nomination Committee ensures that the executive directors' remuneration mix, in respect of guaranteed remuneration, performance bonuses and long-term incentive plans, is appropriate so as to align the directors' interest with those of shareholders.

The Committee recommends the basis for the non-executive directors' fees and reviews the process for annual salary increases and adjustments when appropriate. The fees payable to non-executive directors are in turn subject to the approval of the shareholders of Yorks in general meetings.



The executive directors' remuneration packages, including performance and other bonuses, incentive programme costs, retirement and medical aid contributions and other costs of employment are detailed on page 90 of this report.

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

In the spirit of an optimised and integrated approach to the business, the Board has made the decision to restructure the sub-committees. The sub-committees are now:

1) **Audit Committee**

Continues with the Audit portion of the mandate

2) **Risk and Innovation Committee**

Takes a more structured and focused approach to the review of risk as per the risk portion of the previous mandate. In addition it provides for innovation aspects to support efforts in developing a corporate-wide program to advance the application of creativity and innovation throughout the group and all aspects of its commercial, manufacturing and commercial transactions

3) **Remuneration and Nomination Committee**

Continues with the same mandate as the previously named Remuneration and Nomination Committee

## DEALING 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 the securities of York. The Board of Directors is in the process of reviewing the Share Trading Policy and Rules to ensure that it aligns with the latest legislation.

The policy and rules mirror the provisions of the Securities Services Act 36 of 2004 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, 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 Chairperson of the Board and in the case of the Chairperson, from the Chairperson of the Audit Committee or alternatively, the majority of the other directors serving on the Board. The closed periods are from 31st December to the date of publication of the interim results; from 1st 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 under a cautionary announcements.

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

## 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 234 of the Companies Act No 61 of 1973. 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 were 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 interaction with the Company. York has a documented Code of Ethics and Business Conduct which commits each director and employee to the vision of growing value for the stakeholders of York. The code of conduct addresses a broad range of statutory obligations accepted and best practice requirements.

## FAIR BUSINESS PRACTICES

York subscribes to the principles regulating fair business practices set out in the Competition Act 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 which amounts to collusive conduct amongst parties or with other persons.

### **CORPORATE REPORTING, STAKEHOLDER COMMUNICATION AND RELATIONSHIPS**

York's standard of corporate reporting has been recognised by inclusion in the Financial Mail Roll of Honour for companies and the Company has won its annual report trophy more than three times. The Company has also been recognised by way of awards for excellence in corporate reporting given by the South African Institute of Chartered Accountants and the Institute of Chartered Secretaries of South Africa.

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

Shareholders are invited and encouraged to attend the annual special meetings of the Company where voting is conducted by ballot (refer to the notice to shareholders on page 99 of this annual report for detailed instructions).

York is involved with several groups and recognised associations in the timber industry and actively engages stakeholders on any number of issues affecting the Company and its interaction with stakeholders in the communities in which it operates. Details of York's involvement are reported in the Sustainability report on page 15

### **COMPANY SECRETARY AND ACCESS TO PROFESSIONAL ADVICE**

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 its duties in accordance with the Companies Act, the JSE Listings Requirements and the Provisions of the King III Report 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.

The Company Secretary is principally responsible for ensuring compliance with the Companies Act No 61 of 1973 and 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 maintained.

Together with the Chairperson of the Board, the Company Secretary is involved in the flow of information within the Board and its committees and between Board and Senior Management. Directors and affected persons keep the Company Secretary advised of dealings in securities of the Company according to York's Share Trading Policy and Rules as well as of their material interest in contracts with the Company.

### **CONTINUED GOING CONCERN**

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

### **Certificate of the Chairman and the Company Secretary in terms of section 268(G)(d) of the Companies Act (as amended) and Schedule 8 of the JSE Listings Requirements (as amended)**

The Company Secretary hereby certifies, in terms of Section 268 (G)(d) of the Companies Act, that to the best of its knowledge the Company has lodged with the Registrar of Companies all returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up-to-date and that all legal requirements have been fulfilled.

The Chairman and Company Secretary hereby certify that to the best of their knowledge, judgement, belief and after due and careful enquiry, the Company has complied, where applicable, with the requirements of schedule 8 of the requirements of the JSE Limited.

**Jim Myers**  
*Chairman*

**Melinda van den Berg**  
*Company Secretary*



# CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS CONTENTS

The reports and statements set out below comprise the Consolidated and Separate Financial Statements presented to the shareholders:

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## **YORK TIMBER HOLDINGS LIMITED**

**Consolidated  
and Separate Financial  
Statements for the year  
ended 30 June 2010**



## GENERAL INFORMATION

Country of incorporation and domicile	Republic of South Africa
Nature of business and principal activities	Commercial forestry, softwood sawmilling, plywood manufacture and trade in timber products
Directors	<p>JP Myers (Chairman)</p> <p>AD Bonamour Resigned 05 October 2009</p> <p>PC Botha</p> <p>RS Claunch Resigned 24 March 2010</p> <p>DJ Erskine (CFO)</p> <p>SAU Meer</p> <p>TJ Modise Resigned 24 March 2010</p> <p>TG Mokoena Resigned 24 March 2010</p> <p>G Motau Resigned 05 October 2009</p> <p>SG Murray Resigned 05 October 2009</p> <p>PB Odendaal Resigned 24 March 2010</p> <p>GR Tipper Appointed 12 May 2010</p> <p>PP van Zyl (CEO)</p>
Registered office and business address	<p>York Corporate Office</p> <p>3 Main Street, Sabie, 1260</p>
Postal address	PO Box 1191, Sabie, 1260
Corporate sponsors	<p>Barnard Jacobs Mellett Corporate Services (Pty) Ltd</p> <p>BJM House, 24 Fricker Road</p> <p>Illovo Corner, Illovo</p> <p>PO Box 62200, Marshalltown, 2107</p>
Transfer secretaries	<p>Computershare Investor Services (Pty) Ltd</p> <p>Ground Floor, 70 Marshall Street</p> <p>Johannesburg, 2001</p> <p>PO Box 61051, Marshalltown, 2107</p>
Bankers	<p>First National Bank: A Division of First Rand Limited</p> <p>The Standard Bank of South Africa Limited</p>
Auditors	<p>KPMG Incorporated</p> <p>Chartered Accountants (SA)</p> <p>Registered Auditors</p>
Company Secretary	Fusion Corporate Secretarial Services (Pty) Ltd
Company registration number	1916/004890/06
Tax reference number	9225/039/71/9
VAT reference number	4030/103/47/9



## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF YORK TIMBER HOLDINGS LIMITED

We have audited the group annual financial statements and the annual financial statements of York Timber Holdings Limited, which comprise the statements of financial position as at 30 June 2010, and the statements of comprehensive income, statements of changes in equity and statements of 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, and the directors' report, as set out on pages 35 to 98.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Consolidated and Separate Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### 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 Consolidated and Separate 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 auditors' 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 Consolidated 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 Consolidated 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of York Timber Holdings Limited as at 30 June 2010, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

### KPMG Incorporated

Registered Auditor

Per: Heinrich Mans  
Chartered Accountant (SA)  
Registered Auditor  
Director  
20 September 2010

Suite 501, The Pinnacle  
1 Parkin Street  
Nelspruit  
1200



## DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of York Timber Holdings Limited, comprising the statements of financial position at 30 June 2010, and the statements of comprehensive income, the statements of changes in equity and statements of 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 in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Group and Company's ability to continue as a going concern and have no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group annual financial statements and annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

### **APPROVAL OF THE GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS**

The group annual financial statements and annual financial statements of York Timber Holdings Limited, as identified in the first paragraph, were approved by the board of directors on 13 September 2010 and are signed on its behalf by:

**JP Myers (Chairman)**

*Director*

**PP van Zyl (CEO)**

*Director*



## DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2010

The directors submit their report for the year ended 30 June 2010.

### 1. REVIEW OF ACTIVITIES

#### Main business and operations

The Group is engaged in commercial forestry, softwood sawmilling, plywood manufacture and trade in timber products and operates principally in South Africa.

The operating results and state of affairs of the Group are fully set out in the attached Consolidated and Separate Financial Statements and do not in our opinion require any further comment.

The Group incurred a net profit of R 64,626 million (2009: net loss of R 231,920 million).

### 2. GOING CONCERN

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

### 3. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material matter or circumstance arising since the end of the financial year.

### 4. AUTHORISED AND ISSUED SHARE CAPITAL

The Company made changes to its authorised and issued share capital during the year under review.

The Company issued 250 million ordinary shares through a rights offer at an issue price of R2 per share. The rights offer was announced on 20 November 2009 in the ratio of 307.72792 rights offer shares for every 100 York shares held at the close of business on 20 November 2009.

2,871 million convertible, non-redeemable cumulative preference shares were converted into ordinary shares at 24 June 2010 on a one-to-one basis.

As a result of the above issues and conversions, share premium of R 478,464 million was raised after accounting for share issue expenses.

### 5. BORROWING LIMITATIONS

In terms of the Articles of Association of the Company, the directors may exercise all the powers of the Company to borrow money, as they consider appropriate. The Company and its subsidiaries' borrowings are not limited by their respective Articles of Association.

Due to the issue of additional share capital during the year the gearing ratio decreased to 23.0% from 44.0% at the previous year end.

### 6. DIVIDENDS

No dividends were declared or paid to shareholders during the year.



## DIRECTORS' REPORT CONTINUED

### 7. DIRECTORS

The directors of the Company during the year and to the date of this report are as follows:

Name	Nationality	Changes
JP Myers (Chairman)	United States of America	
AD Bonamour	South African	Resigned 05 October 2009
PC Botha	South African	
RS Claunch	United States of America	Resigned 24 March 2010
DJ Erskine (CFO)	South African	
SAU Meer	South African	
TJ Modise	South African	Resigned 24 March 2010
TG Mokoena	South African	Resigned 24 March 2010
G Motau	South African	Resigned 05 October 2009
SG Murray	South African	Resigned 05 October 2009
PB Odendaal	South African	Resigned 24 March 2010
GR Tipper	South African	Appointed 12 May 2010
PP van Zyl (CEO)	South African	

### 8. DIRECTORS' SHAREHOLDINGS

The interests of the directors in the ordinary share capital of the Company in terms of paragraph 3.83 and 8.63(d) of the JSE Limited Listing Requirements are listed below. There were no changes to the directors' shareholdings subsequent to the financial year and the date of approving these annual financial statements.

#### Direct beneficial interest

Name	2010 '000	2010 %	2009 '000	2009 %
DJ Erskine	43	0.01	-	NIL
TG Mokoena	40	0.01	40	0.05
GR Tipper	37	0.01	-	NIL
PP van Zyl	89	0.03	-	NIL



**Indirect beneficial interest**

Name	2010	2010	2009	2009
	'000	%	'000	%
AD Bonamour	-	nil	7	0.01

**9. SHAREHOLDERS' PROFILE**

As at 30 June 2010 the shareholders' profile was as follows:

Shareholder analysis	Number of shareholders	%	Number of shares	%
1 - 1 000 shares	287	24.96	139 190	0.04
1 001 - 10 000 shares	495	43.04	2 007 706	0.61
10 001 - 100 000 shares	247	21.48	8 253 228	2.49
100 001 - 1 000 000 shares	82	7.13	24 381 364	7.36
1 000 001 shares and over	39	3.39	296 459 109	89.50
	1 150	100	331 240 597	100

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Banks	6	0.52	220 422	0.07
Brokers	4	0.35	510 199	0.15
Close corporations	17	1.48	173 700	0.05
Endowment funds	10	0.87	1 504 434	0.45
Individuals	884	76.87	14 628 246	4.42
Insurance companies	4	0.35	2 710 826	0.82
Investment companies	7	0.61	121 415 420	36.66
Medical aid schemes	8	0.70	1 005 994	0.30
Mutual funds	59	5.13	116 309 349	35.11
Nominees and trusts	61	5.30	5 881 862	1.78
Other corporations	9	0.78	93 901	0.03
Pension funds	46	4.00	21 850 855	6.60
Private companies	29	2.52	44 740 665	13.51
Public companies	5	0.43	146 524	0.04
Share trust	1	0.09	48 200	0.01
	1 150	100	331 240 597	100



DIRECTORS' REPORT CONTINUED

**9. SHAREHOLDERS' PROFILE CONTINUED**

	Number of shareholders	%	Number of shares	%
<b>Non-public/Public shareholders</b>				
<b>Non-public shareholders</b>				
- Directors of the Company holdings	3	0.26	168 620	0.05
- Share trust	1	0.09	48 200	0.01
- Strategic holdings (more than 10%)	1	0.09	95 136 513	28.72
<b>Public shareholders</b>				
- Public shareholders	1 145	99.56	235 887 264	71.22
	1 150	100	331 240 597	100

<b>Beneficial shareholders holding 3% or more</b>	<b>Number of shares</b>	<b>%</b>
Industrial Development Corporation	95 136 513	28.72
Lereko Metier Capital Growth Fund	53 449 188	16.14
Bridge Creek Trading 10 (Pty) Ltd	29 356 410	8.86
Corocapital Ltd - Private Equity	21 673 398	6.54
Corolife Special Opportunities Portfolio	15 828 650	4.78
Auburn Avenue Trading 55 (Pty) Ltd	11 416 382	3.45

<b>Breakdown of non-public holdings</b>	<b>Number of shares</b>	<b>%</b>
PP van Zyl	88 757	0.03
DJ Erskine	42 700	0.01
GR Tipper	37 163	0.01
	168 620	0.05

**10. SECRETARY**

JF Dekker resigned as secretary of the Company on 09 February 2010 and Fusion Corporate Services (Pty) Ltd was appointed in his stead.

**11. INTEREST IN SUBSIDIARIES**

Details of the Company's investment in subsidiaries are set out in note 10.



## 12. SPECIAL RESOLUTIONS

During the year, the following special resolutions were passed by York Timber Holdings Limited:

### **Increase of Authorised Share Capital**

Resolved that the Company's authorised share capital be and is hereby increased from 100 000 000 (one hundred million) ordinary shares of 5 cents each to 600 000 000 (six hundred million) ordinary shares of 5 cents each by the creation of an additional 500 000 000 (five hundred million) ordinary shares of 5 cents each, in accordance with the provisions of section 75(1) of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Companies Act").

### **Amendments to the Articles of Association**

To allow for the earlier conversion of the voting convertible non-redeemable cumulative preference shares.

### **Buy back of shares**

Resolved that a general approval as contemplated in sections 85(2), 85(3) and 89 of the Companies Act and in terms of the Company's Articles of Association, is granted for the acquisition by the Company or any of its subsidiaries from time to time of 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 Articles of Association of the Company, the provisions of the Act and the Listings requirements of the JSE, as presently constituted and which may be amended from time to time.

## 13. AUDITORS

KPMG Incorporated will continue in office in accordance with section 270(2) of the Companies Act.

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Notes	Group		Company	
		2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>Assets</b>					
<b>Non-Current Assets</b>					
Biological assets	5	1 562 936	1 492 002	—	—
Investment property	6	24 740	5 020	—	—
Property, plant and equipment	7	420 184	429 456	12	712
Goodwill	8	565 442	610 352	—	—
Intangible assets	9	2 691	2 984	—	—
Investments in subsidiaries at cost held by the Company	10	—	—	1 119 052	1 119 052
Loans to group companies	11	—	—	1 222 968	602 640
Other financial assets	12	1 345	3 911	1 345	629
Deferred tax	13	—	—	3 587	655
		<b>2 577 338</b>	<b>2 543 725</b>	<b>2 346 964</b>	<b>1 723 688</b>
<b>Current Assets</b>					
Biological assets	5	358 738	246 369	—	—
Instalment sale receivables	14	606	1 854	—	—
Inventories	16	138 040	226 467	—	—
Trade and other receivables	17	104 334	117 999	1 855	940
Cash and cash equivalents	18	84 493	124 422	42	114
Current tax receivable		3 503	—	—	—
		<b>689 714</b>	<b>717 111</b>	<b>1 897</b>	<b>1 054</b>
<b>Total Assets</b>		<b>3 267 052</b>	<b>3 260 836</b>	<b>2 348 861</b>	<b>1 724 742</b>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Share capital	21	16 562	3 919	16 562	3 919
Share premium	21	1 505 352	1 026 888	1 505 352	1 002 622
Reserves		(26 236)	(88 438)	437	10 267
Retained income		471 863	407 237	822 138	663 763
		<b>1 967 541</b>	<b>1 349 606</b>	<b>2 344 489</b>	<b>1 680 571</b>
<b>Liabilities</b>					
<b>Non-Current Liabilities</b>					
Cash settled share based payment	22	2 104	50	2 104	50
Deferred tax	13	409 510	414 974	—	—
Retirement benefit obligation	15	22 463	20 200	—	—
Other financial liabilities	24	612 317	1 061 543	—	28 217
Finance lease obligation	25	13 245	23 252	—	—
Provisions	27	55 496	54 643	—	—
Instalment sale liability	26	917	2 907	—	—
		<b>1 116 052</b>	<b>1 577 569</b>	<b>2 104</b>	<b>28 267</b>
<b>Current Liabilities</b>					
Other financial liabilities	24	51 698	97 819	—	—
Finance lease obligation	25	2 278	3 438	—	—
Instalment sale liability	26	1 515	1 781	—	—
Current tax payable		369	5 424	854	854
Provisions	27	285	—	—	—
Trade and other payables	28	127 314	225 199	1 414	15 050
		<b>183 459</b>	<b>333 661</b>	<b>2 268</b>	<b>15 904</b>
<b>Total Liabilities</b>		<b>1 299 511</b>	<b>1 911 230</b>	<b>4 372</b>	<b>44 171</b>
<b>Total Equity and Liabilities</b>		<b>3 267 052</b>	<b>3 260 836</b>	<b>2 348 861</b>	<b>1 724 742</b>



STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Group		Company	
		2010 R '000	2009 R '000	2010 R '000	2009 R '000
Revenue	30	909 361	1 095 290	—	—
Cost of sales		(559 244)	(762 223)	—	—
<b>Gross profit</b>		<b>350 117</b>	<b>333 067</b>	<b>—</b>	<b>—</b>
Other operating income		19 962	9 566	3 171	4 203
Selling, general and administration expenses		(300 815)	(322 134)	(6 015)	(4 021)
<b>Operating profit/(loss) before separately disclosed items</b>		<b>69 264</b>	<b>20 499</b>	<b>(2 844)</b>	<b>182</b>
<b>Separately disclosed items</b>					
Insurance proceeds		8 519	158 731	—	—
(Impairment)/Reversal of impairment of assets		(42 598)	(43 390)	147 976	(158 220)
<b>Operating profit/(loss)</b>	<b>31</b>	<b>35 185</b>	<b>135 840</b>	<b>145 132</b>	<b>(158 038)</b>
Restructuring costs		(333)	(18 735)	—	—
Fair value adjustments	33	200 269	(244 598)	—	—
Loss on non-current assets held for sale	20	—	(373)	—	—
<b>Profit/(loss) before finance costs</b>		<b>235 121</b>	<b>(127 866)</b>	<b>145 132</b>	<b>(158 038)</b>
Investment income	32	2 810	13 133	331	145
Finance costs excluding hedge interest expense	34	(107 978)	(173 312)	9 880	(3 990)
Hedge interest expense (paid)		(16 791)	(18 266)	—	—
Hedge interest expense (ineffective portion)		(23 015)	(6 316)	—	—
Hedge interest expense (due to early settlement)		(29 577)	—	—	—
<b>Profit/(loss) before taxation</b>		<b>60 570</b>	<b>(312 627)</b>	<b>155 343</b>	<b>(161 883)</b>
Taxation	35	4 056	80 707	3 032	286
<b>Profit/(loss) for the year</b>		<b>64 626</b>	<b>(231 920)</b>	<b>158 375</b>	<b>(161 597)</b>
<b>Other comprehensive income/(loss)</b>					
Available-for-sale financial assets adjustments		716	40	716	40
Effects of cash flow hedges		52 499	(89 545)	—	—
Taxation related to components of other comprehensive income		10 273	—	(100)	—
<b>Other comprehensive income/(loss) for the year net of taxation</b>		<b>63 488</b>	<b>(89 505)</b>	<b>616</b>	<b>40</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>128 114</b>	<b>(321 425)</b>	<b>158 991</b>	<b>(161 557)</b>
<b>Profit/(loss) attributable to:</b>					
Owners of the parent		64 626	(231 920)	158 375	(161 597)
Non-controlling interest		—	—	—	—
		<b>64 626</b>	<b>(231 920)</b>	<b>158 375</b>	<b>(161 597)</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the parent		128 114	(321 425)	158 991	(161 557)
Non-controlling interest		—	—	—	—
		<b>128 114</b>	<b>(321 425)</b>	<b>158 991</b>	<b>(161 557)</b>
<b>Earnings/(loss) per share</b>					
Basic earnings/(loss) per share (cents)	45	30	(296)		
Diluted earnings/(loss) per share (cents)	45	30	(296)		



STATEMENTS OF CHANGES IN EQUITY  
AS AT 30 JUNE 2010

	Share capital R '000	Share premium R '000	Total share capital R '000	Hedging reserve R '000	Fair value adjustment assets- available- for-sale reserve R '000	Share based payment reserve R '000	Total reserves R '000	Retained income R '000	Total equity R '000
<b>GROUP</b>									
<b>Balance at</b>									
<b>1 July 2008</b>	<b>3 919</b>	<b>1 002 622</b>	<b>1 006 541</b>	<b>—</b>	<b>(219)</b>	<b>10 446</b>	<b>10 227</b>	<b>638 900</b>	<b>1 655 668</b>
<b>Total comprehensive (loss)/income for the year</b>									
Loss for the year	—	—	—	—	—	—	—	(231 920)	(231 920)
<b>Other comprehensive (loss)/income</b>									
Change in fair value of cash flow hedges, net of tax	—	—	—	(89 545)	—	—	(89 545)	—	(89 545)
Change in fair value of available-for-sale financial assets, net of tax	—	—	—	—	40	—	40	—	40
Total other comprehensive (loss)/income	—	—	—	(89 545)	40	—	(89 505)	—	(89 505)
<b>Total comprehensive (loss)/income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(89 545)</b>	<b>40</b>	<b>—</b>	<b>(89 505)</b>	<b>(231 920)</b>	<b>(321 425)</b>
<i>Transactions with owners recorded directly in equity</i>									
<b>Contributions by and distributions to owners</b>									
Share premium raised due to consolidation of treasury shares	—	24 266	24 266	—	—	—	—	—	24 266
Reversal of share based payment reserve	—	—	—	—	—	(9 160)	(9 160)	—	(9 160)
Dividends declared and not claimed	—	—	—	—	—	—	—	257	257
<b>Total transactions with owners</b>	<b>—</b>	<b>24 266</b>	<b>24 266</b>	<b>(89 545)</b>	<b>40</b>	<b>(9 160)</b>	<b>(98 665)</b>	<b>(231 663)</b>	<b>(306 062)</b>
<b>Balance at 30 June 2009</b>	<b>3 919</b>	<b>1 026 888</b>	<b>1 030 807</b>	<b>(89 545)</b>	<b>(179)</b>	<b>1 286</b>	<b>(88 438)</b>	<b>407 237</b>	<b>1 349 606</b>



	Share capital R '000	Share premium R '000	Total share capital R '000	Hedging reserve R '000	Fair value adjustment assets-available-for-sale reserve R '000	Share based payment reserve R '000	Total reserves R '000	Retained income R '000	Total equity R '000
<b>GROUP</b>									
<b>Balance at 1 July 2009</b>	<b>3 919</b>	<b>1 026 888</b>	<b>1 030 807</b>	<b>(89 545)</b>	<b>(179)</b>	<b>1 286</b>	<b>(88 438)</b>	<b>407 237</b>	<b>1 349 606</b>
<b>Total comprehensive income for the year</b>									
Profit for the year	—	—	—	—	—	—	—	64 626	64 626
<b>Other comprehensive income</b>									
Change in fair value of cash flow hedges, net of tax	—	—	—	62 872	—	—	62 872	—	62 872
Change in fair value of available-for-sale financial assets, net of tax	—	—	—	—	616	—	616	—	616
Total other comprehensive income	—	—	—	62 872	616	—	63 488	—	63 488
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>62 872</b>	<b>616</b>	<b>—</b>	<b>63 488</b>	<b>64 626</b>	<b>128 114</b>
<i>Transactions with owners recorded directly in equity</i>									
<b>Contributions by and distributions to owners</b>									
Issue of shares through rights issue	12 500	487 500	500 000	—	—	—	—	—	500 000
Share issue costs written off against share premium	—	(12 844)	(12 844)	—	—	—	—	—	(12 844)
Increase of share based payment reserve	—	—	—	—	—	9 160	9 160	—	9 160
Reversal of share premium due to disposal of treasury shares	—	(24 266)	(24 266)	—	—	—	—	—	(24 266)
Conversion of preference shares into ordinary shares	143	28 074	28 217	—	—	(10 446)	(10 446)	—	17 771
<b>Total transactions with owners</b>	<b>12 643</b>	<b>478 464</b>	<b>491 107</b>	<b>62 872</b>	<b>616</b>	<b>(1 286)</b>	<b>62 202</b>	<b>64 626</b>	<b>489 821</b>
<b>Balance at 30 June 2010</b>	<b>16 562</b>	<b>1 505 352</b>	<b>1 521 914</b>	<b>(26 673)</b>	<b>437</b>	<b>—</b>	<b>(26 236)</b>	<b>471 863</b>	<b>1 967 541</b>
Notes	21	21	21	23					



STATEMENTS OF CHANGES IN EQUITY CONTINUED

	Share capital R '000	Share premium R '000	Total share capital R '000	Hedging reserve R '000	Fair value adjustment assets- available- for-sale reserve R '000	Share based payment reserve R '000	Total reserves R '000	Retained income R '000	Total equity R '000
<b>COMPANY</b>									
<b>Balance at</b>									
<b>1 July 2008</b>	3 919	1 002 622	1 006 541	—	(219)	10 446	10 227	825 103	1 841 871
<b>Total comprehensive (loss)/income for the year</b>									
Loss for the year	—	—	—	—	—	—	—	(161 597)	(161 597)
<b>Other comprehensive income</b>									
Change in fair value of available-for-sale financial assets, net of tax	—	—	—	—	40	—	40	—	40
Total other comprehensive income	—	—	—	—	40	—	40	—	40
<b>Total comprehensive income/(loss) for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>40</b>	<b>—</b>	<b>40</b>	<b>(161 597)</b>	<b>(161 557)</b>
<i>Transactions with owners recorded directly in equity</i>									
<b>Contributions by and distributions to owners</b>									
Dividends declared and not claimed	—	—	—	—	—	—	—	257	257
<b>Total transactions with owners</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>40</b>	<b>—</b>	<b>40</b>	<b>(161 340)</b>	<b>(161 300)</b>
<b>Balance at 30 June 2009</b>	<b>3 919</b>	<b>1 002 622</b>	<b>1 006 541</b>	<b>—</b>	<b>(179)</b>	<b>10 446</b>	<b>10 267</b>	<b>663 763</b>	<b>1 680 571</b>



	Share capital R '000	Share premium R '000	Total share capital R '000	Hedging reserve R '000	Fair value adjustment assets- available- for- sale reserve R '000	Share based payment reserve R '000	Total reserves R '000	Retained income R '000	Total equity R '000
<b>COMPANY</b>									
<b>Balance at 1 July 2009</b>	<b>3 919</b>	<b>1 002 622</b>	<b>1 006 541</b>	<b>—</b>	<b>(179)</b>	<b>10 446</b>	<b>10 267</b>	<b>663 763</b>	<b>1 680 571</b>
<b>Total comprehensive income for the year</b>									
Profit for the year	—	—	—	—	—	—	—	158 375	158 375
<b>Other comprehensive income</b>									
Change in fair value of available-for-sale financial assets, net of tax	—	—	—	—	616	—	616	—	616
Total other comprehensive income	—	—	—	—	616	—	616	—	616
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>616</b>	<b>—</b>	<b>616</b>	<b>158 375</b>	<b>158 991</b>
<i>Transactions with owners recorded directly in equity</i>									
<b>Contributions by and distributions to owners</b>									
Issue of shares through rights issue	12 500	487 500	500 000	—	—	—	—	—	500 000
Share issue costs written off against share premium	—	(12 844)	(12 844)	—	—	—	—	—	(12 844)
Conversion of preference shares into ordinary shares	143	28 074	28 217	—	—	(10 446)	(10 446)	—	17 771
<b>Total transactions with owners</b>	<b>12 643</b>	<b>502 730</b>	<b>515 373</b>	<b>—</b>	<b>616</b>	<b>(10 446)</b>	<b>(9 830)</b>	<b>158 375</b>	<b>504 927</b>
<b>Balance at 30 June 2010</b>	<b>16 562</b>	<b>1 505 352</b>	<b>1 521 914</b>	<b>—</b>	<b>437</b>	<b>—</b>	<b>437</b>	<b>822 138</b>	<b>2 344 489</b>
Notes	21	21	21	23					



STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Group		Company	
		2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>Cash flows from operating activities</b>					
Cash receipts from customers		1 050 337	1 160 930	2 689	1 044
Cash paid to suppliers and employees		(948 469)	(939 983)	(17 955)	(2 157)
Cash generated from/(utilised in) operations	37	101 868	220 947	(15 266)	(1 113)
Investment income		2 111	13 133	331	145
Finance costs		(129 665)	(168 549)	(566)	(3 990)
Tax received/(paid)	38	1 594	(2 999)	—	—
<b>Net cash from operating activities</b>		<b>(24 092)</b>	<b>62 532</b>	<b>(15 501)</b>	<b>(4 958)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(17 095)	(130 604)	—	—
Sale of property, plant and equipment		933	989	625	—
Purchase of other intangible assets	9	(457)	(3 662)	—	—
Withdrawal from/(contribution to) self insurance fund		3 282	(2 108)	—	—
Decrease in investments in subsidiaries		—	—	—	200
Proceeds from sale of non-current assets held for sale		—	650	—	—
Decrease in loans and receivables		—	98	—	—
<b>Net cash from investing activities</b>		<b>(13 337)</b>	<b>(134 637)</b>	<b>625</b>	<b>200</b>
<b>Cash flows from financing activities</b>					
Proceeds on share issue	21	12 643	—	12 643	—
Increase in share premium	21	491 308	24 266	515 574	—
Share issue cost deducted from share premium	21	(12 844)	—	(12 844)	—
Redemption of redeemable preference shares	21	—	(16 537)	—	—
Net movement on other financial liabilities		(481 432)	(30 279)	(28 217)	—
(Increase to)/proceeds from loans from group companies		—	—	(472 352)	4 696
Movement in instalment sale liability		(2 256)	(1 631)	—	—
Movement in finance obligations		(11 167)	(2 829)	—	—
Movement in instalment sale receivable		1 248	999	—	—
<b>Net cash from financing activities</b>		<b>(2 500)</b>	<b>(26 011)</b>	<b>14 804</b>	<b>4 696</b>
<b>Total cash movement for the year</b>		<b>(39 929)</b>	<b>(98 116)</b>	<b>(72)</b>	<b>(62)</b>
Cash at the beginning of the year		124 422	222 538	114	176
<b>Total cash at end of the year</b>	18	<b>84 493</b>	<b>124 422</b>	<b>42</b>	<b>114</b>



## ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2010

### 1. REPORTING ENTITY

York Timber Holdings Limited ("York" or "the Company") is a company domiciled and incorporated in the Republic of South Africa.

The annual financial statements of the Group for the year ended 30 June 2010 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 of commercial forestry, softwood sawmilling, plywood manufacture and trade in timber products.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the AC500 standards as issued by the Auditing Practices Board ("APB") and the Companies Act of South Africa, 1973. The annual financial statements were approved by the Board of Directors on 13 September 2010.

#### 2.2 Basis of measurement

The 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
- the defined benefit liability is recognised as the net total of the unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

#### 2.3 Functional and presentation currency

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

#### 2.4 Significant judgements and sources of estimation uncertainty

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

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

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

- note 5 - Biological assets
- note 6 - Investment property
- note 7 - Property, plant and equipment
- note 8 - Goodwill
- note 12 - Other financial assets
- note 15 - Retirement benefits
- note 17 - Trade and other receivables
- note 27 - Provisions
- note 40 - Contingencies



## 2.5 Changes in accounting policies

### 2.5.1 Overview

The accounting policies set out below have been applied consistently to all periods presented in these annual financial statements, except for the following areas where the Group has changed its accounting policies:

- Presentation of financial statements
- Accounting for borrowing costs
- Additional disclosure for financial instruments
- Determination and presentation of operating segments
- Accounting for acquisitions of non-controlling interests
- Accounting for business combinations

### 2.5.2 Presentation of financial statements.

The Group applied revised IAS 1 *Presentation of Financial Statements (2007)*, which became effective as of 1 July 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

IAS 1 introduces the concept of comprehensive income. Comprehensive income is all income earned, net of related costs, which is currently shown in both the income statement and statement of changes in equity, other than transactions directly with owners. The main change in the revised IAS 1 is a requirement to present all non-owner changes in equity, for example foreign currency translation reserve movements, as follows:

- in a single statement of comprehensive income (which includes income statement line items), or
- in a statement of comprehensive income (which includes only non-owner equity changes). In addition an income statement is disclosed.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects there is no impact on earnings per share.

### 2.5.3 Accounting for borrowing costs

This change in accounting policy was due to the adoption of IAS 23 *Borrowing Costs (2007)*. In accordance with the transitional provisions of such standard, in respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 July 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Previously the Group immediately recognised all borrowing costs as an expense. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Since the Group did not incur any borrowing costs on qualifying assets during the year ended 30 June 2010, the change in accounting policy had no impact on assets, profits or earnings per share.

### 2.5.4 Additional disclosure for financial instruments

The Group adopted the amendments to IFRS 7 for the first time on 1 July 2009. In terms of the amendments additional disclosure will be provided on the fair value measurement disclosures for financial instruments and the liquidity risk disclosures for financial liabilities.

### 2.5.5 Determination and presentation of operating segments

As of 1 July 2009, the Group determines and presents operating segments based on the information that internally is provided to the Group's chief operating decision maker ("CODM"). This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows:

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 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.

Comparative segment information needs to be re-presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

#### 2.5.6 Accounting for acquisition of non-controlling interests

The Group applied IAS 27 Consolidated and Separate Financial Statements (2008) for the acquisition of non-controlling interests that occurred during the annual financial reporting period ended 30 June 2010.

Under the new accounting policy, acquisitions of additional non-controlling equity interests in subsidiaries have to be 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 will be recognised in profit or loss.

It has always been the Group's accounting policy to treat all acquisitions of additional interests in subsidiaries, as well as disposals of interests in subsidiaries, as equity transactions. The Group did, however, change its accounting policy relating to the loss of control when an equity interest is retained. When control is lost, through sale or otherwise, the resulting gain or loss recognised in profit or loss includes any re-measurement 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 now allocated to the non-controlling interest even if doing so causes the non-controlling interest to be in a deficit position. In the past, losses were allocated only until the non-controlling interest had a zero balance.

During the year ended 30 June 2010, the Group did not acquire or dispose of any non-controlling interests. The change in accounting policy was applied retrospectively and had no impact on earnings per share.

#### 2.5.7 Accounting for business combinations

The Group has adopted IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for all business combinations occurring on or after 1 July 2009 by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

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 of 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 exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate 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.



## ACCOUNTING POLICIES CONTINUED

### 2.5.7 Accounting for business combinations continued

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these annual financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

Certain comparative amounts have been reclassified to conform with the current year's presentation. In addition, the comparative statement of comprehensive income has been re-presented as if an operation discontinued during the current period had been discontinued from the start of the comparative period.

#### 3.1 Basis of consolidation

##### 3.1.1 Business combination

The Group has changed its accounting policy with respect to accounting for business combinations. See note 2.5.7 for further details.

##### 3.1.2 Subsidiaries

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

##### 3.1.3 Special Purpose Entities

The Group established Special Purpose Entities ("SPE") in establishing its Broad Based Black Economic Empowerment ("BBBEE") structures. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group controls the SPE. The SPE controlled by the Group was established on the terms that impose strict limitations on the decision making powers of the SPE's management resulting in the Group retaining the residual risks and rewards related to the SPE.

##### 3.1.4 Investments in subsidiaries

Investments in subsidiaries are measured at cost less impairment losses.

##### 3.1.5 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 and Separate Financial Statements.

#### 3.2 Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Group 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). The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in the foreign currency translated at the exchange rate at the end of the period. Any foreign exchange differences are recognised in comprehensive income in the year in which the difference occurs. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.



### 3.3 Financial instruments

#### 3.3.1 Non-derivative financial instruments

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

The company recognises a financial instrument when it becomes a party to the contractual provision of the contract. The company derecognises a financial asset when the contractual rights to the cash flows of the asset expires or is transferred. The company derecognises a financial liability when its contractual obligations are discharged, 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.

##### *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.

##### *Available-for-sale financial assets*

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. The investment held in the Self Insured Fund is classified as available-for-sale. 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.

##### *Financial assets at fair value through profit and loss*

All derivative instruments are classified as financial assets at fair value through profit and loss. An instrument is classified as fair value through profit and loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit and loss are measured at fair value, and changes therein are recognised in profit and loss.

##### *Other loans and receivables*

Included in other loans and receivables are trade and other receivables, trade and other payables, loans, including loans to and from group companies as well as finance lease obligations and receivables. Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

##### *Determination of fair value*

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

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at reporting date.

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based 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. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar agreements.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position, when and only when, the Group 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.



**3.3.2 Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into through profit or loss and are subsequently re-measured at their fair value. Attributable transaction costs are recognised in profit or loss as incurred. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when 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.

*Cash flow hedges*

Changes in the fair value of a derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable and should present an exposure to variations in cash flows that could ultimately affect reported net income.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedge item is a financial asset the amount recognised in equity is transferred to profit or loss in the same period as the hedge item affects profit and loss.

*Derivatives not designated for hedge accounting*

Certain derivative instruments are not designated for hedge accounting. Changes in the fair value of any derivative instrument not designated for hedge accounting are recognised immediately in profit and loss under net trading income.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, the fair value is estimated by discounting the difference between the contract forward price and current forward price for the residual maturity of the contract using a risk free interest rate.

**3.4 Property, plant and equipment**

**3.4.1 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.



### 3.4.2 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.

### 3.4.3 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 current estimated useful lives are as follows:

Class	Average useful life
Freehold land and buildings comprise:	
• Land	Indefinite
• Buildings	10 - 49 years
• Roads	40 years
Buildings on leasehold land	10 - 49 years
Plant, equipment and vehicles comprise:	
• Furniture and fixtures	5 years
• Plant and equipment	8 - 12 years
• Motor vehicles	4 - 7 years
• Computer equipment	3 - 15 years

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

### 3.4.4 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 its 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 rate method to determine the lease finance cost, which is charged against income 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.

#### *Finance leases where the Group is the lessor*

Assets disposed of under finance leases are derecognised at the carrying value on the date of disposal. Any profit or loss due to the disposal is recognised in profit or loss during the period in which the asset was sold.

The receivable under the finance lease is recognised in the statement of financial position as an amount equal to the net investment of the lease. Finance income is recognised on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.



#### 3.4.4 Leased assets continued

##### *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.

### 3.5 Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or both. Investment property is measured at fair value. Any gain or loss arising from a change in fair value is recognised in the profit and 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 fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Rental income from investment property is accounted for as described in accounting policy 3.14.

When an item of property, plant and equipment 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 recognised directly in other comprehensive income if it is a gain. Upon disposal of the item the gain is transferred to retained earnings.

Any loss arising in this manner is recognised immediately in profit or loss. If an investment property becomes owner occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

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

To the extent that the remeasurement of an investment property on the date of classifications result in a gain, such gain first reduces any impairment loss that was previously recognised in profit or loss and the remaining increase is recognised in other comprehensive income.

### 3.6 Biological assets

Biological assets are measured at fair value less estimated point of sale costs, with any resultant gain or loss recognised in profit and loss. Point of sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the asset to market (e.g. transport costs).

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

The fair value model as well as the methodology and assumptions used therein have been revised to obtain a more accurate valuation. The Group has made use of the discounted cash flow valuation model during this year. Previously the Group used the net standing valuation model.

### 3.7 Intangible assets

#### 3.7.1 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

##### *Acquisitions of non-controlling interests*

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

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.



### 3.7.2 Other intangible assets

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

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 life commencing when the asset is available for use and ceases when the asset is disposed of or no longer generates benefits to the entity. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. The costs incurred on these items are expensed in profit and loss when it is incurred.

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

Item	Useful life
• Patents and other rights	Indefinite
• Computer software	5 years
• Development expenditure	Indefinite

## 3.8 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.

## 3.9 Impairment

### 3.9.1 Financial assets

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

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

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

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



## ACCOUNTING POLICIES CONTINUED

### 3.9.1 Financial assets continued

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, 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 and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are other comprehensive income instruments, the reversal is recognised directly in equity.

### 3.9.2 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, 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 so allocated shall represent 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.

## 3.10 Non-current assets held for sale and discontinued operations

### 3.10.1 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies.

Thereafter, generally the assets or disposal group are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro



rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

### 3.10.2 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative period.

## 3.11 Share capital

### 3.11.1 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.

### 3.11.2 Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Group's shareholders.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

### 3.11.3 Dividends

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

## 3.12 Employee benefits

### 3.12.1 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 represent the amount which the Group has a present obligation to pay as a result of employees' services provided up to the reporting date. The provisions have been calculated at undiscounted amounts based on expected wage and salary rates.

### 3.12.2 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.

### 3.12.3 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 a defined benefit medical plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. This value is then reflected as a liability in the annual financial statements with the cost thereof being allocated to the profit or loss. The calculation is performed every three years by a qualified actuary using the projected unit credit method. Any resulting actuarial gains and losses are recognised in profit and loss for the period.



## ACCOUNTING POLICIES CONTINUED

### 3.12.4 Share-based payment transactions

#### *Equity settled transactions*

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

#### *Cash settled transactions*

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

### 3.13 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.

### 3.14 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 made by the Group.

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

### 3.15 Income tax

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

Deferred tax is recognised using the balance sheet method, providing for 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, and 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. In addition, deferred tax is not recognised for 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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

### 3.16 Finance income and expense

Finance income comprises of 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, and gains on hedging instruments that are recognised in profit and or loss.

Interest income is recognised as it accrues, using the effective interest rate 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 expenses comprise of interest expense on borrowings, unwinding of discount on the provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in profit or loss.

### 3.17 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.

### 3.18 Segment reporting

The Group has changed its accounting policy with respect to segment reporting. See note 2.5.5 for further details.

### 3.19 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### 3.20 New Accounting Standards and Interpretations in issue that are not yet effective

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. These include the following Standards and Interpretations that are applicable to the business of the Group and may have an impact on future financial statements:

#### IAS 24 (revised) Related parties disclosure

IAS 24 (revised) will be adopted by the Group for the first time for its financial reporting period ending 30 June 2011. The standard will be applied retrospectively. The standard addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities. No new related party relationships are expected to be identified due to the change in the definition of a related party.

#### IAS 36 (amendment) Impairment of assets

IAS 36 (amendment) will be adopted by the Group for the first time for its financial reporting period ending 30 June 2011. The amendment requires that the largest cash generating unit to which goodwill shall be allocated for purposes of impairment testing will be the applicable operating segment as defined by IFRS 8, before applying the aggregation criteria.

This amendment will have no effect on impairment testing as goodwill has been allocated to the Forestry segment, a separate segment as defined by IFRS 8.



### 3.20 New Accounting Standards and Interpretations in issue that are not yet effective continued

#### IFRS 2 (amendment) Group Cash-settled Share-based Payment

The amendments to IFRS 2 will be adopted by the Group for the first time for its financial reporting period ending 30 June 2011.

The amendments expand the scope of IFRS 2 to include Group cash-settled share-based payments. Arrangements that are settled in cash or other assets based on the price or value of the entity or another Group entity's equity instruments should be accounted for as share-based payments.

An entity that receives the goods or services will be required to account for the share-based payment in its separate financial statements, even if it has no obligation to settle the transaction. This entity will classify the share-based payments as equity-settled if it has an obligation to transfer its own equity instruments or if it does not have an obligation to settle the transaction. Any other share-based payment will be classified as cash-settled.

The entity that has the obligation to settle the transaction will account for the arrangement as equity-settled if it has to settle in its own equity instruments. Any other settlement arrangement will be accounted for as cash-settled.

No changes were identified due to amendments to IFRS 2.

#### IFRS 8 (amendment) Operating segments

The amendment to IFRS 8, which clarifies the segment information required regarding total assets will be adopted by the Group for the first time for its financial reporting period ending 30 June 2011. Information on total assets is required only if such information is regularly reported to the CODM.

This amendment will impact the disclosure relating to total assets in the segment report.

#### IFRS 9 Financial Instruments

IFRS 9 will be adopted by the Group for the first time for its financial reporting period ending 30 June 2014. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of the classification of financial assets, namely financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The impact on the financial statements for the Group has not yet been estimated.



NOTES TO THE CONSOLIDATED  
AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

#### 4. OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic divisions. Management has identified the segments based on the internal reports reviewed monthly by the Group's CODM. The CODM at the reporting date is the Executive Committee. The responsibility of the Executive Committee is to assess performance and to make resource allocation decisions related to the individual operations of the Group. The Executive Committee is the CODM as the Committee is the highest level of management that performs these functions. The segment financial information provided to and used by the CODM form 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 Group operates in one geographic segment, the Republic of South Africa. The operating segments comprise:

- Timber products: The Group has aggregated 3 segments as all of them produce and/or sell timber related products:
  - Sawmilling: 4 Sawmills located in close proximity to Sabie, Graskop, White River and Ermelo, which produce and sell a broad range of structural and industrial sawn timber products
  - Plywood: A plywood plant in Sabie which manufactures and sells plywood timber products.
  - Warehousing: A warehouse located in Pretoria which sells timber related products from the sawmills and the plywood plant.
- 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 external customers.

Performance is measured based on earnings before interest, taxation, depreciation and amortisation ("EBITDA"), as included in the internal management reports. This is used, as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within the industry. Sales between the segments are carried out on an arm's length basis.

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

The segment information provided to the Committee for the reportable segments for the reporting period ended 30 June 2010 is as follows:

Business segmental analysis	Timber products		Forestry		Total	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
<b>Revenue</b>						
External sales	872 741	1 025 747	34 747	67 299	907 488	1 093 046
Inter-segment sales	55 683	25 467	375 104	445 227	430 787	470 694
<b>Total revenue</b>	<b>928 424</b>	<b>1 051 214</b>	<b>409 851</b>	<b>512 526</b>	<b>1 338 275</b>	<b>1 563 740</b>
<b>Result</b>						
Depreciation and amortisation	(22 307)	(15 053)	(4 374)	(4 336)	(26 681)	(19 389)
Reportable segment profit ("EBITDA")	1 550	123 962	103 255	76 791	104 805	200 753
Material non-cash items:						
- Fair value adjustment biological assets	—	—	183 302	(244 698)	183 302	(244 698)
<b>Reportable items in Statement of Financial Position</b>						
Reportable segment assets	236 697	308 842	1 942 707	1 780 031	2 179 404	2 088 513
Capital expenditure	10 364	125 970	5 360	4 634	15 724	130 604
Reportable segment liabilities	—	—	—	—	—	—



NOTES TO THE FINANCIAL STATEMENTS

	<b>Total</b>	
	<b>2010</b>	<b>2009</b>
	<b>R '000</b>	<b>R '000</b>
<b>4. OPERATING SEGMENTS CONTINUED</b>		
<b>Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items</b>		
<b>Revenue</b>		
Total revenue for reportable segments	1 338 275	1 563 740
Other revenue	1 873	2 244
Elimination of inter-segment revenue	(430 787)	(470 694)
<b>Consolidated revenue</b>	<b>909 361</b>	<b>1 095 290</b>
<b>Profit or loss</b>		
Total EBITDA for reportable segments	104 805	200 753
Depreciation, amortisation and impairment	(66 093)	(62 779)
Unallocated amounts: corporate office	(3 527)	(2 134)
<b>Operating profit</b>	<b>35 185</b>	<b>135 840</b>
<b>Assets</b>		
Total assets for reportable segments	2 179 404	2 088 513
Non-current assets not allocated to segments	1 014 402	1 051 723
Current assets not allocated to segments	73 246	120 600
<b>Consolidated total assets</b>	<b>3 267 052</b>	<b>3 260 836</b>
<b>Liabilities</b>		
Total liabilities for reportable segments	—	—
Non-current liabilities not allocated to segments	1 116 052	1 577 569
Current liabilities not allocated to segments	183 459	333 661
<b>Consolidated total liabilities</b>	<b>1 299 511</b>	<b>1 911 230</b>



	<b>Group</b>		<b>Company</b>	
	<b>2010 R '000</b>	<b>2009 R '000</b>	<b>2010 R '000</b>	<b>2009 R '000</b>
<b>5. BIOLOGICAL ASSETS</b>				
<b>Reconciliation of biological assets</b>				
Opening balance	1 738 371	1 983 070	—	—
Fair value adjustment:				
- Increase due to growth	326 846	179 491	—	—
- Decrease due to harvesting	(308 633)	(244 492)	—	—
- Adjustment to standing timber values to reflect fair value less point of sale cost at year end	165 090	(179 698)	—	—
	<b>1 921 674</b>	<b>1 738 371</b>	<b>—</b>	<b>—</b>
Non-current assets	1 562 936	1 492 002	—	—
Current assets	358 738	246 369	—	—
	<b>1 921 674</b>	<b>1 738 371</b>	<b>—</b>	<b>—</b>
The current portion of biological assets presents the biological assets to be harvested and sold in the 12 months after year end.				
<b>Quantities of biological assets</b>				
At year end, the land utilisation was as follows:	<b>Hectares</b>	<b>Hectares</b>	<b>Hectares</b>	<b>Hectares</b>
Pine	52 447	50 277	—	—
Eucalyptus	4 018	4 756	—	—
Temporary unplanted areas	4 314	5 334	—	—
Conservancy areas	33 209	33 621	—	—
	<b>93 988</b>	<b>93 988</b>		
<b>Reconciliation of volume of trees in the plantations</b>	<b>Cubic metres</b>	<b>Cubic metres</b>	<b>Cubic metres</b>	<b>Cubic metres</b>
Opening balance	4 671 340	4 829 647	—	—
Increase due to growth	878 300	437 140	—	—
Decrease due to harvesting	(829 358)	(595 447)	—	—
	<b>4 720 282</b>	<b>4 671 340</b>	<b>—</b>	<b>—</b>



## 5. BIOLOGICAL ASSETS CONTINUED

### Pledged as security

Land holdings, including those on which the plantations are planted and the fixed property referred to in note 7, are encumbered in favour of Micawber 558 (Pty) Ltd as security for the loans as per note 24 and amount to 93,988 (2009: 93,988) hectares.

### Change in valuation method

The fair value model as well as the methodology and assumptions used therein have been revised to obtain a more accurate valuation. The Group adopted the discounted cash flow valuation model to calculate the fair value of its biological assets during this year. Previously the Group used the net standing valuation model, which would have resulted in a value of R1,636 million. The main changes in the methodology and assumptions are detailed below.

### Methodology and assumptions used in determining fair value

- **Expected yield per log class:** 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 shape 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% has been used for 2010 and 2009.
- **Rotation:** The Group manages its pine plantations on a 25 year rotation and eucalyptus plantations on a 10 year rotation.
- **Timber prices:** The market price per cubic metre is based on current and future expected market prices per log class.
- **Operating costs:** The costs are based on 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. The net standing valuation method only incorporated the cost of felling all the standing timber.
- **Discount rate:** The Group used its after-tax weighted average cost of capital ("WACC") applied to the after-taxation net cash flow. No discount rate was used previously, as the Group applied the net standing valuation method which does not take into consideration the time value of money.

### 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 local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the management systems in place are adequate. The Group manages its plantation in compliance with the International Forest Stewardship Council's requirements for sustainable forestry.
- **Supply and demand risks:** The Group is exposed to risks arising from fluctuations in the price and sales volumes of pine. When possible the Group manages this risk by aligning its harvest volume to the market and the Group's supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.
- **Climate and other risks:** The Group's pine 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 the national fire index prediction which uses various weather conditions to indicate fire risk. The Group insures itself against natural disasters such as fires and floods.



	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>6. INVESTMENT PROPERTY</b>				
Investment property	24 740	5 020	—	—
<b>Reconciliation of investment property Group - 2010</b>	<b>Opening balance R'000</b>	<b>Transfers R'000</b>	<b>Fair value adjustments R'000</b>	<b>Closing balance R'000</b>
Investment property	5 020	2 753	16 967	24 740
<b>Group - 2009</b>				
Investment property	4 920	—	100	5 020
Investment property has been reclassified from property, plant and equipment as the Group has changed the use of its properties from housing of employees to generation of rental income.  Lease agreements for investment properties are at market related rentals and are renewed annually.  <b>Pledged as security</b>  Investment property with a carrying value of R4.7 million (2009: R4.4 million) is subject to a mortgage bond in favour of Nedbank Limited. Refer to note 24.  A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the Company.  <b>Details of valuation</b>  The effective date of the revaluations was 30 June 2010. Revaluations were performed by independent valuers. These valuers are not connected to the Group and have recent experience in location and category of the investment property being valued.  The valuation was based on the open market value for existing use.  Amounts recognised in profit and loss for the year:				
Rental income from investment property	1 348	2 244	—	—
Direct operating expenses from rental generating property	(797)	(206)	—	—



NOTES TO THE FINANCIAL STATEMENTS

	2010			2009		
	Cost R'000	Accumulated depreciation & impairment R'000	Carrying value R'000	Cost R'000	Accumulated depreciation & impairment R'000	Carrying value R'000
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>						
<b>Group</b>						
Land	140 130	—	140 130	145 559	—	145 559
Buildings	130 989	(24 338)	106 651	122 110	(18 481)	103 629
Plant and machinery	238 684	(84 280)	154 404	232 579	(75 386)	157 193
Furniture and fixtures	1 087	(619)	468	1 211	(588)	623
Motor vehicles	19 720	(7 630)	12 090	14 946	(4 386)	10 560
Computer equipment	9 987	(5 566)	4 421	8 604	(4 302)	4 302
Work in progress	463	—	463	6 033	—	6 033
Spare parts and servicing equipment	1 557	—	1 557	1 557	—	1 557
<b>Total</b>	<b>542 617</b>	<b>(122 433)</b>	<b>420 184</b>	<b>532 599</b>	<b>(103 143)</b>	<b>429 456</b>
<b>Company</b>						
Plant and machinery	—	—	—	1 142	(456)	686
Furniture and fixtures	294	(293)	1	290	(288)	2
Computer equipment	588	(577)	11	591	(567)	24
<b>Total</b>	<b>882</b>	<b>(870)</b>	<b>12</b>	<b>2 023</b>	<b>(1 311)</b>	<b>712</b>

Reconciliation of property, plant and equipment - Group - 2010

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment reversal	Closing balance
Land	145 559	477	—	(5 906)	—	—	140 130
Buildings	103 629	6 256	(18)	3 153	(6 369)	—	106 651
Plant and machinery	157 193	4 746	(11)	2 679	(13 387)	3 184	154 404
Furniture and fixtures	623	—	(1)	—	(154)	—	468
Motor vehicles	10 560	5 009	(747)	1 098	(3 830)	—	12 090
Computer equipment	4 302	607	(90)	1 793	(2 191)	—	4 421
Work in progress	6 033	—	—	(5 570)	—	—	463
Spare parts and servicing equipment	1 557	—	—	—	—	—	1 557
	<b>429 456</b>	<b>17 095</b>	<b>(867)</b>	<b>(2 753)</b>	<b>(25 931)</b>	<b>3 184</b>	<b>420 184</b>



**Reconciliation of property, plant and equipment - Group - 2009**

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Closing balance
Land	145 566	—	(7)	—	—	—	145 559
Buildings	83 318	30 327	(386)	—	(4 653)	(4 977)	103 629
Plant and machinery	100 486	108 712	(1 260)	12	(12 344)	(38 413)	157 193
Furniture and fixtures	593	158	—	—	(128)	—	623
Motor vehicles	8 784	2 554	(846)	—	68	—	10 560
Computer equipment	4 617	1 410	(59)	(12)	(1 654)	—	4 302
Work in progress	20 147	(14 114)	—	—	—	—	6 033
Spare parts and servicing equipment	—	1 557	—	—	—	—	1 557
	<b>363 511</b>	<b>130 604</b>	<b>(2 558)</b>	<b>—</b>	<b>(18 711)</b>	<b>(43 390)</b>	<b>429 456</b>

**Reconciliation of property, plant and equipment**

	Opening balance	Disposals	Depreciation	Closing balance
<b>Company - 2010</b>				
Plant and machinery	686	(621)	(65)	—
Furniture and fixtures	2	—	(1)	1
Computer equipment	24	—	(13)	11
	<b>712</b>	<b>(621)</b>	<b>(79)</b>	<b>12</b>
<b>Company - 2009</b>				
Plant and machinery	765	—	(79)	686
Furniture and fixtures	2	—	—	2
Computer equipment	39	—	(15)	24
	<b>806</b>	<b>—</b>	<b>(94)</b>	<b>712</b>

**Pledged as security**

The freehold land and buildings including the plantations referred to in note 5 are encumbered in favour of Micawber 558 (Pty) Ltd as security for the loan as per note 24.

Capitalised leased assets are encumbered in terms of finance lease agreements and agreements.

**Instalment sale agreements**

The Group entered into instalment sale agreements with Stannic and Wesbank for plant, equipment and vehicles. The carrying value of these instalment sale agreements at year end is R 2,432 million (2009: R 4,688 million). Refer note 26.

**Finance lease obligations**

The Group entered into finance lease agreements with Wesbank for plant, equipment and vehicles. The carrying value of these finance lease agreements at year end is R 15,523 million (2009: R 26,690 million). Refer note 25.



NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>7. PROPERTY, PLANT AND EQUIPMENT CONTINUED</b>				
<b>Assets subject to instalment sale liabilities (Net carrying amount)</b>				
Plant and machinery	3 780	384	—	—
Motor vehicles	1 167	2 212	—	—
	<b>4 947</b>	<b>2 596</b>	—	—
<b>Assets subject to finance lease (Net carrying amount)</b>				
Plant and machinery	589	15 202	—	—
Motor vehicles	3 698	3 681	—	—
	<b>4 287</b>	<b>18 883</b>	—	—

**Other information**

Certain impairment on assets have been reversed during the current financial period due to the assets' cash generating power being higher than its current net asset value. The impairment loss was reversed only to the extent that the assets' 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.

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the Group.

Group	2010			2009		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated impairment R'000	Carrying value R'000
<b>8. GOODWILL</b>						
Goodwill	610 352	(44 910)	565 442	610 352	—	610 352
<b>Reconciliation of goodwill</b>				<b>Opening balance</b>	<b>Impairment loss</b>	<b>Closing balance</b>
<b>Group - 2010</b>						
Goodwill				610 352	(44 910)	565 442
<b>Group - 2009</b>						
Goodwill				610 352	—	610 352



Goodwill arose from the business combination that took place on 13 July 2007, when the Group purchased 100% of the shares in Global Forest Products (Pty) Ltd and South African Plywood (Pty) Ltd and therefore purchased 100% and 70% of the shares of York Timbers (Pty) Ltd and Bonheur 50 General Trading (Pty) Ltd, respectively. Goodwill represents the difference between the fair values of assets purchased and the acquisition price.

#### Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments before aggregation. Goodwill has been allocated to the forestry segment.

The Group's goodwill is classified as an indefinite asset and therefore tested for impairment at each financial year end. The Group's assets are compared to the present value of the future cash flow that are expected to flow from group sales.

The key assumptions used in estimating the future cash flows are as follows:

- The plantations are managed in rotation based on a clearfell age of between 21 years and 25 years.
- The plantations are managed on a sustainable basis so that all harvested areas are replanted. The temporary unplanted areas are approximately 2,500 hectares at any point in time.
- Long term CPIX of 6.0% (2009: 5.5%)
- Weighted average cost of capital of 11.28% (2009: 14.0%)
- Target debt equity ratio of 30:70 (2009: 30:70)
- Pre-tax cost of debt of 10% (2009: 11.5%)

Group	2010			2009		
	Cost R'000	Accumulated amortisation & impairment R'000	Carrying value R'000	Cost R'000	Accumulated amortisation impairment R'000	Carrying value R'000
<b>9. INTANGIBLE ASSETS</b>						
Patents and other rights	1 000	(1 000)	—	1 000	(1 000)	—
Computer software	4 119	(1 428)	2 691	3 662	(678)	2 984
Development expenditure	7 868	(7 868)	—	7 868	(7 868)	—
<b>Total</b>	<b>12 987</b>	<b>(10 296)</b>	<b>2 691</b>	<b>12 530</b>	<b>(9 546)</b>	<b>2 984</b>

#### Reconciliation of intangible assets — Group — 2010

	Opening balance	Additions	Amor- tisation	Closing balance
Patents and other rights	—	—	—	—
Computer software	2 984	457	(750)	2 691
Development expenditure	—	—	—	—
	<b>2 984</b>	<b>457</b>	<b>(750)</b>	<b>2 691</b>



NOTES TO THE FINANCIAL STATEMENTS

9. INTANGIBLE ASSETS CONTINUED

Reconciliation of intangible assets — Group — 2009

	Opening balance	Additions	Amor-tisation	Closing balance
Patents and other rights	—	—	—	—
Computer software	—	3 662	(678)	2 984
Development expenditure	—	—	—	—
	—	3 662	(678)	2 984

10. INVESTMENTS IN SUBSIDIARIES AT COST HELD BY THE COMPANY

Name of company	Number of ordinary shares issued		Holding & voting power		Carrying amount	
	2010	2009	2010 %	2009 %	2010 R'000	2009 R'000
<b>Sawmilling</b>						
York Timbers (Pty) Ltd	2	2	100	100	—	—
<b>Management and investment</b>						
Inland Realty Ltd*	566 120	566 120	100	100	1 309	1 309
<b>Property holding</b>						
Beth Warehouse (Pty) Ltd*	2	2	100	100	—	—
Longbogen (Pty) Ltd	4 000	4 000	100	100	—	—
Pretoria Amalgamated Transport Ltd	8 000	8 000	100	100	—	—
Sonrach Properties (Pty) Ltd	500	500	100	100	—	—
<b>Timber trading</b>						
Agentimber (Pty) Ltd	120	120	100	100	—	—
Madiba Timbers (Pty) Ltd	200	200	100	100	—	—
<b>Dormant</b>						
Bonheur 50 Investments (Pty) Ltd**	100	100	70	70	—	—
Global Forest Products (Pty) Ltd*	100	100	100	100	1 117 743	1 117 743
Global Sawmills Ltd	250 000	250 000	100	100	—	—
Madiba Forest Products (Pty) Ltd	100	100	100	100	—	—
South African Plywood (Pty) Ltd*	200	200	100	100	—	—
York Timbers Chile Ltda	100	100	100	100	—	—
					<b>1 119 052</b>	<b>1 119 052</b>

The carrying amounts of subsidiaries are shown net of impairment losses.

All of the companies are incorporated and domiciled in the Republic of South Africa except for York Timbers Chile Ltda which is incorporated and domiciled in Chile.

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

\*\* Non-Controlling Interest in the subsidiary amounts to 30% (equivalent to the amount of R30).

Non-Controlling Interest is not disclosed in the Group's consolidated annual financial statements as this amount is less than one thousand Rand.



	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>11. LOANS TO GROUP COMPANIES</b>				
<b>Subsidiaries</b>				
York Timbers (Pty) Ltd	—	—	1 233 212	760 860
	—	—	<b>1 233 212</b>	<b>760 860</b>
Impairment of loans to subsidiaries	—	—	<b>(10 244)</b>	<b>(158 220)</b>
	—	—	<b>1 222 968</b>	<b>602 640</b>
<b>12. OTHER FINANCIAL ASSETS</b>				
<b>Available-for-sale</b>				
Listed shares	1 345	629	1 345	629
Self Insurance Fund	—	3 282	—	—
	<b>1 345</b>	<b>3 911</b>	<b>1 345</b>	<b>629</b>
<b>Non-current assets</b>				
Available-for-sale	1 345	3 911	1 345	629
<b>Listed shares</b>				
The Group holds 40,540 and 2,276 ordinary listed shares in First Rand Limited and Discovery Holdings Limited respectively. These investments are recognised initially at cost and subsequently measured at their fair value. The fair value of listed investments are the quoted market prices as at the year end. The gain or loss on measurement to the fair value is recognised in equity. At year end these listed shares quoted market price was respectively R31.20 (2009: R14.06) and R35.05 (2009: R25.84) per share in First Rand Limited and Discovery Holdings Limited. The change in fair value recognised in other comprehensive income is as follows:				
Opening balances	(179)	(219)	(179)	(219)
Change in fair value	716	40	716	40
Taxation related to change in fair value	(100)	—	(100)	—
	<b>437</b>	<b>(179)</b>	<b>437</b>	<b>(179)</b>
<b>Self Insurance Fund</b>				
This contractual agreement with Santam Risk Finance Limited has been settled and no future benefits are expected to flow to the Group from this Self Insurance Fund.				
<b>13. DEFERRED TAX</b>				
<b>Deferred tax asset/(liability)</b>				
Capital allowances	(4 564)	33 938	(3)	(27)
Biological assets	(530 383)	(477 313)	—	—
Provisions	13 902	15 308	—	—
Estimated assessed loss	103 676	15 375	3 075	682
Derivative financial instruments	—	34	—	—
Recognised in other comprehensive income	515	—	515	—
Other deferred tax	7 344	(2 316)	—	—
	<b>(409 510)</b>	<b>(414 974)</b>	<b>3 587</b>	<b>655</b>



NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>13. DEFERRED TAX (CONTINUED)</b>				
<b>Reconciliation of deferred tax asset/(liability)</b>				
At beginning of the year	(414 974)	(498 615)	655	—
Increase/(decrease) in tax losses available for set off against future taxable income	77 928	—	2 392	682
Originating temporary differences	(83 352)	—	25	(27)
Charges to the statement of comprehensive income	10 888	83 641	515	—
	<b>(409 510)</b>	<b>(414 974)</b>	<b>3 587</b>	<b>655</b>
<b>Use and sales rate</b>				
The deferred tax rate applied to the fair value adjustments of investment properties/financial assets is determined by the expected manner of recovery. Where the expected recovery of the investment property/financial assets is through sale, the capital gains tax rate of 14% (2009: 14%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2009: 28%) is applied. If the manner of recovery is partly through use and partly through sale, a combination of capital gains rate and normal tax rate is used.				
<b>Tax consequences of undistributed reserves</b>	%	%	%	%
STC on remaining reserves	10	10	10	10

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>14. INSTALMENT SALE RECEIVABLES</b>				
Gross investment in the lease due				
– within one year	630	1 940	—	—
less: Unearned finance income	(24)	(86)	—	—
	<b>606</b>	<b>1 854</b>	<b>—</b>	<b>—</b>
Present value of minimum lease payments due				
– within one year	606	1 ,854	—	—

These instalment sale receivables bear interest at prime rate of 10.0% (2009: 11.0%) per annum and are receivable over the lease term of four years in instalments of R0,1 million (2009: R0,215 million), starting on 30 April 2007 and ending on 31 January 2011.

All the risk associated with ownership was transferred to the purchaser on delivery of the assets.



	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>15. RETIREMENT BENEFIT OBLIGATION</b>				
<b>Defined benefit plan</b>				
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 every three years. 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 as at 30 June 2010.				
<b>Carrying value</b>				
Present value of the defined benefit obligation-wholly unfunded	(22 463)	(20 200)	—	—
<b>Movements for the year</b>				
Opening balance	20 200	17 431	—	—
Benefits paid	(1 291)	(1 061)	—	—
Net expense recognised in profit or loss	3 554	3 830	—	—
	<b>22 463</b>	<b>20 200</b>	—	—
<b>Net expense recognised in profit or loss</b>				
Current service cost	100	234	—	—
Interest cost	1 791	1 700	—	—
Actuarial losses	1 663	1 896	—	—
	<b>3 554</b>	<b>3 830</b>	—	—
<b>Key assumptions used</b>				
It is assumed there would be a gap of 2% between the discount rate (estimated corporate bond yield of 9.2% (2009: 9.1%)) and the medical contribution inflation rate (an increase of 7.2% (2009: 7.1%) was assumed).				
Assumed healthcare cost trend rates have a significant effect on the amount recognised in profit and loss. A one percentage point change in assumed health care cost trend rates would have the following effects:				
	<b>1% increase</b>	<b>1% decrease</b>	<b>1% increase</b>	<b>1% decrease</b>
Aggregate of the service cost and interest cost	2 376	1 907	—	—
Defined benefit obligation	25 101	20 222	—	—



NOTES TO THE FINANCIAL STATEMENTS

**15. RETIREMENT BENEFIT OBLIGATION CONTINUED**

Amounts for the current and previous four periods are as follows:	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000
Post-retirement benefit obligation	22 463	20 200	17 431	15 874	13 134
	Group		Company		
	2010 R '000	2009 R '000	2010 R '000	2009 R '000	
<b>Defined contribution plan</b>					
<b>Retirement Fund</b>					
The Group has three provident schemes, York Timbers Provident Fund (formerly R&S Provident Fund), ROL Provident Fund and the Hospitality and General Provident Fund, for all employees. Pensioners under these schemes have had their pensions bought by means of annuities from insurers and there is no ongoing liability for the schemes. The schemes are governed by the Pensions Fund Act, 1956, as amended.					
The number of members of each scheme at year end:					
ROL Provident Fund	216	212	—	—	—
Hospitality and General Provident Fund	977	1 226	—	—	—
York Timbers Provident Fund	1 318	1 683	—	—	—
<b>Pension Fund</b>					
The Group has two pension funds, ROL Pension Fund and Liberty Pension Fund.					
The number of members of each scheme at year end:					
ROL Pension Fund	8	12	—	—	—
Liberty Pension fund	39	55	—	—	—
<b>Medical Aid Fund</b>					
The Group contributes to a defined medical aid scheme for the benefit of its permanent employees and their dependents.					
The Group reviewed the contribution and benefit structure of its medical aid scheme and with effect from 1 September 1999 made changes in light of informed advice. 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.					
<b>Contribution towards funds</b>					
Total Provident Fund contribution	9 282	11 205	—	—	—
Total Pension Fund contribution	1 222	2 548	—	—	—
Total Medical Aid fund contribution	4 964	6 524	—	—	—
	<b>15 468</b>	<b>20 277</b>	—	—	—



	<b>Group</b>		<b>Company</b>	
	<b>2010 R '000</b>	<b>2009 R '000</b>	<b>2010 R '000</b>	<b>2009 R '000</b>
<b>16. INVENTORIES</b>				
Raw materials	22 287	50 510	—	—
Work in progress	28 937	41 335	—	—
Timber products	79 712	143 319	—	—
Consumables	19 706	22 501	—	—
	<b>150 642</b>	<b>257 665</b>	—	—
Write-down to net realisable value	(12 602)	(31 198)	—	—
	<b>138 040</b>	<b>226 467</b>	—	—
The write down of inventory to net realisable value can be attributed to the following inventory items:				
Consumables	3 622	3 009	—	—
Timber products	8 980	28 189	—	—
	<b>12 602</b>	<b>31 198</b>	—	—
<b>Inventory pledged as security</b>				
Inventory is encumbered under a General Notarial Bond in favour of Micawber 558 (Pty) Ltd.				
<b>17. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	102 077	108 452	143	149
Employee costs paid in advance	421	526	—	—
Prepayments	424	3 713	—	—
Deposits	390	242	144	—
Value Added Tax	—	—	867	—
Loans to employees and managers	321	436	—	—
Other receivables	701	4 630	701	791
	<b>104 334</b>	<b>117 999</b>	<b>1 855</b>	<b>940</b>
<b>Trade and other receivables pledged as security</b>				
The trade receivables of the Group have been ceded to First Rand Bank Limited as security for the banking facilities made available to the Group (refer note 18) and loan facilities (refer note 24).				
None of the financial assets that are fully performing have been renegotiated in the last year.				
<b>Ageing of trade receivables</b>				
Current	78 923	76 957	—	—
30 days and over	23 154	31 495	—	—
	<b>102 077</b>	<b>108 452</b>	—	—
<b>Trade and other receivables impaired</b>				
Trade and other receivables are shown net of impairment losses which arise on debtors where recoveries of the debts are doubtful. The amount of the allowance for impairment losses was R15,264 million as of 30 June 2010 (2009: R18,176 million).				
Based on historic default rates, the group believes that, apart from the above, no additional impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.				



NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>18. CASH AND CASH EQUIVALENTS</b>				
Cash on hand	67	85	—	—
Bank balances	84 426	124 337	42	114
	<b>84 493</b>	<b>124 422</b>	<b>42</b>	<b>114</b>
The banking facility granted by First Rand Bank Limited is secured by a cession of trade receivables (refer note 17) and cross suretyships within the Group as well as the assets financed under the asset based facility. Total bank facilities are as follows: General banking facility and guarantees A general banking facility is available to all companies across the group.	135 000	140 000	—	—
<b>19. FINANCIAL ASSETS BY CATEGORY</b>				
The accounting policies for financial instruments have been applied to the line items below:		<b>Loans and receivables</b>	<b>Available-for-sale</b>	<b>Total</b>
<b>Group – 2010</b>				
Other financial assets	—	—	1 345	1 345
Instalment sale receivables	606	—	—	606
Trade and other receivables	104 334	—	—	104 334
Cash and cash equivalents	84 493	—	—	84 493
		<b>189 433</b>	<b>1 345</b>	<b>190 778</b>
<b>Group – 2009</b>				
Other financial assets	—	—	3 911	3 911
Instalment sale receivables	1 854	—	—	1 854
Trade and other receivables	117 999	—	—	117 999
Cash and cash equivalents	124 422	—	—	124 422
		<b>244 275</b>	<b>3 911</b>	<b>248 186</b>
<b>Company – 2010</b>				
Loans to group companies	1 222 968	—	—	1 222 968
Other financial assets	—	—	1 345	1 345
Trade and other receivables	1 855	—	—	1 855
Cash and cash equivalents	42	—	—	42
	<b>1 224 865</b>		<b>1 345</b>	<b>1 226 210</b>
<b>Company – 2009</b>				
Loans to group companies	602 640	—	—	602 640
Other financial assets	—	—	629	629
Trade and other receivables	940	—	—	940
Cash and cash equivalents	114	—	—	114
	<b>603 694</b>		<b>629</b>	<b>604 323</b>



**Fair value of financial assets**

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.

**20. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE**
**(i) Discontinued operations**

In September 2009 the Group decided to discontinue some of its sawmilling operations as part of a restructuring exercise. The decision was made due to the less efficient sawmilling operations at these plants. A third plant has been mothballed and set aside for possible future use. The start-up cost relating to the third mill becoming operational again has not been included in the current figures and will be expensed if and when it is incurred.

The sawmill plants that were affected by the restructuring are:

- |                        |            |
|------------------------|------------|
| a) Roburnia Sawmill    | Closed     |
| b) Golden Rhino Lumber | Closed     |
| c) Madiba Mills        | Mothballed |

No disclosure is required by IFRS 5 Non-current assets held for sale and discontinued operations, as these mills do not represent a separate major line of business or geographical area and is not co-ordinated by a single plan to dispose of a separate major line of business.

The Group's assessment during the interim financial reporting period ended 31 December 2009 differs from the current assessment at year end. As these mills do not represent a separate major line of business no discontinued operations have to be disclosed.

**(ii) Non-current assets held for sale**

An investment property held for sale in 2008 was sold during the 2009 reporting period and a loss of R0,373 million was recognised in profit or loss.

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>21. SHARE CAPITAL</b>				
<b>Authorised</b>				
600 000 000 (2009: 100 000 000) Ordinary shares of R0.05 each	30 000	5 000	30 000	5 000
2 870 529 Convertible, non-redeemable cumulative preference shares of R0.05 each	—	144	—	144
	<b>30 000</b>	<b>5 144</b>	<b>30 000</b>	<b>5 144</b>
<b>Reconciliation of number of shares issued:</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Reported as at the beginning of the year	78 370	78 370	78 370	78 370
Issue of shares through rights issue offer	250 000	—	250 000	—
Conversion of preference shares into ordinary shares	2 871	—	2 871	—
	<b>331 241</b>	<b>78 370</b>	<b>331 241</b>	<b>78 370</b>



NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>21. SHARE CAPITAL CONTINUED</b>				
The 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.				
<b>Issued</b>				
Ordinary shares of R0.05 each	16 562	3 919	16 562	3 919
Share premium	1 540 051	1 048 743	1 540 051	1 024 477
Share issue costs written off against share premium	(34 699)	(21 855)	(34 699)	(21 855)
	<b>1 521 914</b>	<b>1 030 807</b>	<b>1 521 914</b>	<b>1 006 541</b>

During the financial period York issued and converted the following shares:

- 250 million ordinary shares were issued through a rights offer at an issue price of R2 per share. The rights offer was announced on 20 November 2009 in the ratio of 307.72792 rights offer shares for every 100 York shares held at the close of business on 20 November 2009. The rights offer closed at 12h00 on Friday, 11 December 2009 and payment and forms of instruction had to be lodged with Transfer Secretaries. The cost of the rights issue was deducted from share premium during the reporting period.
- 2,871 million convertible non-redeemable cumulative preference shares were converted into ordinary shares at 24 June 2010 on a one-to-one basis.

**22. CASH SETTLED SHARE BASED PAYMENT**

**Cash settled share based payments scheme**

The cash settled share options scheme allocated on 1 March 2008 was cancelled. The number of options outstanding as at 30 June 2009 were 399,000, with a weighted average exercise price of R22.70.

During the year ended 30 June 2010 the Group issued the following share-based options:

Share appreciation right scheme	Number '000	Weighted exercise price R
Granted on 17 November 2009	8 428	2.74
<b>Outstanding at the end of the period</b>	<b>8 428</b>	<b>2.74</b>
	<b>Exercise within one year '000</b>	<b>Exercise date from two to five years '000</b>
Outstanding appreciation rights	—	8 428
		<b>Exercise date after five years '000</b>
		—



### Information on share appreciation rights granted during the year

The Group offers its key employees an incentive plan in the form of an employee share appreciation rights scheme. This incentive will be achieved through certain employees being afforded the right to receive a cash payment over the vesting period. This cash payment will be based on the appreciation in the value of the shares over the five year period.

These appreciation rights were allocated on 17 November 2009 and notice of allocation 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.

The appreciation rights are call options granted by the company to employees. During the first portion of its life the option cannot be exercised and is forfeited should the employee leave the employment of the entity. This period of the option's life is referred to as the vesting period. After the vesting date, a lock-in period follows, at which time the option is exercised. The employees have the option to exercise their rights in tranches of 33.3% at the end of year 3, year 4 and year 5 respectively. The option expires at the end of year 6.

The payoff that a beneficiary of the share appreciation right scheme will receive, at the end of the lock-in period, 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. Cash settled schemes are valued at the reporting date in terms of IFRS 2 *Share Based Payment*.

Fair value was determined by using the Black-Scholes model. The following inputs were used:

- The volume weighted average strike price of R2.74 per share.
- Closing share price at 30 June 2010 of R3.07 per share.
- Grant date is 17 November 2009.
- Vesting portions are in 3 equal tranches annually commencing on 17 November 2012.
- Option life is six years with a maturity/expiry date of 17 November 2015.
- It was assumed that no forfeiture of the granted share appreciation rights will occur.
- A dividend yield of 0% was applied in the calculation.
- The risk-free interest rate sourced from the Bond Exchange of South Africa. The bootstrapped zero coupon perfect fit swap curve as at 30 June 2010 was used. The risk-free interest rates applied range from 6.89% (minimum value) to 7.81% (maximum value).
- 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 at the end of July 2007 and June 2010, in order to exclude the effects of the rights issues made by the company on the volatility.

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>Liability arising from share based payments</b>				
Carrying amount of cash settled liability	2 104	50	2 104	50

Any changes in the cash settled liability are recognised as part of employee costs.



NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>23. HEDGING RESERVE</b>				
<p>The Group entered into certain variable JIBAR-linked funding transactions. In order to hedge against the risk of interest rate fluctuations, an interest rate swap was entered into, fixing future interest settlements in ZAR terms. Through this swap agreement the Company pays a fixed rate (9.58%) and receives JIBAR. The hedge is classified as a cash flow hedge.</p> <p>The risk of fluctuations in the variable 3-month JIBAR relating to the JIBAR-linked loans, compared to a fixed ZAR interest rate. The change in the fair value of the hedge is recognised in equity. Refer to note 24 for the fair value of the hedge.</p>				
Opening balance	(89 545)	—	—	—
Fair value loss on settlement of 40% of the loan and related hedge	29 577	—	—	—
Fair value adjustment	23 016	(89 545)	—	—
Movement in fair value of derivative liability	(94)	—	—	—
Movement in deferred tax on hedge	10 373	—	—	—
	<b>(26 673)</b>	<b>(89 545)</b>	—	—
<b>24. OTHER FINANCIAL LIABILITIES</b>				
<b>At fair value through profit or loss</b>				
<b>Foreign exchange contract</b>	—	120	—	—
<p>The Group uses forward exchange contract ("FEC") financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. The fair value of forward exchange contracts is their quoted market price at the year end, being the present value of the quoted forward price. This foreign exchange contract liability is the difference between the fair value of the contracts measured at spot rate at year end and contract value at year end. The Group had no existing FECs at year end, however in 2009 the Group had 6 contracts with a fair value of R2,296 million and a contract value of R2,416 million. No formal hedge accounting was applied to FECs.</p>				
<b>Equity kicker liability</b>	—	699	—	—
<p>The equity kicker derived from the terms of the preference shares held by Blackstar which entitled Blackstar to 25% of the increase in the audited net asset value of the SPEs as defined earlier, valued with standard Black-Scholes option methodology.</p>				
<b>Total other financial liabilities at fair value through profit or loss</b>	—	<b>819</b>	—	—



	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>Held at amortised cost</b>				
<b>Rand Merchant Bank Senior Term A Loan</b> This loan was incurred on 12 July 2007. The interest rate is based on the 3-month JIBAR plus a margin of 3% (2009: 2.75%), with a nominal annual rate compounded monthly ("NACM") of 9.6% (2009: 10.988%). Interest is compounded monthly and payments are made quarterly. The loan is repayable at escalating values. The next payment will be R4,742 million (2009: R9,091 million) starting 31 January 2008 with a final payment on 13 July 2014.	80 300	148 476	—	—
<b>Rand Merchant Bank Senior Term B Loan</b> This loan was incurred on 12 July 2007. The interest rate is based on the 3-month JIBAR plus a margin of 3.1% (2009: 2.9%), with a NACM of 9.75% (2009: 11.138%). Interest is compounded monthly and payments are made quarterly. The loan is repayable at escalating values. The next payment will be R9,311 million (2009: R17,767 million), starting 31 October 2009 with a final payment on 13 July 2014.	156 980	280 119	—	—
<b>Rand Merchant Bank Senior Term C Loan</b> This loan was incurred on 12 July 2007. The interest rate is based on the 3-month JIBAR plus a margin of 3.5% (2009: 3.25%), with a NACM of 10.1% (2009: 11.48%). Interest is compounded monthly and paid over quarterly. Interest is paid in quarterly instalments of R3,079 million (2009: R5,791 million) and the principal amount will be settled with a bullet payment on 13 July 2014.	124 353	203 840	—	—
<b>Rand Merchant Bank Mezzanine Loan</b> This loan was incurred on 12 July 2007. The interest rate is based on the 3-month JIBAR plus a margin of 8.25 (2009: 8%), with a NACM of 14.85% (2009: 16.238%). Interest is compounded monthly and paid over quarterly. Interest is paid in quarterly instalments of R9,734 million (2009: R17,599 million), and the principal amount will be settled with a bullet payment on 13 July 2015.	269 456	441 669	—	—
<b>Nedbank Mortgage Bond</b> This loan is secured by first mortgage bond over freehold land and buildings with a carrying value of R4,70 million (2009: R 4,40 million), (refer note 6), bears interest at 9.5% (2009: 10.5%) per annum and is repayable by monthly instalments of R0,014 million (2009: R0,015 million). The last payment is due on 30 September 2020.	1 053	1 178	—	—



NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>24. OTHER FINANCIAL LIABILITIES CONTINUED</b>				
<b>Wesbank Capital loan</b> This loan bears interest at an effective rate of 9.25% (2009: 13.5%) per annum and is payable in 7 (2009: 14) payments of R4,164 million (2009: R5,636 million) every 6 months, starting in June 2007. The final balance will be settled with a bullet payment of R9,835 million on 31 December 2013.	28 666	45 845	—	—
<b>South African Forestry Company Limited</b> The loan was settled on 1 July 2009 and bore interest at prime less 3.5%.	—	6 150	—	—
<b>Derivative — interest rate swap</b> In order to hedge against the risk of interest rate fluctuations on the JIBAR linked debt funding, the Group entered into an interest rate swap agreement with RMB, fixing its future interest settlements in ZAR terms. The Group pays a fixed rate of 9.58% (2009: 9.58%) and receives JIBAR. Refer to note 23 for the movement in the fair value of the hedge recognised in equity.	22 237	35 319	—	—
<b>York convertible, non-redeemable cumulative</b> These preference shares have a coupon rate of prime less 1.25% per annum and are convertible into ordinary shares on a one to one basis after a period of three years and six months after the date of issue at the option of the holder of the share. These shares were converted during the year – refer to note 21.	—	—	—	28 217
<b>Blackstar redeemable cumulative preference shares</b> These preference shares have a coupon rate of prime less 1.25% per annum, are subject to a before tax IRR of 20% and are convertible into ordinary shares on a one to one basis at the option of the holder of the share. These shares have subsequently converted, refer note 21.	—	11 680	—	—
<b>Preference dividends payable</b> Preference dividends on redeemable preference shares have been accrued but not yet declared.	—	8 194	—	—
<b>Loan raising fees</b> RMB loan raising fees amortised over the period of the loan (seven years). The amortised amount is included in Finance Expense.	(19 030)	(23 927)	—	—
<b>Total other financial liabilities held at amortised cost</b>	<b>664 015</b>	<b>1 158 543</b>	<b>—</b>	<b>28 217</b>
	<b>664 015</b>	<b>1 159 362</b>	<b>—</b>	<b>28 217</b>



	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<p>The RMB Senior Loan Facilities and Mezzanine Loan Facility are secured in favour of Micawber 558 (Pty) Ltd by cessions and pledges of all shares in subsidiaries and by mortgage bonds, special Notarial and general Notarial bonds over all of the Group's assets, immovable properties and movable property and effects.</p> <p>The Group has to comply on a regular basis with the following loan covenants in respect of the RMB Senior Loan Facilities, Mezzanine Loan and Wesbank Capital Facility:</p> <ul style="list-style-type: none"> <li>• Senior debt service cover ratio</li> <li>• Debt equity ratio</li> <li>• Senior interest cover ratio</li> <li>• Net debt to EBITDA ratio and</li> <li>• Cumulative total debt service cover ratio.</li> </ul>				
<b>Non-current liabilities</b>				
At amortised cost	612 317	1 061 543	—	28 217
<b>Current liabilities</b>				
Fair value through profit or loss	—	819	—	—
At amortised cost	51 698	97 000	—	—
	<b>51 698</b>	<b>97 819</b>	—	—
	<b>664 015</b>	<b>1 159 362</b>	—	<b>28 217</b>
<b>25. FINANCE LEASE OBLIGATIONS</b>				
<b>Minimum lease payments due</b>				
– within one year	4 191	5 909	—	—
– in second to fifth year inclusive	15 049	23 636	—	—
– after five years	—	5 587	—	—
	19 240	35 132	—	—
less: future finance charges	(3 717)	(8 442)	—	—
<b>Present value of minimum lease payments</b>	<b>15 523</b>	<b>26 690</b>	—	—
<b>Present value of minimum lease payments due</b>				
– within one year	2 278	3 438	—	—
– in second to fifth year inclusive	13 245	17 755	—	—
– after five years	—	5 497	—	—
	<b>15 523</b>	<b>26 690</b>	—	—
Non-current liabilities	13 245	23 252	—	—
Current liabilities	2 278	3 438	—	—
	<b>15 523</b>	<b>26 690</b>	—	—

These liabilities consist of nine (2009: 15) capitalised finance leases, payable over a period of six years at an effective interest rate of 9.51% (2009: 13.69%) per annum. These liabilities are secured by plant and equipment and motor vehicles with a carrying value of R 4,287 million (2009: R 18,883 million), refer to note 7. These leases have no escalation clause. Repayments are based on the outstanding debt and the prevailing interest rate.



NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>25. FINANCE LEASE OBLIGATION CONTINUED</b>				
On expiry of the initial leases period, the lease will be automatically renewed on the same terms and conditions as the existing agreements. The annual rental for the first year of renewal is specified in the existing agreements. The asset can be disposed after renewal of the lease by either the Group or the lessor. The Group is entitled to a rebate of rentals equivalent to the net amount realised by such a sale.				
The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 7.				
<b>26. INSTALMENT SALE LIABILITY</b>				
<b>Minimum lease payments due</b>				
– within one year	1 663	2 148	—	—
– in second to fifth year inclusive	1 032	3 212	—	—
– after five years	—	55	—	—
	<b>2 695</b>	<b>5 415</b>	—	—
Less: future finance charges	(263)	(727)	—	—
<b>Present value of minimum lease payments</b>	<b>2 432</b>	<b>4 688</b>	—	—
<b>Present value of minimum lease payments due</b>				
– within one year	1 515	1 781	—	—
– in second to fifth year inclusive	917	2 852	—	—
– after five years	—	55	—	—
	<b>2 432</b>	<b>4 688</b>	—	—
Non-current liabilities	917	2 907	—	—
Current liabilities	1 515	1 781	—	—
	<b>2 432</b>	<b>4 688</b>	—	—

These liabilities consist of 11 (2009: 19) instalment sale agreements with Stannic and Wesbank and are payable over a period of 2 to 6 years at an effective interest rate of 9.27% (2009: 13.1%) per annum. These liabilities are secured by plant and equipment and motor vehicles with a carrying value of R 4,947 million (2009: R 2,596 million). Refer note 7.

	Opening balance	Additions	Closing balance
<b>27. PROVISIONS</b>			
<b>Reconciliation of provisions</b>			
<b>Group – 2010</b>			
Environmental contingent liability	54 643	—	54 643
Onerous contract	—	1 138	1 138
	<b>54 643</b>	<b>1 138</b>	<b>55 781</b>



	<b>Opening balance</b>	<b>Additions</b>	<b>Closing balance</b>	
<b>Reconciliation of provisions</b>				
<b>Group – 2009</b>				
Environmental contingent liability	54 643	—		54 643
	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>
Non-current liabilities	55 496	54 643	—	—
Current liabilities	285	—	—	—
	<b>55 781</b>	<b>54 643</b>	<b>—</b>	<b>—</b>
<b>Environmental contingent liability</b>				
The environmental contingent liability was calculated in terms of IFRS 3 Business Combinations. The expected timing of the outflow of economic benefits with regard to the provision is uncertain.				
<b>Onerous contract</b>				
A subsidiary within the Group moved from its previous leased premises. The lease cannot be cancelled and continues for the next 2 years. Should a suitable tenant be found the property can be sub let with written consent from the landlord.				
<b>28. TRADE AND OTHER PAYABLES</b>				
Trade payables	90 039	159 990	110	19
Value Added Tax	2 410	7 609	—	61
Operating lease payables	81	—	—	—
Deposits received	479	349	—	—
Other payables and accruals	34 305	57 251	1 304	14 970
	<b>127 314</b>	<b>225 199</b>	<b>1 414</b>	<b>15 050</b>
<b>29. FINANCIAL LIABILITIES BY CATEGORY</b>				
The accounting policies for financial instruments have been applied to the line items below:				
<b>Financial liabilities at amortised cost</b>				
Other financial liabilities	664 015	1 158 543	—	28 217
Finance lease obligations	15 523	26 690	—	—
Instalment sale liabilities	2 432	4 688	—	—
Trade and other payables	127 314	225 199	1 414	15 046
	<b>809 284</b>	<b>1 415 120</b>	<b>1 414</b>	<b>43 263</b>
<b>Fair value through profit or loss - held for trading</b>				
Other financial liabilities	—	819	—	—



NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>30. REVENUE</b>				
Sale of goods	907 488	1 093 046	—	—
Rental income	1 873	2 244	—	—
	<b>909 361</b>	<b>1 095 290</b>	—	—
<b>31. OPERATING PROFIT/(LOSS)</b>				
Operating profit/(loss) for the year is stated after accounting for the following:				
<b>Operating (expenses)/income</b>				
Operating lease charges:				
– Premises	(4 234)	(1 843)	—	—
– Motor vehicles	—	(125)	—	—
– Equipment	(1 572)	(950)	(9)	(5)
– Other	(18)	214	—	—
Profit/(loss) on sale of property, plant and equipment	66	(1 569)	4	—
Profit on sale of non-current assets held for sale and net assets of disposal groups	—	373	—	—
Profit on disposal of Blackstar SPEs	10 867	—	356	—
Reversal of impairment/(Impairment) of:				
– Property, plant and equipment	3 184	(43 390)	—	—
– Loans to group companies	—	—	147 976	(158 220)
– Trade and other receivables	(872)	(6 183)	—	—
Foreign exchange (loss)/gain on forward exchange contracts	(92)	149	—	—
Depreciation and amortisation of:				
– Property, plant and equipment	(25 931)	(18 711)	(79)	(94)
– Intangible assets	(750)	(678)	—	—
Amount expensed in respect of retirement benefit plans:				
– Defined contribution funds	(15 468)	(20 277)	—	—
Employee costs	(116 113)	(148 482)	(3 795)	(3 338)
Directors emoluments	(6 587)	(9 179)	(1 874)	(2 598)
Share-based payment expenses	(2 054)	—	(2 054)	—
Restructuring costs	333	18 735	—	—
Distribution expenses	(121 745)	(151 432)	—	—
Research and development costs	(384)	(337)	—	—
Selling expenses	(1 525)	(2 226)	—	—
Insurance proceeds from fire damages	8 165	158 731	—	—



	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>32. INVESTMENT INCOME</b>				
<b>Dividend revenue</b>				
Listed shares	15	1	15	1
<b>Interest revenue</b>				
Interest income on bank deposits	1 645	12 402	240	30
Interest charged on trade and other receivables	1	2	—	—
Other interest	1 149	728	76	114
	2 795	13 132	316	144
	<b>2 810</b>	<b>13 133</b>	<b>331</b>	<b>145</b>
All interest revenue generated was generated from loans and receivables class of financial assets.				
<b>33. FAIR VALUE ADJUSTMENTS</b>				
Investment property	16 967	100	—	—
Biological assets	183 302	(244 698)	—	—
	<b>200 269</b>	<b>(244 598)</b>	<b>—</b>	<b>—</b>
<b>34. FINANCE COSTS</b>				
Non-current borrowings	—	10 265	—	—
Dividends on preference shares classified as liabilities	—	7 732	—	3 685
Fair value of equity share based payment	(10 446)	(9 160)	(10 446)	—
Trade and other payables	1 338	3 768	—	—
Finance leases	109 569	154 243	—	—
Bank	1 866	270	—	—
RMB transaction costs	4 896	5 030	—	—
Equity kicker liability	—	699	—	—
Derivative — interest rate swap	69 383	24 582	—	—
Other interest paid	755	465	566	305
	<b>177 361</b>	<b>197 894</b>	<b>(9 880)</b>	<b>3 990</b>
<b>Finance expense can be reconciled according to instrument as follows:</b>				
Fair value through profit or loss	1 866	270	—	—
At amortised cost	175 495	197 624	—	—
	<b>177 361</b>	<b>197 894</b>	<b>—</b>	<b>—</b>



NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>35. TAXATION</b>				
<b>Major components of the tax (income) expense</b>				
<b>Current</b>				
Local income tax – current period	324	2 555	—	—
Local income tax – prior periods	(10 476)	—	—	—
Secondary Taxation on Companies	—	379	—	369
	<b>(10 152)</b>	<b>2 934</b>	<b>—</b>	<b>369</b>
<b>Deferred</b>				
Deferred tax	6 096	(83 641)	(3 032)	(655)
	<b>(4 056)</b>	<b>(80 707)</b>	<b>(3 032)</b>	<b>(286)</b>
<b>Reconciliation of the tax expense</b>	%	%	%	%
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	28.00	28.00	28.00	28.00
Disallowable charges	10.09	(2.20)	(28.64)	(27.90)
Tax losses utilised against future taxable income	(31.52)	—	—	(0.10)
Prior year under provision in current tax	(29.80)	—	(1.25)	—
Charges to the other comprehensive income	16.52	—	(0.06)	—
	<b>(6.71)</b>	<b>25.80</b>	<b>(1.95)</b>	<b>—</b>
The income tax rate of 28% in 2009 was unchanged in 2010.				

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>36. AUDITORS' REMUNERATION</b>				
Fees	3 651	1 157	—	—
Consulting	8	67	—	—
Expenses	30	6	—	—
	<b>3 689</b>	<b>1 230</b>	<b>—</b>	<b>—</b>



	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>37. CASH GENERATED FROM/(UTILISED IN) OPERATIONS</b>				
Profit/(loss) before taxation	60 570	(312 627)	155 343	(161 883)
<b>Adjustments for:</b>				
Depreciation, amortisation and impairments	65 493	71 634	(147 897)	158 314
(Profit)/loss on sale of assets	(10 933)	1 569	(360)	—
Loss on sale of non-current assets and disposal groups	—	373	—	—
(Profit)/loss on foreign exchange	(120)	—	—	—
Investment income	(2 810)	(13 133)	(331)	(145)
Finance costs	177 361	197 894	(9 880)	3 990
Fair value adjustments	(200 269)	244 598	—	—
Movements in retirement benefit assets and liabilities	2 263	2 769	—	—
Share-based payment	2 054	(683)	2 054	(683)
Movements in provisions	1 138	—	—	—
<b>Changes in working capital:</b>				
Inventories	88 427	(28 559)	—	—
Trade and other receivables	16 577	65 640	(915)	1 044
Trade and other payables	(97 883)	(8 528)	(13 280)	(1 750)
	<b>101 868</b>	<b>220 947</b>	<b>(15 266)</b>	<b>(1 113)</b>
<b>38. TAX REFUNDED/(PAID)</b>				
Balance at beginning of the year	(5 424)	(5 489)	(854)	(485)
Current tax for the year recognised in profit or loss	10 152	(2 934)	—	(369)
Balance at end of the year	(3 134)	5 424	854	854
	<b>1 594</b>	<b>(2 999)</b>	<b>—</b>	<b>—</b>
<b>39. COMMITMENTS</b>				
<b>Authorised capital expenditure</b>				
Already contracted but not provided for				
• Property, plant and equipment	2 900	136	—	—
<b>Not yet contracted for and authorised by directors</b>				
• Property, plant and equipment	5 894	3 164	—	—

This committed expenditure relates to plant and equipment and will be financed by existing cash resources, available bank facilities and funds internally generated.

#### 40. CONTINGENCIES

##### Suretyship

The Group participates in a pooled banking facility granted by First Rand Bank Limited. As such, the Group has provided an unlimited suretyship in favour of First Rand Bank Limited in respect of its obligations to the bank.



NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>40. CONTINGENCIES CONTINUED</b>				
<b>Contracts to purchase logs</b>				
In 2009 the Group was contractually bound to purchase 158,000 cubic metres of logs per year. These contracts have been cancelled.				
<b>41. RELATED PARTIES</b>				
<b>Relationships</b>				
Subsidiaries and fellow subsidiaries		Refer to note 10		
Directors		Refer to note 42		
<b>Related party balances</b>				
<b>Loan accounts – Owning by related parties</b>				
York Timbers (Pty) Ltd	—	—	1 233 212	760 860
Impairment of loans to subsidiaries	—	—	(10 244)	(158 220)
	—	—	<b>1 222 968</b>	<b>602 640</b>
<b>Related party transactions</b>				
Administration fees received	—	—	2 498	4 140

**42. DIRECTORS' EMOLUMENTS**

**Executives paid by York Timbers (Pty) Ltd (a subsidiary of the Company)**

	Cash emoluments	Pension and life cover	Travel allowance	Medical aid	Total
<b>2010</b>					
DJ Erskine	1 077	127	72	26	1 302
TG Mokoena	666	92	135	32	925
PP van Zyl	2 183	113	120	71	2 487
	<b>3 926</b>	<b>332</b>	<b>327</b>	<b>129</b>	<b>4 714</b>
<b>2009</b>					
LS Cooper	2 433	198	162	50	2 843
DJ Erskine	132	11	6	2	151
JKH Lehman	1 081	110	135	37	1 363
TG Mokoena	1 172	135	180	37	1 524
PP van Zyl	593	53	44	10	700
	<b>5 411</b>	<b>507</b>	<b>527</b>	<b>136</b>	<b>6 581</b>



	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>Non-executives paid by the Company</b>				
AD Bonamour*	12	237	12	237
PC Botha*	234	355	234	355
R Claunch	184	230	184	230
S Meer*	154	200	154	200
TJ Modise	212	267	212	267
G Motau	43	115	43	115
S Murray	58	254	58	254
JP Myers	845	787	845	787
PB Odendaal	105	153	105	153
GR Tipper*	26	—	26	—
	<b>1 873</b>	<b>2 598</b>	<b>1 873</b>	<b>2 598</b>

\* Directors' fees paid to these non-executive directors were paid to the companies represented by them.

#### 43. RISK MANAGEMENT

##### Financial risk management

The Group is exposed to certain financial risks in the normal course of its operations:

- Market risk (including currency risk, interest rate risk and price risk);
- Liquidity risk; and
- Credit risk.

This note presents information about the Group's financial risk management framework, objectives, policies and processes for measuring and managing risk, the Group's exposure to these financial risks, and the Group's management of capital. Furthermore, quantitative disclosures are included throughout these Consolidated and Separate Financial Statements.

##### Financial risk management framework, objectives and policies

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's executive is responsible for developing and monitoring the Group's risk management policies. The Group's executive reports 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 Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit 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 results of which are reported directly to the Audit Committee.



#### 43. RISK MANAGEMENT CONTINUED

##### **Group treasury risk**

The Group monitors its forecast financial position on a regular basis. The Group's executive meets regularly and considers cash flow projections for the following 12 months in detail, taking into consideration the impact of market conditions. The Group's executive also receives reports from independent consultants and receives presentations from advisors on current and forecast economic conditions.

The Group's forecast financial risk position with respect to key financial objectives and compliance with treasury practice are regularly reported to the Board.

From time to time, the Group does use derivative financial instruments to hedge certain identified risk exposures, as deemed necessary by the Group's executive. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss. The Group does not acquire, hold or issue derivative instruments for trading purposes.

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

##### **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.

##### **Currency risk**

The Group trades primarily within the Republic of South Africa and neighbouring countries within the Southern African Development Community ("SADC"). All sales occur in SA Rand and therefore do not expose the Group to currency risks.

Future commitments as well as recognised assets and liabilities that is denominated in a currency that is not the functional currency, exposes the Group to currency risks. Most of the company's purchases are denominated in SA Rand.

Acquisition of certain engineering machinery and equipment are denominated in US Dollars or Euros. 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 Group treasury. This is done on an ad-hoc basis, as deemed appropriate or when required by the supplier. A net loss of R0,092 million (2009: gain of R0,143 million) was realised.

At reporting date, no forward exchange contracts were outstanding. During the prior reporting date, forward exchange contracts which relate to future commitments comprised:

- US\$ 0,062 million with forward exchange rates varying from 1US\$:R8.09 to 1US\$:R9.17, and maturing up until 31 July 2009; and
- EUR 0,166 million, with forward exchange rates varying from 1EUR:R11.03 to 1EUR:R11.54, and maturing up until 1 July 2009.

All the Group's subsidiaries are local, except for York Timbers Chile Ltda, which is incorporated and domiciled in Chile. The Group has not hedged this investment.

The Group's borrowings and cash deposits are all denominated in SA Rand and have no currency risk exposure. At the end of the year no sensitivity analysis has been prepared as at reporting date, no balances were denominated in a currency other than the functional currency.

##### **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 uses interest rate swaps to hedge its interest rate risk. The Group policy is to hedge more than 90% of its interest cost using interest rate swap agreements. This largely reduces the sensitivity of the Group to interest rate changes.



Below is an analysis of fixed and variable interest rate dependant financial assets and liabilities:

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>Fixed interest rate</b>				
Other financial liabilities	(681 992)	(1 155 268)	—	—
<b>Variable interest rate</b>				
Finance lease obligation	(15 523)	(26 690)	—	—
Instalment sale liability	(2 432)	(4 688)	—	—
Other financial liabilities	(1 053)	(19 008)	—	(28 217)
Instalment sale receivables	606	1 854	—	—
	<b>(18 402)</b>	<b>(48 532)</b>	<b>—</b>	<b>(28 217)</b>

The majority (97% (2009: 93%)) of the Group's debt is covered by a fixed interest rate swap; therefore no interest rate sensitivity analysis has been performed.

#### Market price risk

Market price risk is the risk that the Group's financial position will be affected by movements in market prices.

The Group owns investments in equity securities (refer to note 12), which exposes the Group to securities market price risk. To manage this risk, the Group reviews the investments on a regular basis. The Group is not allowed to make any other investments without the prior approval of its primary lender, Rand Merchant Bank.

Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale. Therefore a change in market prices at reporting date would not affect profit or loss and no sensitivity analysis has been performed.

The Group is not exposed to commodity price risk.

#### 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 is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount 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 18.

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an on-going review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table over the page 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.



NOTES TO THE FINANCIAL STATEMENTS

**43. RISK MANAGEMENT CONTINUED**

**Non derivative financial liabilities**

<b>Group</b>	<b>Less than 1 year</b>	<b>Between 2 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>At 30 June 2010</b>				
Other financial liabilities	46 859	366 111	270 075	683 045
Finance lease obligations	2 278	13 245	—	15 523
Instalment sale liabilities	1 515	917	—	2 432
Trade and other payables	127 314	—	—	127 314
	<b>177 966</b>	<b>380 273</b>	<b>270 075</b>	<b>828 314</b>
<b>At 30 June 2009</b>				
Other financial liabilities	97 819	403 649	657 894	1 159 362
Finance lease obligations	3 438	17 755	5 497	26 690
Instalment sale liabilities	1 781	2 852	55	4 688
Trade and other payables	225 199	—	—	225 199
	<b>328 237</b>	<b>424 256</b>	<b>663 446</b>	<b>1 415 939</b>
<b>Company</b>				
<b>At 30 June 2010</b>				
Trade and other payables	1 414	—	—	1 414
<b>At 30 June 2009</b>				
Trade and other payables	15 050	—	—	15 050
Other financial liabilities	—	28 217	—	28 217
	<b>15 050</b>	<b>28 217</b>	<b>—</b>	<b>43 267</b>
<b>Derivative financial liabilities</b>				
<b>Group</b>				
<b>At 30 June 2010</b>				
Interest rate swap used for hedging	18 154	4 083	—	22 237
<b>At 30 June 2009</b>				
Interest rate swap used for hedging	16 134	19 185	—	35 319
Foreign exchange contracts used for hedging	120	—	—	120
	<b>16 254</b>	<b>19 185</b>	<b>—</b>	<b>35 439</b>

**Company**

The Company had no derivative financial liabilities as at 30 June 2010.

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 customer and 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. The Group primarily trades within the Republic of South Africa and neighbouring countries within the SADC. Approximately 16% (2009: 11%) of the Group's revenue is attributable to sales transactions with a single multinational customer.

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 creditworthiness may transact with the Group only on a prepayment basis. The Group does not require collateral in respect of trade and other receivables.

Credit guarantee insurance is purchased. Trade receivables are guaranteed by an underwriting company with a credit limit of R351 million, with a deductible annual aggregate of R1,5 million, and 15% of each claim thereafter.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Refer to note 17 for the quantitative disclosures on impairments and the aging of trade and other receivables.

The Group only has 2 investments in equity securities, both of these are listed on the Johannesburg Stock Exchange. Management does not expect any counterparty to fail to meet its obligations.

Cash is deposited at highly reputable financial institutions of high quality credit standing within the Republic of South Africa.

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

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>Financial instrument</b>				
Other financial assets	1 345	3 911	1 345	629
Loans to group companies	—	—	1 222 968	602 640
Instalment sale receivables	606	1 854	—	—
Trade and other receivables	104 334	117 999	1 855	940
	<b>106 285</b>	<b>123 764</b>	<b>1 226 168</b>	<b>604 209</b>

### Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, non-redeemable preference shares, retained earnings and non-controlling interests of the Group. The Board of Directors monitors the demographic spread of shareholders, the return on capital as well as the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group does not have a defined share buyback plan.

The capital structure of the Group also consists of debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.



NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>43. RISK MANAGEMENT CONTINUED</b>				
The Group's strategy is to maintain a gearing ratio of between 25% to 45%. The gearing ratio at 2010 and 2009 respectively were as follows:				
<b>Total borrowings</b>				
Finance lease obligations	25	15 523	26 690	—
Instalment sale liabilities		2 432	4 688	—
Other financial liabilities	24	664 015	1 159 362	28 217
		681 970	1 190 740	28 217
Less: Cash and cash equivalents	18	(84 493)	(124 422)	(114)
Net debt		597 477	1 066 318	28 103
Total equity		1 967 541	1 349 606	1 680 571
<b>Total capital</b>		<b>2 565 018</b>	<b>2 415 924</b>	<b>1 708 674</b>
Gearing ratio		23 %	44 %	2 %

No dividends were paid during the reporting period. The Board maintains a policy of balancing returns to shareholders with the need to fund growth.

**Fair value of financial assets and liabilities**

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 in an arm's length transaction.

All financial assets and liabilities recorded in the financial statements approximate their respective net fair values.

**Valuation of financial instruments**

The Group classifies instruments recognised and measured at fair value using the fair value hierarchy that is based on the significance of the inputs used for the valuation:

- Level 1: Quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs (i.e. market data).

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 June 2010	Level 1	Level 2	Level 3	Total
Other financial assets	1 345	—	—	1 345
Derivative liabilities (included in other financial liabilities)	—	(22 237)	—	(22 237)

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 rate used for determining fair value**

The interest rate used to discount estimated cash flows for the derivative liability is based on the SA Rand Swap Zero Coupon Yield Curve of 6.2348% at the reporting date.



#### 44. GOING CONCERNS

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

#### 45. BASIC EARNINGS AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2010 is based on the profit/(loss) attributable to ordinary shareholders of R 64,626 million (2009: R (231,920) million) and a weighted average number of ordinary shares of 216,781 million (2009: 78,370 million).

The calculation of diluted earnings per share at 30 June 2010 is based on the profit/(loss) attributable to ordinary shareholders, after the effect on basic earnings for the convertible preference shares of R 64,626 million (2009: R (231,920) million) and a weighted average number of ordinary shares after the effect of the convertible preference shares of 216,781 million (2009: 78,370 million). In the year ended 30 June 2010 there were no instruments that had a dilutive effect.

	Group		Company	
	2010 R '000	2009 R '000	2010 R '000	2009 R '000
<b>Reconciliation of basic earnings to diluted earnings</b>				
Profit/(loss) for the year	64 626	(231 920)	158 375	(161 597)
Profit/(loss) attributable to ordinary shareholders	64 626	(231 920)	158 375	(161 597)
Preference dividends	—	—	—	3 685
<b>Profit/(loss) attributable to ordinary shareholders (diluted)</b>	<b>64 626</b>	<b>(231 920)</b>	<b>158 375</b>	<b>(157 912)</b>
<b>Reconciliation of weighted average number of ordinary shares</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Issued ordinary shares	78 370	78 370	78 370	78 370
Effect of shares issued in December 2009	138 356	—	138 356	—
Effect of conversion of shares	55	—	55	—
Weighted average ordinary shares for the year	216 781	78 370	216 781	78 370
Effect of convertible preference shares	—	—	—	2 871
<b>Weighted average ordinary shares for the year (diluted)</b>	<b>216 781</b>	<b>78 370</b>	<b>216 781</b>	<b>81 241</b>
Basic earnings per share (cents)	30	(296)	—	—
Diluted earnings per share (cents)	30	(296)	—	—



NOTES TO THE FINANCIAL STATEMENTS

**46. HEADLINE EARNINGS**

The calculation of headline earnings per share at 30 June 2010 is based on the profit/(loss) attributable to ordinary shareholders, adjusted by items not qualified being part of headline earnings of R 87,156 million (2009: R (199,352) million) and weighted average number of ordinary shares of 216,781 million (2009: 78,370).

	<b>Gross R'00</b>	<b>Tax R'000</b>	<b>Total R'000</b>
<b>Reconciliation of basic earnings to headline earnings</b>			
<b>Group</b>			
<b>30 June 2010</b>			
Basic earnings attributable to ordinary shareholders	60 570	4 056	64 626
Profit on sale of assets and liabilities	(10 933)	3 061	(7 872)
Investment property (Fair value model)	(16 967)	4 751	(12 216)
Impairment of plant, equipment and vehicles	(3 184)	892	(2 292)
Impairment of goodwill	44 910	—	44 910
<b>Headline earnings for the year</b>	<b>74 396</b>	<b>12 760</b>	<b>87 156</b>
<b>Headline earnings per share (cents)</b>			<b>40</b>
<b>30 June 2009</b>			
Basic earnings attributable to ordinary shareholders	(312 627)	80 707	(231 920)
Loss on sale of assets and liabilities	1 569	(439)	1 130
Fair value adjustment on investment property	(100)	28	(72)
Loss on sale of non-current assets held for sale	373	(104)	269
Impairment of plant, equipment and vehicles	43 390	(12 149)	31 241
<b>Headline earnings for the year</b>	<b>(267 395)</b>	<b>68 043</b>	<b>(199 352)</b>
<b>Headline earnings per share (cents)</b>			<b>(254)</b>



## NOTICE TO SHAREHOLDER OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 30 JUNE 2010



York Timber Holdings Limited  
Incorporated in the Republic of South Africa  
Registration Number 1916/004890/06  
JSE Code:YRK; ISIN Code: ZAE0000133450

### NOTICE TO SHAREHOLDERS OF ANNUAL GENERAL MEETING

Notice is hereby given that the 94th Annual General Meeting of the shareholders of York Timber Holdings Limited (“the Company” or “York”) will be held at Sabie Country Club, Main Street, Sabie, 1260 at 10:00 on Tuesday, 16th November 2010 to transact the following business:

Subject to meeting the requirements of the Companies Act No. 61 of 1973 as amended (“the Act”) and the Listings Requirements of the JSE Limited (“the JSE”), to consider and, if approved, to pass with or without modification the following ordinary and special business:

#### ROUTINE BUSINESS:

1. Ordinary Resolution Number: 1

To re-elect Gavin Tipper, retiring in terms of article 13.2 and 15.1 of the Articles of Association of the Company, who is eligible and offers himself for re-election;

2. Ordinary Resolution Number: 2

To re-elect Shakeel Meer, retiring in terms of article 15.1 and 15.2 of the Articles of Association of the Company, who is eligible and offers himself for re-election;

Brief curriculum vitae in respect of each of the directors referred to in ordinary resolutions 1 - 2 above appear on page 4 - 5 of the annual report.

3. Ordinary Resolution Number: 3

To receive and consider the Annual Financial Statements of the Company for the year ended 30 June 2010, together with the reports of the directors and Auditors contained therein.

4. Ordinary Resolution Number: 4

To authorise the directors, subject to the Audit and Risk Committee being satisfied as to the auditors' independence, to:

- 4.1 approve the remuneration of the external auditors for the financial year ended 30 June 2010; and
- 4.2 re-appoint KPMG Incorporated, the external auditors with Mr. Heinrich Mans as the Designated Auditor, for the ensuing financial year.

#### SPECIAL BUSINESS:

5. Ordinary Resolution Number: 5

To place the unissued ordinary shares of the Company under the control of the directors in terms of Section 221 of the Act



and to renew the authority of the directors, subject to the provisions of section 221 and 222 of the Act and the Listings Requirements of the JSE, to allot and issue any of the shares of the Company to such person or persons on such terms and conditions as they may deem fit. Such authority shall expire at the next Annual General Meeting of the Company.

**6. Ordinary Resolution Number: 6**

That the directors have the power to allot and issue any shares of any class already in issue in the capital of the Company for cash when the directors consider it appropriate in the circumstances, subject to the following:

- this authority shall not endure beyond the earlier of the next Annual General Meeting of the Company or beyond 15 months from the date of passing of this ordinary resolution, unless the 15 month period is extended on application to the Registrar of Companies and the JSE, in which event the authority shall continue for the extended period;
- Such shares are to be issued to public shareholders (as defined by the Listings Requirements of the JSE) and not to related parties;
- upon the issue of shares which, together with prior issues during any financial year, will constitute 5% (five percent) or more of the number of shares of the class in issue, the Company shall, by way of a paid press announcement in terms of 11.22 of the Listings Requirements of the JSE give full details thereof including, the effect on the net asset value of the Company and earnings per share, the number of securities issued and the average discount to the weighted average traded price of the securities over the 30 days prior to the date that the price of such issue was determined or agreed by the Company's directors;
- that issues in the aggregate in any one financial year may not exceed 10% of the number of that class of the Company's issued shares (including instruments which are compulsorily convertible into shares of that class) at the date of application less any shares of that class issued, or to be issued in the future arising from options / convertible securities issued during the current financial year, plus any shares to be issued pursuant to an announced, irrevocable and fully underwritten rights offer or to be issued pursuant to any acquisition for which final terms have been announced;
- the maximum discount at which securities may be issued is 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors, and
- a 75% majority is required of votes cast by the Company's shareholders present or represented by proxy is required to approve this resolution.

**7. Ordinary Resolution Number: 7**

To approve the fees paid and payable from time to time by the Company (as recommended by the Company's Remuneration & Nomination Committee) to non-executive directors.

**8. Ordinary Resolution Number: 8**

To authorise any one director of the Company or the company secretary to do all such things and to sign all such documents issued by the Company to give effect to the approved ordinary and special resolutions.

**9. Special Resolution Number: 1**

That the Company and its shareholders hereby approve, as a general approval contemplated in sections 85(2), 85(3) and 89 of the Act and in terms of the Company's Articles of Association the acquisition of the Company or any of its subsidiaries from time to time of 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 Articles of Association of the Company, the provisions of the Act and the Listings Requirements of the JSE, as presently constituted and which may be amended from time to time, and provided:



- that 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 between the Company or any of its subsidiaries and the counter party;
- that this general authority shall only be valid until the Company's next Annual General Meeting provided that it shall not extend beyond 15 months from the date of passing of this Special Resolution;
- that a paid press announcement will be published as soon as the Company or its subsidiaries has/have acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue, prior to the acquisition pursuant to which the 3% threshold is reached, and in respect of every 3% thereafter; which announcement shall contain full details of such acquisitions;
- that acquisitions by the Company and its subsidiaries of ordinary shares in any one financial year may not exceed 10% of the Company's issued ordinary share capital from the date of the grant of this general authority;
- that no subsidiary of the Company will acquire more than 10% of the Company's issued ordinary share capital at any one time;
- that in determining the price at which the Company's ordinary shares are acquired by the Company or any of its subsidiaries in terms of this general authority, the maximum price at which such ordinary shares may be acquired will be at a premium of no more than 10% of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the five business days immediately preceding the date of repurchase of such ordinary shares by the Company or any of its subsidiaries;
- that the Company may at any point in time only appoint one agent to effect any repurchase(s) on its behalf;
- that the Company or any of its subsidiaries may not repurchase securities during a prohibited period, as defined in the Listings Requirements of the JSE unless the Company has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over the Securities Exchange News Service prior to the commencement of the prohibited period.

## REASON AND EFFECT FOR SPECIAL RESOLUTION NUMBER I

To grant the Company or any of its subsidiaries a general authority in terms of the Act for the acquisition by the Company or any of its subsidiaries of shares issued by the Company, which 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 by any subsequent General Meeting of the Company, provided that the general authority shall not extend beyond 15 months from the date of this Annual General Meeting.

The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company.

Information required in terms of the Listings Requirements of the JSE with regard to this general authority for the Company or any of its subsidiaries to repurchase the Company's securities appears in the annual financial statements, to which this notice of Annual General Meeting is annexed as indicated below:

Directors and management of the Company: Page 32

Major shareholders: Page 37

Directors' interest in securities: Page 38

Share capital of the Company: Page 77



## NOTES TO SHAREHOLDERS OF ANNUAL GENERAL MEETING CONTINUED

Pursuant to and in terms of the Listings Requirements of the JSE, the directors of the Company hereby state that:

1. the intention of the Company and/or any of its subsidiaries is to utilise the authority if at some future date the cash resources of the Company are in excess of its requirements. In this regard the directors will take into account, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and will ensure that any such utilisation is in the interest of shareholders;
2. the method by which the Company and or any of its subsidiaries intends to re-purchase its securities and the date on which such repurchase will take place, has not yet been determined, and
3. after considering the effect of a maximum permitted re-purchase of securities, the Company and its subsidiaries (“the Group”) are, as at the date of this notice convening the Annual General Meeting of the Company, able to fully comply with the Listings Requirements of the JSE. Nevertheless, at the time that the contemplated re-purchase is to take place, the directors of the Company will ensure that the:
  - 3.1. Company and the Group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice of the Annual General Meeting;
  - 3.2. assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the notice of the Annual General Meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in these audited annual group financial statements;
  - 3.3. share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the Annual General Meeting;
  - 3.4. working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the Annual General Meeting; and
  - 3.5. The Company will provide its sponsor and the JSE with all documentation as required in Schedule 25 of the Listings Requirements of the JSE, and will not commence any repurchase programme until the sponsor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation.

### INFORMATION REGARDING CERTIFICATED AND DEMATERIALISED HOLDINGS

Shareholders who hold their shares in certificated form or who are own name registered dematerialised shareholders who are unable to attend the Annual General Meeting but who wish to be represented thereat, are required to complete and return the attached form of proxy so as to be received by the Transfer Secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), by not later than 48 hours before this Annual General Meeting at 10:00 on Tuesday, 16 November 2010.



Shareholders who have dematerialised their shares through a Central Securities Depository Participant (“CSDP”) or broker, other than with own name registration who wish to attend the Annual General Meeting should instruct their CSDP or broker to issue them with the necessary authority to attend the meeting, in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

Shareholders who have dematerialised their shares through a CSDP or broker, other than with own name registration who wish to vote by way of proxy, should provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. These instructions must be provided to their CSDP or broker by the cut-off time or date advised by their CSDP or broker for instructions of this nature.

### **DIRECTORS' AND AUDIT COMMITTEE'S RESPONSIBILITY STATEMENTS**

In terms of the Act and the Listings Requirements of the JSE the directors, whose names are given on page 34 of this annual report, and/or Audit Committee (“the Committee”), as the case may be, respectively confirm that:

- collectively and individually they accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and notice of Annual General Meeting contains all information required by the Act and the Listings Requirements of the JSE; and
- save as may be addressed in the report of the directors, there has been no material change in the financial or trading position of the Company or any of its subsidiaries that has occurred since 30 June 2010; and
- they are aware of no legal or arbitration proceedings, either pending or threatened against the Company or its subsidiaries which may have, or have had in the last 12 months, a material effect on the financial position of the Company or its subsidiaries;
- the Committee has carried out and have met periodically to consider and to act upon its statutory duties and functions and confirms that it has satisfied itself of the independence of the Company's auditors and of the appropriateness of the expertise and experience of the financial director of the Company.

### **SHAREHOLDERS DIARY 2010 - 2011**

Interim year-end: December 2010.

Release of interim results: on or before 31st March 2011.

Financial year-end: 30 June 2011.

Release of annual financial results: on or before 30th September 2011.

Next (95th) Annual General Meeting: 15th November 2011

By order of the Board,

**Melinda van den Berg**

*Company Secretary*



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