

This circular is important and requires your immediate attention

If you are in any doubt as to the action you should take, please consult your broker, CSDP, attorney, accountant or other professional advisor immediately. If you have disposed of all of your shares in York Timbers Holdings Limited, please forward this circular to the person to whom you have disposed of such shares or the broker, CSDP or other agent through whom you disposed of such shares.

The definitions and interpretations commencing on page 5 of this circular apply to this cover page.

These revised listing particulars are not an invitation to the public to subscribe for shares, but are issued in compliance with the Listings Requirements of the JSE Limited, for the purpose of providing information to the public with regard to the Company.

The Rights Offer shares issued in terms of the Rights Offer will not be registered with the Securities and Exchange Commission, Washington D.C., the Canadian Provincial Securities Commission, or the Australian Securities Commission under the Australian Corporation Law, as amended. Accordingly, the Rights Offer will not be made to or be open for acceptance by persons with registered addresses in the United States of America or any of its territories, dependencies, possessions or commonwealths or in the District of Columbia or in the Dominion of Canada or in the Commonwealth of Australia, its states, territories or possessions. The CSDP or broker will ensure that where such persons are holding York shares in dematerialised form that the CSDP or broker adheres to the above restrictions.



York Timber Holdings Limited

(formerly The York Timber Organisation Limited)

Incorporated in the Republic of South Africa

(Registration number: 1916/004890/06)

Share code: YRK ISIN: ZAE000133450

("York" or "the Company")

Circular to York shareholders

relating to:

- **a rights offer in respect of 250 000 000 (two hundred and fifty million) York ordinary shares made to York shareholders in the ratio of 307.72792 new Rights Offer shares for every 100 shares held at the close of trade on Friday, 20 November 2009, at a price of 200 cents per Rights Offer share;**

and including

- **revised listings particulars issued in compliance with the Listings Requirements of the JSE Limited for the purpose of providing information to the public with regard to the Company; and**
- **a form of instruction in respect of a letter of allocation for use by certificated shareholders only (blue).**

23 November 2009

This Rights Offer circular incorporates revised listing particulars of the Company and is issued in compliance with the Listing Requirements of the JSE Limited for the purpose of providing information to the public with regard to the Company.

The directors of York, whose names appear in paragraph 6.1 of the circular, collectively and individually, accept full responsibility for the accuracy of the information given in this circular and certify that, to the best of their knowledge and belief, there are no facts the omission of which would make the statement in this circular false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this circular contains all information required in law and by the Listings Requirements.

A copy of the circular, together with the form of instruction and the documents referred to in section 145A of the Companies Act, being those set out in paragraph 3.13 of the circular, have been lodged with CIPRO and the form of instruction has been registered by CIPRO on 10 November 2009 in terms of section 146A of the Companies Act.

This circular is available in English only. Copies may be obtained from the registered office of the Company and the transfer secretaries at the addresses set out in the "Corporate information and advisors" section of this circular from Monday, 23 November 2009 to Friday, 4 December 2009, both days inclusive.

Merchant bank



A division of FirstRand Bank Limited

Sponsor



Corporate Finance

Reporting accountants and auditors



Legal advisors



CORPORATE INFORMATION AND ADVISORS

Registered office

York Timber Holdings Limited
(Registration number 1916/004890/06)
3 Main Street
Sabie, 1260
South Africa
(PO Box 1190, Sabie, 1260)

Group company secretary

Fusion Corporate Secretarial Services
(Proprietary) Limited
(Registration number 2007/008376/07)
Claessica Park, 56 Regency Road
Route 21, Corporate Park
Irene, 0062
South Africa
(PO Box 68528, Highveld, 0169)

Transfer secretaries

Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
South Africa
(PO Box 61051, Marshalltown, 2107)

Underwriters

Lereko Metier Capital Growth Fund
(Master's reference number IT 11855/06)
2nd Floor, 5 Commerce Square
39 Rivonia Road
Sandhurst, 2196
South Africa
(Private Bag X11, Northlands, 2116)

CoroCapital Limited
(Registration number 1991/002267/06)
Unit 6, First Floor
3 Melrose Boulevard
Melrose Arch, 2076
South Africa
(PO Box 652643, Benmore, 2010)

Coronation Asset Management (Proprietary) Limited
(Registration number 1993/002807/07)
7th floor Montclare Place
Cnr Main and Campground Road
Claremont, 7708
South Africa
(PO Box 44684, Claremont, 7735)

Merchant Bank

Rand Merchant Bank
(A division of FirstRand Bank Limited)
(Registration number 1929/001225/06)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2196
South Africa
(PO Box 786273, Sandton, 2146)

Reporting Accountants and auditors

KPMG Incorporated
(Registration number 1999/021543/21)
KPMG Crescent
85 Empire Road
Parktown, 2193
South Africa
(Private Bag X9, Parkview, 2122)

Legal advisors

Prinsloo, Tindle & Andropoulos Inc
(Registration number 1998/021593/21)
17 Fricker Road, Illovo Boulevard
Illovo, 2196
South Africa
(PO Box 55024, Northlands, 2116)

Sponsor

Barnard Jacobs Mellet Corporate Finance
(Proprietary) Limited
(Registration number 2000/023249/07)
Ground Floor, 24 Fricker Road
Illovo Corner
Illovo, 2196
South Africa
(PO Box 62200, Marshalltown, 2107)

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Form of instruction in respect of a letter of allocation for use by certificated shareholders only (blue)	Attached

ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 5 of this circular apply to this “Action required by shareholders” section.

If you are in any doubt as to the action you should take, please consult your broker, CSDP, attorney, accountant or other professional advisor immediately. If you have disposed of all of your shares, please forward this circular to the person to whom you have disposed of such shares or the broker, CSDP, or other agent through whom you disposed of such shares.

The rights that are represented by letters of allocation are valuable and may be sold on the JSE. Letters of allocation can, however, only be traded in dematerialised form and, accordingly, all letters of allocation have been issued in dematerialised form.

The electronic record for holders of certificated shares is being maintained by the Transfer Secretary and this has made it possible for holders of certificated shares to enjoy similar rights and opportunities as holders of dematerialised shares in respect of trades on the JSE of the letters of allocation, to the extent possible. Instructions on how to sell the rights represented by the letters of allocation are set out in paragraph 3.8.1.2 of this circular.

1. DEMATERIALISED SHAREHOLDERS INCLUDING DEMATERIALISED SHAREHOLDERS WITH “OWN NAME” REGISTRATION:

- 1.1** You will not receive a printed form of instruction as this has been sent to your CSDP or broker.
- 1.2** The CSDP or broker will credit your account with the number of rights to which you are entitled.
- 1.3** The CSDP or broker will contact you to ascertain:
 - 1.3.1** whether you wish to follow your rights in terms of the Rights Offer and in respect of how many Rights Offer shares; or
 - 1.3.2** if you do not wish to follow all or any of your rights:
 - 1.3.2.1** whether you wish to sell your rights and how many rights you wish to sell; and/or
 - 1.3.2.2** whether you wish to renounce your rights and how many rights you wish to renounce and the details of the renounee.
- 1.4** If you have not been contacted, you should contact your CSDP or broker and furnish them with your instructions. If your CSDP or broker does not obtain instructions, they are obliged to act in terms of the agreement entered into between you and your CSDP or broker.
- 1.5** If you wish to apply for excess Rights Offer shares, you must advise your CSDP or broker. Instructions on how to apply for excess Rights Offer shares are set out in paragraph 3.4 of this circular.
- 1.6** You must ensure that you have sufficient funds in your account to settle the issue price in respect of the Rights Offer shares you apply for.

York does not take responsibility and will not be held liable for any failure on the part of any CSDP or broker to notify any dematerialised shareholder of the Rights Offer and/or to subscribe for all or part of the rights allocated to such holder and/or to take appropriate action in respect of the renunciation and/or sale of all or part of the rights allocated and/or for any other responsibilities of the CSDP or broker. You should refer to your agreement with the CSDP or broker governing your relationship as a dematerialised shareholder.

2. CERTIFICATED SHAREHOLDERS:

- 2.1** You should note that a printed form of instruction in respect of a letter of allocation is enclosed with this circular. A letter of allocation will be created in electronic form by the Transfer Secretaries through Computershare Nominees, in order to afford holders of certificated shares similar rights and opportunities as holders of dematerialised shares, to the extent possible.

- 2.2** If you wish to subscribe for the Rights Offer shares allocated to you, complete the form of instruction in accordance with the instructions it contains and lodge it, together with payment for the amount due, with the Transfer Secretaries by no later than 12:00 on Friday, 11 December 2009.
- 2.3** If you do not wish to subscribe for all or some of the Rights Offer shares allocated to you, as reflected in the form of instruction, you may sell or renounce your rights. In the event that you wish to sell your rights, you must complete the relevant section of the form of instruction and return it to the Transfer Secretaries by no later than 12:00 on Friday, 4 December 2009. The Transfer Secretaries have indicated to York that they will endeavour to procure the sale of such rights on the JSE on your behalf and remit the net proceeds thereof in accordance with your instructions. In this regard, neither the Transfer Secretaries nor York will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements. In the event that you wish to renounce your rights, you and your renounee must complete the relevant sections of the form and return it to the Transfer Secretaries, together with payment of the issue price payable for the relevant Rights Offer shares, to be received by no later than 12:00 on Friday, 11 December 2009.
- 2.4** To the extent that you subscribe for the rights allocated to you, you will receive the Rights Offer shares in certificated form. You will only be able to sell your Rights Offer shares on the JSE through the Strate system once the Rights Offer shares have been dematerialised.
- 2.5** Certificated shareholders are also referred to paragraph 3 of this circular, which sets out the detailed action required by certificated shareholders.

3. JURISDICTION

The distribution of this circular, the Rights Offer, the form of instruction and the transfer of the Rights Offer shares and/or the rights to subscribe for the Rights Offer shares in jurisdictions other than South Africa may be restricted by law and failure to comply with any of those restrictions may constitute a violation of the laws of any such jurisdiction. Neither this circular, nor any form of instruction, may be regarded as an offer in any jurisdiction in which it is illegal to make such an offer. In those circumstances, this circular and any form of instruction are sent for information purposes only.

It is the responsibility of any person outside South Africa (including, without limitation, nominees, agents and trustees for such persons) receiving this circular and wishing to take up rights under the Rights Offer, to satisfy himself/herself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

4. NON-RESIDENTS

Shareholders who are non-residents are referred to paragraph 3.14 of the circular regarding their rights.

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 5 of this circular apply to this “Salient dates and times” section.

2009

Last day to trade in shares in order to settle trades by the record date for the Rights Offer and to qualify to participate in the Rights Offer (<i>cum</i> rights)	Friday, 13 November
Listing and trading of letters of allocation on the JSE while shares trade ex-rights commences at 09:00 on	Monday, 16 November
Record date for the Rights Offer for purposes of determining shareholders entitled to participate in the Rights Offer at the close of trade on	Friday, 20 November
Rights Offer circular and revised listing particulars as well as a form of instruction, where applicable, posted to shareholders	Monday, 23 November
Rights Offer opens at 09:00 on	Monday, 23 November
Dematerialised shareholders will have their accounts at their CSDP or broker automatically credited with their letters of allocation	Monday, 23 November
Certificated shareholders will have their letters of allocation credited to an electronic register at the Transfer Secretaries	Monday, 23 November
Last day to trade in letters of allocation in order to settle trades by the close of the Rights Offer	Friday, 4 December
Last day for forms of instruction of certificated shareholders wishing to sell all or part of their entitlement to be lodged with the Transfer Secretaries by 12:00 on	Friday, 4 December
Listing and trading of the Rights Offer shares on the JSE commences at 09:00 on	Monday, 7 December
Record date for letters of allocation	Friday, 11 December
Rights Offer closes at 12:00 and payment to be made and forms of instruction lodged by certificated shareholders with the Transfer Secretaries by 12:00 on	Friday, 11 December
CSDP/Broker accounts credited with Rights Offer shares and debited with any payments due in respect of dematerialised Rights Offer shares	Monday, 14 December
Rights Offer share certificates posted to certificated shareholders on or about	Monday, 14 December
Results of Rights Offer and basis of allocations of excess Rights Offer shares released on SENS	Monday, 14 December
Results of Rights Offer and basis of allocations of excess Rights Offer shares published in the press	Tuesday, 15 December
Refund cheques posted to certificated shareholders in respect of excess applications, if applicable, on or about	Tuesday, 15 December

Notes:

1. All times referred to in this circular are local times in South Africa on a 24-hour basis.
2. Dematerialised shareholders are required to inform their CSDP or broker of their instructions in terms of the Rights Offer in the manner and time stipulated in the agreement governing the relationship between the shareholder and their CSDP or broker.
3. Share certificates may not be dematerialised or rematerialised between Monday, 16 November 2009 and Friday, 20 November 2009, both days inclusive.
4. Dematerialised shareholders will have their accounts at their CSDP automatically credited with their rights and certificated shareholders will have their rights credited to an account at the Transfer Secretaries.
5. CSDPs effect payment in respect of dematerialised shareholders on a delivery versus payment method.
6. Any variation of the above dates and times will be required to be approved by the JSE, released on SENS and published in the South African press.

DEFINITIONS AND INTERPRETATIONS

In this circular and its annexures, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meanings stated opposite them in the second column and the words in the singular shall include the plural and *vice versa*, words importing natural persons shall include corporations and associations of persons and an expression denoting any gender shall include the other genders:

“BEE”	broad-based black economic empowerment, as contemplated in the Broad-Based Black Economic Empowerment Act, No. 53 of 2003;
“BEE SPVs”	Bridge Creek Trading 10 (Proprietary) Limited and Auburn Avenue Trading 55 (Proprietary) Limited;
“BJM”	Barnard Jacobs Mellet Corporate Finance (Proprietary) Limited (Registration number 2000/023249/07);
“Board”	board of directors of York;
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“cent”	South African cent in the official currency of South Africa;
“certificated shareholders”	shareholders who hold certificated shares;
“certificated shares”	shares which are “certificated securities” as defined in section 29 of the Securities Services Act, such shares being evidenced by a certificate or written instrument;
“CGT”	capital gains tax, as levied in terms of the Eighth Schedule to the Income Tax Act;
“CIPRO”	Companies and Intellectual Property Registration Office;
“circular” or “Rights Offer circular”	all of the documents contained in this bound document, including the annexures and the form of instruction thereto;
“Common Monetary Area”	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“Companies Act”	Companies Act, No. 61 of 1973, as amended;
“Company Secretary” or “Secretary”	Fusion Corporate Secretarial Services (Proprietary) Limited (Registration number 2007/008376/07);
“Computershare Nominees”	Computershare Nominees (Proprietary) Limited), a wholly-owned subsidiary of the Transfer Secretaries, a private company duly registered and incorporated under the laws of South Africa;
“CSDP”	Central Securities Depository Participant accepted as a participant in terms of the Securities Services Act;
“dematerialisation” or “dematerialised”	process by which securities held in certificated form are converted to or held in electronic form as uncertificated securities and recorded in a sub-register of securities holders by a CSDP, after the physical certificates have been validated and cancelled by the Transfer Secretaries and captured onto the Strate system by the selected CSDP or broker, and the holding of securities is recorded electronically;
“dematerialised shareholders”	shareholders who hold dematerialised shares;
“dematerialised shares”	shares that have been dematerialised;
“dematerialised Rights Offer shares”	Rights Offer shares offered to dematerialised shareholders in terms of the Rights Offer that will be issued in dematerialised form;

“directors”	directors of York, being both non-executive and executive directors;
“documents of title”	share certificates, certified transfer deeds, balance receipts, and/or any other documents of title in respect of shares;
“EPS”	earnings per share;
“excess Rights Offer shares”	those Rights Offer shares in excess of a shareholder’s entitlement which may be issued to shareholders who have applied for such shares;
“Exchange Control Regulations”	Exchange Control Regulations of South Africa, issued under the Currency and Exchanges Act, No. 9 of 1933, as amended;
“FSC”	Forest Stewardship Council;
“form of instruction”	form of instruction in respect of a letter of allocation reflecting the entitlement rights of certificated shareholders;
“GFP”	Global Forest Products Holding Company (Proprietary) Limited (Registration number 2000/031567/07), a limited liability, private company duly incorporated in accordance with the laws of South Africa;
“GFP Vendors”	African Consumer Products Investments Limited (Registration number 26681/6597), a company duly registered and incorporated in accordance with the laws of Mauritius; GFP; GEEMF II Africa Investment Limited (Registration number: EIE 98/0389044), a company duly registered in Mauritius and GFP Partners Limited, a corporation registered in Mauritius and the IDC;
“Group”	York and its subsidiaries or associates from time to time;
“HEPS”	Headline Earnings Per Share;
“IDC”	Industrial Development Corporation of South Africa Limited, a company duly incorporated in accordance with the laws of South Africa and wholly-owned by the Government of South Africa;
“IFRS”	International Financial Reporting Standards;
“Income Tax Act”	Income Tax Act, No. 58 of 1962, as amended;
“IRR”	Internal Rate of Return;
“issue price”	price at which the Rights Offer shares will be issued, being 200 cents for each Rights Offer share;
“JIBAR”	Johannesburg Interbank Agreed Rate from time to time;
“JSE”	JSE Limited (Registration number 2005/022939/06), a public company with limited liability duly registered and incorporated under the laws of South Africa and licensed as an exchange under the Securities Services Act;
“King II”	King Report on Corporate Governance for South Africa – 2002;
“last practicable date”	Tuesday, 3 November 2009, being the last practicable date prior to the finalisation of this circular;
“Legal advisors”	Prinsloo, Tindle & Andropoulos Inc (Registration number 1998/021593/21);
“Lenders”	Senior Lenders and Mezzanine Lenders;
“letters of allocation” or “LOA”	nil paid letters of allocation to be issued to shareholders, in electronic form, conferring a right to subscribe for a pro rata proportion of the Rights Offer shares in terms of the Rights Offer;
“Listings Requirements”	Listings Requirements of the JSE, as amended from time to time;

“Mezzanine Facilities”	Mezzanine debt facilities provided to the Company by the Mezzanine Lenders, these facilities rank below the Senior Facilities;
“Mezzanine Lenders”	FirstRand Bank Limited (Registration number 1929/001225/06), Nedbank Group Limited (Registration number 1951/000009/06), Mezzanine Partners GP (Proprietary) Limited (Registration number 2005/013799/07), Old Mutual Specialised Finance (Proprietary) Limited (Registration number 1998/0123266/07), Vantage Mezzanine Fund Trust (IT 5428/06) and Vantage Capital Sponsors (Proprietary) Limited;
“NAV”	Net Asset Value;
“non-resident”	person not ordinarily resident in South Africa;
“Rand” or “R”	South African Rand, the official currency of South Africa;
“Rand Merchant Bank” or “Merchant Bank”	Rand Merchant Bank, a division of FirstRand Bank Limited, (Registration number 1929/001225/06), a public company duly registered and incorporated with limited liability in accordance with the Companies Act;
“register”	register of certificated shareholders maintained by the Transfer Secretaries and the sub-register of dematerialised shareholders maintained by the relevant CSDPs;
“record date for the Rights Offer”	date on which shareholders must be recorded in the register as such to be entitled to participate in the Rights Offer, being close of trade Friday, 20 November 2009;
“Reporting Accountants”	KPMG Incorporated, registered accountants and auditors (Registration number 1999/021543/21), a company duly registered and incorporated under the laws of South Africa;
“restructure”	debt restructure with the Lenders, whereby the Company agreed to undergo a Rights Offer in order to reduce its liabilities owing to the Lenders and strengthen its capital structure;
“right” or “entitlement”	entitlement to Rights Offer shares in terms of the Rights Offer;
“Rights Offer”	rights offer by York to its shareholders, at the issue price, in respect of 250 000 000 Rights Offer shares in the ratio of 307.72792 Rights Offer shares for every 100 shares held at the close of trade Friday, 20 November 2009;
“Rights Offer shares”	250 000 000 ordinary shares to be issued pursuant to the Rights Offer;
“Securities Services Act”	Securities Services Act, No. 36 of 2004, as amended;
“Senior Facilities”	Senior debt facilities provided by the Senior Lenders to the Company;
“Senior Lenders”	FirstRand Bank Limited (Registration number 1929/001225/06), IDC, Nedbank Group Limited (Registration number 1951/000009/06), Sanlam Capital Markets Limited (Registration number 1996/004744/06) and The Standard Bank of South Africa Limited (Registration number 1962/000738/06);
“SENS”	Securities Exchange News Service of the JSE;
“SAP”	South African Plywood (Proprietary) Limited (Registration number 2000/029212/07), a limited liability private company duly incorporated and registered in accordance with the laws of South Africa;
“shareholders” or “York shareholders”	holders of York shares;
“shares” or “York shares”	shares in the issued share capital of York, including all York ordinary shares and all York preference shares;

“statutory documents”	in relation to any entity, means such entity’s Memorandum of Association and Articles of Association;
“South Africa”	the Republic of South Africa;
“Sponsor”	Barnard Jacobs Mellet Corporate Finance (Proprietary) Limited (Registration number 2000/023249/07);
“Strate”	Strate Limited (Registration number 1998/022242/06), a public company duly registered and incorporated under the laws of South Africa, the electronic custody and settlement system used by the JSE;
“TNAV”	Tangible Net Asset Value;
“term sheet”	agreement entered into between the Lenders and the Company on 29 September 2009, pursuant to the restructure of York, the terms of which will form the basis for the amendments to be made to the current finance agreements with the Lenders, the material terms of which are referred to in Annexure 5;
“Transfer Secretaries”	Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07), a private company duly registered and incorporated under the laws of South Africa;
“Underwriters”	Coronation Asset Management (Proprietary) Limited (Registration number 1993/002807/07), Lereko Metier Capital Growth Fund (Master’s reference number IT 11855/06) and CoroCapital Limited (Registration number 1991/002267/06);
“Underwriting Agreements”	Agreements between York and the Underwriters entered into on or about 21 October 2009, in terms of which the Underwriters agree to underwrite the Rights Offer for an amount of R145 million, as follows: <ul style="list-style-type: none"> – R98 million: Coronation Asset Management (Proprietary) Limited (Registration number 1993/002807/07); – R17 million: Lereko Metier Capital Growth Fund (Master’s reference number IT 11855/06); and – R30 million: CoroCapital Limited (Registration number 1991/002267/06);
“VAT”	Value-Added Tax, payable in terms of the Value-Added Tax Act, No. 91 of 1991, as amended;
“VWAP”	Volume Weighted Average Price of York ordinary shares traded on the JSE;
“York” or “the Company”	York Timber Holdings Limited (Registration number 1916/004890/06), a public company duly registered and incorporated under the laws of South Africa and which is listed on the JSE;
“York’s Articles”	York’s Articles of Association;
“York’s Memorandum”	York’s Memorandum of Association;
“York ordinary shares” or “ordinary shares”	ordinary shares in the issued share capital of York with a par value of 5 cents each;
“York ordinary shareholders”	holders of York ordinary shares;
“York preference shares” or “preference shares”	convertible, non-redeemable, cumulative preference shares of 5 cents each in the issued share capital of York; and
“York preference shareholders” or “preference shareholders”	holders of York preference shares.



York Timber Holdings Limited

(formerly The York Timber Organisation Limited)

Incorporated in the Republic of South Africa

(Registration number: 1916/004890/06)

Share code: YRK ISIN: ZAE000133450

Directors of York

Executive

P van Zyl (*CEO*)

D Erskine (*CFO*)

G Mokoena

Non-executive

J Myers (*Chairman, USA*)

P Botha

S Meer

R Claunch (*USA*)

T Modise

P Odendaal

CIRCULAR TO YORK SHAREHOLDERS

The definitions and interpretations commencing on page 5 of this circular apply *mutatis mutandis* throughout this circular including the annexures hereto.

1. INTRODUCTION

Shareholders are referred to the announcement dated 30 September 2009, whereby the Board advised shareholders that York intends to undertake a capital raising by way of the Rights Offer. At the record date for the Rights Offer, all shareholders recorded in the register will have an equal opportunity to participate in the Rights Offer.

In terms of the Rights Offer, the Rights Offer shares will be offered to shareholders in the ratio of 307.72792 Rights Offer shares for every 100 shares held at the close of trade on the record date of the Rights Offer, at an issue price of 200 cents per Rights Offer share.

The purpose of this circular is to provide shareholders with:

- the terms and conditions of the Rights Offer;
- information on York pursuant to the Rights Offer; and
- instructions on how to participate in the Rights Offer.

At a general meeting of shareholders held on Tuesday, 27 October 2009, a special resolution authorising the increase in the authorised ordinary share capital of York and an ordinary resolution, placing sufficient authorised but unissued ordinary shares under the control of the directors for the specific purpose of issuing such shares in terms of the Rights Offer, were passed by more than 99.97% of shareholders present in person or represented by proxy.

2. RATIONALE AND PURPOSE OF THE RIGHTS OFFER

On 30 September 2009, in conjunction with the release of its audited financial statements for the year ended 30 June 2009, York announced that it had finalised negotiations with the Lenders and would proceed to raise R500 million (five hundred million Rand) through a rights offer, in order to, *inter alia*, reduce its debt burden and restructure its balance sheet.

The rationale for the restructure is to:

- reduce the gearing ratio of the Company to a level acceptable to the Board;
- provide the Group with additional financial resources to fund capital expenditure; and
- improve York's overall financial and operational flexibility.

The Company intends to utilise the proceeds of the Rights Offer as follows:

- R450 million (four hundred and fifty million Rand) towards reducing existing debt in the business, as follows:
 - 62% or R279 million (two hundred and seventy-nine million Rand) will be used to reduce the Senior Facilities; and
 - 38% or R171 million (one hundred and seventy-one million Rand) will be used to reduce the Mezzanine Facilities; and
- R50 million (fifty million Rand) will be used to fund capital expenditure planned by the Company for, *inter alia*, the maintenance and refurbishment of existing sawmills.

The revised debt terms negotiated with the Lenders are not materially different from the terms of the existing facilities, but make provision for additional flexibility in repayment terms on a commercial basis to the extent required. The existing debt covenants have also been relaxed over the short term. Following the implementation of the Rights Offer the gearing ratio (debt : equity) of the Company will be reduced from 88% to 40%.

3. TERMS OF THE RIGHTS OFFER

3.1 Particulars of the Rights Offer

York hereby offers for subscription, by way of a rights offer to shareholders, 250 000 000 Rights Offer shares in the ratio of 307.72792 Rights Offer shares for every 100 shares held at the close of business on Friday, 20 November 2009, at an issue price of 200 cents per Rights Offer share. The Rights Offer will raise R500 million (five hundred million Rand) for the Company and is underwritten to the extent that existing shareholders have not undertaken to follow their rights or taken up the right to acquire additional shares as set out in paragraph 3.4. below.

Only shareholders recorded in the register on the record date of the Rights Offer (other than certain foreign shareholders resident in jurisdictions where the Rights Offer is restricted by law) are entitled to participate in the Rights Offer.

The enclosed form of instruction contains details of the rights to which certificated shareholders are entitled, as well as the procedures for acceptance and/or sale and/or renunciation of all or part of those rights. Dematerialised shareholders will be advised of the rights to which they are entitled as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those rights by their CSDP or broker in terms of the agreement entered into between the shareholder and their CSDP or broker, as the case may be.

The Rights Offer shares will rank *pari passu* with the existing issued York ordinary shares.

3.2 Terms of the underwriting agreements

The Company has procured irrevocable undertakings from approximately 73.7% of the York ordinary shareholders to follow their rights. Accordingly, York is assured of a minimum subscription of R355 million from existing shareholders. Details of these shareholders are provided in paragraph 7.9 below.

In order to ensure the remaining R145 million (one hundred and forty-five million) is received by the Company, the Rights Offer has been partially underwritten by the Underwriters. Save for Coronation Asset Management (Proprietary) Limited, each Underwriter has provided the Company with bank confirmation letters confirming that they have adequate funds available to their underwriting obligations as well as an affidavit from the directors of the Underwriters confirming that the Underwriters have, to the best of their knowledge of the deponents to the affidavit, the necessary funds available with which to follow their rights.

An aggregate underwriting fee of R4 350 000 (four million three hundred and fifty thousand Rand) is payable by York to the Underwriters, which is considered market related in so far as it is equivalent to 3% of the value of the aggregate underwriting commitment of each of the various Underwriters.

The Underwriters, who are all current shareholders, together with their underwriting proportions are as follows:

Underwriter	R'million
Lereko Metier Capital Growth Fund	17
CoroCapital Limited	30
Coronation Asset Management (Proprietary) Limited	98
	145

Details of the Underwriters, as required in terms of the Listings Requirements, are set out below (it being recorded that the addresses of each of the Underwriters are recorded in the corporate information and advisors section of this circular):

Name	Trustee's/ Directors	Company secretary	Bankers	Authorised and issued share capital
Lereko Metier Capital Growth Fund (Master's reference number IT 11855/06)	Lereko Metier Trustees (Proprietary) Limited (Registration number 2005/009192/07)	Note 1	The Standard Bank of South Africa Limited	Note 1
Date of Incorporation: 17/11/2004	The directors of Lereko Metier Trustees (Proprietary) Limited are: P Botha T Dalais A Hewat P Molefe V Moosa L Gwagwa			
CoroCapital Limited (Registration number 1991/002267/06)	D Barnes G Ryan G Tipper	S J Davies	Nedbank Limited	Authorised: 60 000 000 ordinary shares of R0.0001 each Issued: 50 595 014 ordinary shares of R0.0001 each
Date of Incorporation: 26/04/1991	P Vogel S Davies			
Coronation Asset Management (Proprietary) Limited (Registration number 1993/002807/07)	H Nelson J Snalam A Pillay	Y Moodley	Nedbank Limited	Authorised: 250 000 ordinary shares of R1.00 each Issued: 250 000 ordinary shares of R1.00 each
Date of Incorporation: 25/04/1993				

Note:

¹ The Lereko Metier Capital Growth Fund details are not applicable as this Underwriter is a bewind trust, which has appointed Lereko Metier Trustees (Proprietary) Limited as the trustee.

3.3 Entitlement

- 3.3.1 The number of Rights Offer shares to which shareholders will be entitled are stated in the table of entitlement set out in Annexure 1. Shareholders who hold less than 100 shares or whose shareholdings are not a whole multiple of 100 shares will be entitled, in respect of such holdings, to participate in the Rights Offer in accordance with Annexure 1. The allocation of Rights Offer shares will be such that shareholders will not be allocated a fraction of a Rights Offer share and as such any shareholding giving rise to a fraction of:
- less than one-half of a Rights Offer share will be rounded down to the nearest whole number; and
 - equal to or greater than one-half of a Rights Offer share will be rounded up to the nearest whole number,
- in accordance with the Listings Requirements.
- 3.3.2 Dematerialised shareholders will have their accounts automatically credited with their entitlements calculated in accordance with Annexure 1.
- 3.3.3 Certificated shareholders will have their rights credited to an account in an electronic form, which will be administered by the Transfer Secretaries on their behalf. The enclosed form of instruction reflects the number of Rights Offer shares for which certificated shareholders are entitled to subscribe. The procedures that such shareholders should follow for the acceptance, sale or renunciation of their rights are reflected in paragraph 3.8.1 below and more fully in the form of instruction.
- 3.3.4 Preference shares are convertible on a one-for-one basis into ordinary shares at the option of the holder on the date three years and six months from the date of issue. Upon the undertaking of a rights offer by the Company, the preference shareholders will be entitled to receive rights as if the preference shares had already been converted into ordinary shares.
- 3.3.5 The rights that are represented by letters of allocation are valuable and may be sold on the JSE. Letters of allocation can, however, only be traded in dematerialised form and accordingly, all letters of allocation have been issued in dematerialised form. The maintaining of an electronic record of certificated shares by the Transfer Secretary has made it possible for certificated shareholders to enjoy similar rights and opportunities as dematerialised shareholders in respect of trades on the JSE of the letters of allocation, to the extent possible.

3.4 Excess subscriptions

Shareholders are invited to apply for additional Rights Offer shares over and above their entitlement. Should there be excess Rights Offer shares available, the pool of such excess Rights Offer shares will be allocated equitably, taking cognisance of the number of Rights Offer shares held by the shareholder just prior to such allocation, including those taken up as a result of the Rights Offer, and the number of excess Rights Offer shares applied for by such shareholder. Shareholders will take preference to the Underwriters in terms of excess subscriptions. Non-equitable allocations of excess Rights Offer shares will only be allowed in instances where they are used to round holdings up to the nearest multiple of 100 Rights Offer shares. The rights pertaining to the Rights Offer shares are transferable upon renunciation.

An announcement will be released on SENS on Monday, 14 December 2009 and published in the press on Tuesday, 15 December 2009, stating the results of the Rights Offer and the allocation of any additional Rights Offer shares for which application was made. Cheques refunding monies in respect of unsuccessful applications by certificated shareholders for additional Rights Offer shares will be posted to the relevant applicants, at their risk, on or about Tuesday, 15 December 2009. No interest will be paid on monies received in respect of unsuccessful applications.

3.5 Minimum subscription

As the Rights Offer has been implemented on the basis of obtaining irrevocable undertakings from approximately 73.7% of the shareholders as well as the Company being able to secure underwriting for the balance of the Rights Offer, the Rights Offer is not subject to a minimum subscription. Furthermore, no securities of the same class will be issued simultaneously with the issue of the 250 000 000 Rights Offer shares or immediately thereafter.

3.6 JSE listings

The JSE has granted listings for the letters of allocation and Rights Offer shares as follows:

250 000 000 letters of allocation

Commencement of listing:	Friday, 16 November 2009
Termination of listing:	Friday, 4 December 2009
JSE code:	YRKN
ISIN:	ZAE000142360

250 000 000 Rights Offer shares

Commencement of listing:	Monday, 7 December 2009
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3.7 South African law

All transactions arising from the provisions of this circular and the form of instruction shall be governed by and be subject to the laws of South Africa.

3.8 Procedure for acceptance, renunciation and sale of rights

3.8.1 Certificated shareholders

3.8.1.1 Acceptance

Full details of the procedure for acceptance of the Rights Offer are contained in the form of instruction enclosed with this circular. It should be noted that:

- acceptances are irrevocable and may not be withdrawn;
- any instruction to sell or renounce all or part of the rights may only be made by means of the form of instruction;
- the properly completed form of instruction and payment of the issue price payable for the relevant Rights Offer shares in the form stipulated in paragraph 3.8.1.3 below must be received by Computershare Investor Services (Proprietary) Limited at the physical or postal address referred to in 3.8.1.3.2 below by no later than 12:00 on Friday, 11 December 2009. No postal acceptances received after 12:00 on Friday, 11 December 2009 will be allowed and certificated shareholders are therefore advised to take into consideration postal delivery times. No acknowledgement of receipt will be given; and
- if the form of instruction and payment are not received as set out above, the Rights Offer will be deemed to have been declined and the rights in terms of the form of instruction will lapse regardless of who holds it.

3.8.1.2 Renunciation or sale of rights

Although York will issue all letters of allocation in dematerialised form, an electronic record for certificated shareholders is being maintained by the Transfer Secretary. This will make it possible for certificated shareholders to enjoy the same rights and opportunities as dematerialised shareholders, to the extent possible.

If you do not wish to subscribe for all or some of the Rights Offer shares allocated to you as reflected in the form of instruction, you may sell or renounce your rights.

If you wish to sell all or some of the rights allocated to you, as reflected in the form of instruction, you must complete the relevant section of the form of instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein, to be received by no later than 12:00 on Friday, 4 December 2009.

Transfer Secretaries have indicated that they will endeavour to procure the sale of the rights on the JSE on your behalf and will remit the proceeds in accordance with the payment instructions reflected in the form of instruction, net of brokerage charges and associated expenses. Neither the Transfer Secretaries nor York will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales, the price obtained or any failure to sell such entitlements.

If you wish to renounce your rights or any part thereof that you do not wish to subscribe for or sell, you should complete the relevant section of the form of instruction and then hand it to the renounee or agent who or whose principal will then be entitled to participate in the Rights Offer as though he was a shareholder, to

the extent of the renunciation. The renounee or agent should then forward the form of instruction and payment of the issue price payable for the relevant Rights Offer shares, in accordance with paragraph 3.8.1.3.2 below, to the Transfer Secretaries in accordance with the instructions contained therein, to be received by no later than 12:00 on Friday, 11 December 2009.

If you wish to subscribe for only a portion of the Rights Offer shares allocated to you and to sell and/or renounce the balance, you must indicate the number of Rights Offer shares for which you wish to subscribe on the form of instruction.

3.8.1.3 **Payment**

3.8.1.3.1 **Currency**

The amount due on acceptance of the Rights Offer is payable in Rands and cents.

3.8.1.3.2 **Payment terms**

A banker's draft drawn on a registered bank or a bank guaranteed cheque drawn on a South African bank (in either case crossed and marked "not transferable" and, in the case of a cheque, also with the words "or bearer" deleted) in favour of "**York – Rights Offer**" for the amount payable, together with a properly completed form of instruction, must be lodged by you and/or your renounees by no later than 12:00 on Friday, 11 December 2009 in accordance with the instructions contained in the form of instruction and clearly marked "**York – Rights Offer**":

by hand to:

Computershare Investor Services (Proprietary) Limited
Ground Floor
70 Marshall Street
Johannesburg
2001

or sent by post, at the risk of the shareholder or nominee concerned, to:

Computershare Investor Services (Proprietary) Limited
PO Box 61763
Marshalltown
2107

All cheques or bankers' drafts received by the Transfer Secretaries will be deposited immediately for payment. In the event that any cheque or banker's draft is dishonoured, York, in its sole discretion, may treat the relevant acceptance of the Rights Offer as void or may tender delivery of the relevant Rights Offer shares to which it relates against payment in cash of the issue price for such Rights Offer shares.

Money received in respect of an application which is rejected or otherwise treated as void by York, or which is otherwise not validly received in accordance with the terms stipulated in this paragraph, will be posted by ordinary mail (without interest) by way of a cheque drawn in South African currency to the applicant concerned, at the applicant's risk on, or about, Tuesday, 15 December 2009. If the applicant concerned is not a York shareholder and gives no address in the form of instruction, then the relevant refund will be held by York until collected by the applicant. No interest will be paid on such amounts held back.

3.8.1.4 **Excess subscriptions**

Should you wish to apply for Rights Offer shares in addition to those allocated to you in terms of the Rights Offer you may do so by indicating the number of additional Rights Offer shares that you wish to subscribe for on the form of instruction and by enclosing payment, in accordance with paragraph 3.8.1.3 above, for such additional Rights Offer shares with your subscription. Further details on excess subscriptions are noted in paragraph 3.4 above.

3.8.1.5 Rights Offer share certificates

Certificates in respect of Rights Offer shares will be posted by registered post by the Transfer Secretaries, at your own risk, on or about Monday, 14 December 2009. As York uses the certified transfer deeds and other temporary documents of title approved by the JSE, only "block" certificates will be issued in respect of the Rights Offer shares.

If you receive Rights Offer shares in certificated form, you must note that such Rights Offer shares cannot trade on the JSE until they have been dematerialised. This could take between one and ten days.

3.8.2 Dematerialised shareholders

3.8.2.1 Acceptance, renunciation or sale of rights

The CSDP or broker appointed by a dematerialised shareholder should contact such shareholder to ascertain:

- whether such dematerialised shareholders wish to follow their rights in terms of the Rights Offer and in respect of how many Rights Offer shares; or
- if such dematerialised shareholders do not wish to follow all or any of their rights, whether they wish to sell or renounce their rights and how many rights they wish to sell or renounce.

If you are not contacted, you should timeously contact your CSDP or broker and furnish them with your instruction. Should your CSDP or broker not obtain instructions from you, it is obliged to act in terms of the mandate granted to it by you, or if the mandate is silent in this regard, it may not be required to accept the rights on your behalf.

3.8.2.2 Payment

Your CSDP or broker will effect payment directly on your behalf on Monday, 14 December 2009 on a delivery versus payment basis.

3.8.2.3 Excess subscriptions

Should you wish to apply for Rights Offer shares in addition to those allocated to you in terms of the Rights Offer, you should advise your CSDP or broker that you wish to do so and ensure that you have sufficient funds in your account. Further details on excess subscriptions are set out in paragraph 3.4 above.

3.8.2.4 Crediting of accounts

You will have your account credited with the Rights Offer shares subscribed for in terms of the Rights Offer, on Monday, 14 December 2009.

3.9 Tax consequences

York shareholders are advised to consult their professional tax advisors regarding the tax consequences of the Rights Offer.

3.10 Transaction costs

York shareholders wishing to sell or renounce all, or part of, their rights will be liable to pay brokerage charges and associated expenses.

3.11 Advisors' interests

As at the last practicable date, none of the advisors to the Company had any material interest in the issued share capital of York.

3.12 Expenses of the Rights Offer

The following expenses and provisions are expected, or have been provided for in connection with the Rights Offer and will be settled from the Company's general cash resources:

Description	Payable to	Estimated amount (excluding VAT) R'000
Merchant Bank	Rand Merchant Bank	3 500
Transfer Secretaries	Computershare Investor Services (Proprietary) Limited	45
Press announcements	Ince (Proprietary) Limited	160
Circular printing and distribution	Ince (Proprietary) Limited	128
JSE documentation inspection and listing	JSE	152
Legal advisors	Prinsloo, Tindle & Andropoulos Inc	175
Reporting accountants and auditors	KPMG Inc.	50
Sponsor	BJM	150
Underwriting fee	Underwriters	4 350
Estimated total		8 710

3.13 Registration of the Rights Offer documents

A signed copy of this circular, together with a copy of the form of instruction and the following documents referred to in section 145A of the Companies Act, have been lodged with CIPRO:

- the written consents of the Merchant Bank, the Sponsor, Transfer Secretaries and the Legal Advisor to act in the capacities stated and to their names being stated in this circular;
- the written consent of the Reporting Accountants to act in the capacities stated and to their names and report being stated in this circular;
- copies of all documents required and approved by the JSE, including a copy of the letter from the JSE confirming its approval of such documents; and
- where applicable, the powers of attorney granted by the directors.

The form of instruction was registered by CIPRO on or about Tuesday, 10 November 2009 in terms of section 146A of the Companies Act.

3.14 Exchange Control Regulations

The following summary is intended only as a guide and is therefore not comprehensive. York shareholders who are in any doubt as to the appropriate course of action to take should consult their professional advisors.

The Rights Offer shares will not be freely transferable from South Africa and will have to be dealt with in terms of the Exchange Control Regulations.

In respect of York shareholders who will not be entitled to transfer their Rights Offer shares from South Africa in terms of the Exchange Control Regulations, the Rights Offer entitlement attributable to such shareholders will, if a premium can be obtained over the expenses of the sale, be sold on the JSE for the benefit of, and remitted to, such shareholders. The sale proceeds cannot be remitted abroad if the shareholder in question is an emigrant, but must be credited to such emigrant's blocked account.

Should the net proceeds of the sale in relation to any one holding be an amount of less than five Rand, such amount will be retained for the benefit of York. The Transfer Secretaries or any broker appointed by them or York will not have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales or the remittance of the net proceeds of such sales. For further information contact Computershare Investor Services (Proprietary) Limited on 086 1100 724 (toll free in South Africa) or +27 11 870 8215 (from outside South Africa).

York shareholders who are not resident in the Common Monetary Area should obtain advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to follow their rights in terms of the Rights Offer.

Non-residents of the Common Monetary Area

In terms of the Exchange Control Regulations of South Africa, non-residents of the Common Monetary Area will be allowed to:

- take up rights allocated in terms of the Rights Offer;
- purchase letters of allocation on the JSE;
- subscribe for new Rights Offer shares arising from letters of allocation purchased on the JSE; and
- purchase excess Rights Offer shares which have been applied for in terms of the Rights Offer, provided that payment is received in foreign currency or in Rand from a non-resident account.

All applications by non-residents for the above purposes must be made through an Authorised Dealer in foreign exchange. Rights Offer shares subsequently rematerialised and issued in certificated form, will be endorsed "Non-Resident".

Former residents of the Common Monetary Area ("emigrants")

Where a right in terms of the Rights Offer falls due to a former resident of the Common Monetary Area, which right is based on shares controlled in terms of the Exchange Control Regulations, only emigrant's blocked funds may be used to take up this right. In addition, emigrant's blocked funds may also be used to:

- purchase letters of allocation on the JSE;
- subscribe for new shares arising from the letters of allocation purchased on the JSE; and
- purchase excess shares which have been applied for in terms of the Rights Offer.

Applications by emigrants using emigrant's blocked funds for the above purposes must be made through the authorised dealer in foreign exchange controlling their blocked assets. Any shares issued pursuant to the use of emigrant blocked funds will be credited to their blocked share accounts at the CSDP controlling their blocked portfolios. The sale proceeds of letters of allocation, if applicable, will be returned to the authorised dealer in foreign exchange for credit to such emigrants' blocked accounts.

The use of proceeds for investments outside the Common Monetary Area requires prior approval of the South African Reserve Bank's Exchange Control Division.

4. FINANCIAL INFORMATION

4.1 Historical financial information

The audited historical financial information of York for the 12-month financial period ended 31 December 2006, the 18-month financial period ended 30 June 2008 and the 12-month financial period ended 30 June 2009 is set out in Annexure 2 to this circular.

The 31 December 2006 audited financial information is not considered comparable with the 30 June 2008 (18 months) and 30 June 2009 (12 months) financial information as it does not incorporate the acquisition of GFP and SAP and the results are as at 31 December 2006 prior to the Company amending its year-end to 30 June. Accordingly, the 31 December 2006 results have been included separately in Annexure 2 to this circular for information purposes only.

Annexure 2 to this circular contains:

- the audited consolidated income statements, balance sheets, cash flow statements and statements of changes in equity of York for the financial periods ended 18 months to 30 June 2008 and 12 months to 30 June 2009;
- accounting policies of York, as extracted from the annual financial statements for the year ended 30 June 2009;
- the notes to the annual financial statements for the year ended 30 June 2009; and
- the audited financial information including the income statement, balance sheet, cash flow statement and statement of changes in equity of York for the financial periods ended 31 December 2006 prior to the acquisition of GFP and SAP.

The auditors' reports on the audited financial statements for the financial years ended 31 December 2006, 30 June 2008 and 30 June 2009 were issued without qualification.

There have been no material adjustments between the previously reported historical financial information and the information contained in Annexure 2 to this circular.

4.2 Pro forma financial information

The table below sets out the unaudited *pro forma* financial effects of the Rights Offer. The unaudited *pro forma* income statement and balance sheet, which are the responsibility of the directors, have been prepared for illustrative purposes only and, because of their nature, may not give a true reflection of York's financial position, changes in equity and results of operations or cash flows.

The unaudited *pro forma* financial information is intended to provide information about how the Rights Offer may have affected the income statement and balance sheet of York for the period ended 30 June 2009, had the Rights Offer been effected on 1 July 2008 for the income statement effects and on 30 June 2009 for the balance sheet effects.

	Before the Rights Offer ¹	After the Rights Offer ^{2,3}	Change (%)
EPS (cents)	(296)	(55)	81
HEPS (cents)	(254)	(45)	82
Diluted HEPS (cents)	(254)	(45)	82
NAV per share (cents)	1722	561	(67)
TNAV per share (cents)	939	374	(60)
Number of York ordinary shares in issue ('000)	78 370	328 370	319
Weighted average number of ordinary shares ('000)	78 370	328 370	319
Trading gearing (%)	88	40	55

Notes:

1. The "Before the Rights Offer" column is based on the audited financial statements for the year ended 30 June 2009.
2. The "After the Rights Offer" column has been adjusted to take into account the issue of the Rights Offer shares.
3. The financial effects are calculated on the following assumptions:
 - York raises R500 million in terms of the Rights Offer;
 - directly attributable transaction costs of R4.3 million and underwriting fees of R4.4 million have been applied against share premium;
 - the cash proceeds have been received and the Rights Offer shares issued on 1 July 2008 for income statement purposes;
 - R450 million of the proceeds from the Rights Offer were used to repay debt facilities, resulting in a 38% interest saving and an adjustment of R70.1 million to the income statement as a result of lower gearing;
 - R50 million of the proceeds from the Rights Offer will be held in cash and used by the Company to fund future capital expenditure and maintenance of York's sawmills;
 - the Company has hedged its interest rate exposure through entering into an interest rate swap where by it pays 9.58% plus the margin (average margin of 5%) on the various underlying Facilities; and
 - the cash proceeds have been received and the Rights Offer shares issued on 30 June 2009 for balance sheet purposes.

The detailed unaudited *pro forma* income statement and balance sheet of York, showing the *pro forma* financial effects of the Rights Offer are set out in Annexure 3 to this circular.

The Reporting Accountants' report on the unaudited *pro forma* income statement and balance sheet, as well as the financial effects of the Rights Offer is set out in Annexure 4 to this circular.

5. INFORMATION ON YORK

5.1 Incorporation and history of York

York was incorporated in South Africa on 16 June 1916 as Katzenellenbogen Limited and listed on the JSE in 1946.

The Company initially manufactured laminated beams and roof trusses and later acquired its own sawmills.

In December 2006, the majority shareholder sold his entire shareholding of 84.75% to the Luxembourg-based Blackstar Investors plc with 26% earmarked for BEE shareholders.

On 1 January 2001, Mondi Limited, a global, integrated paper and packaging group and wholly-owned subsidiary of Anglo American Plc. and Global Environmental Fund Management Corporation, an international investment firm that invests in emerging markets, clean technology and forestry, announced the formation of a joint venture to be incorporated as GFP. GFP was an integrated forest products business, headquartered in Sabie, South Africa that managed almost 87 000 hectares of land with predominantly pine plantations. GFP also owned and operated three sawmills and a plywood manufacturing plant.

When the GFP Vendors decided to exit from GFP and SAP in 2007, York identified these companies as a suitable target and subsequently acquired the assets for R1.7 billion (one billion seven hundred million Rand) thus securing a long-term sustainable supply of good quality logs at reasonable prices for its sawmills.

5.2 Nature of business and prospects

The core activities of the Group are commercial forestry and sawmilling.

York grows its own genetically superior timber seedlings and tends to these to maturity at which time the mature trees are harvested and converted by its processing units into a wide range of sawn timber and plywood products. York markets its sawn timber to the construction, furniture, packaging and other industries through its own distribution network, which comprises of an in-house sales division, strategically placed warehouses and to some extent through independent timber agencies.

Salient features of the business include:

- 60 810 hectares of FSC certified plantations;
 - 56 256 hectares of pine;
 - 4 554 hectares of eucalyptus;
- 5 sawmills, located near Sabie, Graskop, Jessievale, White River & Lothair; and
- 1 plywood plant in Sabie.

In addition, York owns 28 000 hectares of unplanted land reserved for conservation areas, streams and riparian zones, natural heritage sites, roads and access routes.

York does not enjoy any Government protection or benefit from any investment encouragement incentives or law.

5.3 Prospects

The South African sawmilling industry has seen the closure of various sawmills over the past year as a result of a tougher trading environment and reduced demand pursuant to the recession. As a result, York has embarked on a restructuring process to align its processing capacity with current lower market demand. After a consultation process, the Company decided to close three of its technologically obsolete and inefficient sawmills (Roburnia, Madiba and Golden Rhino, the last of which was mothballed) and restructured the Sabie sawmill to a one-shift operation.

Since June 2009 all divisions within York have been restructured resulting in costs throughout the business being reduced, the financial effects of which will only be realised in the 2010 financial year.

After the restructure, York will be self-sufficient for approximately 85% of its log demand, which is supplied by its own timber plantations. The Company is focussing on further acquisitions, locally and abroad to increase its ownership of forestry resources.

6. INFORMATION ON DIRECTORS AND MANAGEMENT OF YORK

The directors have:

- been appointed in terms of York's Articles;
- confirmed that they are free of any conflict of interest between their duties as directors and their private interests; and
- confirmed that they have, collectively, the appropriate expertise and experience for the management of York and the Group's business.

6.1 Details and experience of directors

The full names, ages, business addresses, functions in the Group and background of the executive and non-executive directors as at the last practicable date are as follows:

Piet van Zyl (46)

Chief Executive Officer, member of Risk and Deal Committee
Address: Corporate Office, 3 Main Road, Sabie

Piet van Zyl was previously Managing Director of HM Timber Limited from 2004 until January 2009. Before that he was a director of Klein Karoo International and a senior business analyst at the IDC within the Wood, Paper & Forestry division. He holds BSc Agric and BSc Agric Economics (Hons) degrees from the University of Pretoria and completed his MBL through UNISA.

Piet brings a wealth of timber and sawmilling industry knowledge and expertise to York and his diverse skills cover manufacturing, marketing, change management, investment banking, people and strategy development.

Duncan Erskine (36)

Chief Financial Officer, member of Deal Committee
Address: Corporate Office, 3 Main Road, Sabie

Duncan is a CA(SA) having studied at the University of Natal, after which he completed his articles at PricewaterhouseCoopers, where he specialised in the audit of forestry and sawmilling companies. Before joining York he was a financial manager at HM Timber Limited. Duncan has significant financial knowledge of the solid wood processing and forestry industry.

Gay Mokoena (45)

Executive Director: Corporate Services
Address: Corporate Office, 3 Main Road, Sabie

Gay is a development economist and he holds a B. Admin (Hons) and a Master of Business Leadership (MBL) degrees from UNISA. He has worked in the small business development sector for more than 20 years. He went on an internship, as a Visiting Auditor, to the West LB Bank, Düsseldorf, Germany in 1995. Gay joined the Mpumalanga Provincial Government in 1994 where he assisted with the transformation of the previous governmental structures. He left Government at the end of 1998 to start Silulu Investment Services (Proprietary) Limited, a private company involved in financial and consulting services for the SMME sector, which specialises in deal-making for BEE consortia. Directorships: Mbombela Economic Development Agency and Greater Nelspruit Utility Company (Proprietary) Limited. Chairperson of the Mpumalanga Housing Finance Company Limited since its incorporation in 1999 and the Secretary-General of the National African Federated Chamber of Commerce and Industry in the Mpumalanga Province. Appointed Executive Director in 2007.

Jim Myers (68)

Non-executive Chairman
Address: Corporate Office, 3 Main Road, Sabie

Jim has over 25 years' experience in the telecommunications industry, most recently focused on the African continent, and is experienced in defining, developing and implementing management systems in finance, engineering and production. He managed the American Chamber of Commerce from a low-key South African business organisation to a strong 'issue oriented' American organisation and has been the President for three years. He was an advisor to the successful empowerment shareholder in the Second Network Operator and was the principal driver in establishing and promoting the consortium that acquired the SBC/Telekom Malaysia equity stake in Telkom South Africa, the dominant telecommunications operator in South Africa. Directorships: Spescom Software Incorporated, Econet Wireless Global Limited, AMB Holdings Limited, American Chamber of Commerce (SA) and President of American Chamber of Commerce. Appointed Non-Executive Director in February 2007.

Paul Botha (46)

Non-executive Director, member of the Audit and Transformation Committees
Address: 5 Commerce Street, Sandhurst

Paul did a substantial amount of cross-border mergers and acquisition work throughout Africa until 1998 when he established an advisory business for Brait SA, an international investment banking business. Paul was the CEO of the advisory business of Brait from 1998 to 2003. At present, Paul is the CEO and founder of Metier Investment & Advisory Services (Proprietary) Limited, a corporate finance and investment house. Paul serves on the boards of directors of numerous companies. He has acted as an adviser on numerous transactions, including private equity transactions and stock exchange related transactions. Paul is practicing attorney and notary public having been in practice since 1986. Qualifications: BA LLB, HDip Company Law, HDip Tax, Notary Public. Appointed Non-executive Director in 2007.

Richard Claunch (65) (USA)

Non-executive Director, member of the Audit Committee
Address: Corporate Office, 3 Main Road, Sabie

Richard graduated from the University of Montana, USA in 1969 with a BSc Forest Management (*Magna Cum Laude*). He was subsequently employed by the Weyerhaeuser Company Incorporated in the USA where, from 1969 to 2001, he held various positions in its Timberlands Division. His experience ranges from being an entry level logging engineer to an executive manager and primarily being its International Log Marketing Manager and the company's International Marketing Manager, in which positions he was responsible for new market development for the company's

export log business. He later managed log exports on behalf of other international companies. Richard is an United States of America citizen with permanent residence in South Africa. Appointed Non-executive Director in 2007.

Shakeel Meer (46)

Non-executive Director

Address: 19 Fredman Drive, Sandton

Shakeel is a member of the IDC's Executive Management with overall responsibility for the IDC's investments in the Metals, Wood and Paper, Chemicals, Textiles and Clothing and Construction related sectors as well as overall responsibility for managing off-balance sheet and ring-fenced funds. Shakeel was the Head of Agro Industries Strategic Business Unit and Corporate Strategy and Portfolio Management at the IDC. Shakeel holds a Masters in Business Leadership (UNISA) Bachelor of Science in Mechanical Engineering (University of Natal) Developing Strategy for Value Creation (London Business School) and a Senior Management Development Programme (Euromoney). Appointed Non-executive Director in 2007.

Tlhopheho Modise (48)

Non-executive Director

Address: Corporate Office, 3 Main Road, Sabie

Tlhopheho is currently the CEO of Grandbridge Trading (Proprietary) Limited, publishers of TRIBUTE, a magazine for black professionals. He is a principal at Aozora. Tlhopheho also serves on the Credit Committee at the IDC and also served on the board of GFP until July 2007. Tlhopheho spent eight years at PG Bison (Proprietary) Limited and held the position of Operations Manager. Tlhopheho was also an Executive Director at The Fedics Group (Proprietary) Limited and head of the Industrial Catering division, Fedics Food Services (Proprietary) Limited. He has also lectured on Operations Management, Strategy and Human Resources for the following institutions: Henley Management College, Graduate Institute of Management and Technology and the International Centre for Management Development. Tlhopheho was the Plant Director at Tiger Wheels Manufacturing (Proprietary) Limited. Tlhopheho is a graduate of Henley Management College and holds the following qualifications: certificates in Strategic Management and Marketing, Diploma in Management, an MBA and Wits Graduate School MAP (Managerial Advancement Programme). Appointed Non-executive Director in 2007.

Pieter Odendaal (62)

Non-executive Director

Address: Corporate Office, 3 Main Road, Sabie

Pieter holds a MSc in Forestry from the University of Stellenbosch. He started his career with the Indigenous Forest Research Station in the Southern Cape and became involved with forest and mountain catchment planning and management. Pieter served as Director of Forestry in KwaZulu-Natal and Regional Director of state forestry in Zululand and Mpumalanga/Limpopo. Divisional Director of Forestry in Safcol Limited and later Chief Executive of MTO Forestry (Proprietary) Limited and Amathola Forestry (Proprietary) Limited. Currently involved with FSC certification of forests and plantations internationally. Appointed Non-executive Director in 2008.

P van Zyl, D Erskine and G Mokoena are also directors of York's material subsidiaries, York Timber (Proprietary) Limited and Agentimber (Proprietary) Limited.

All the directors and Company Secretary have confirmed that they have not been involved in any or are not subject to any:

- bankruptcies, insolvencies or individual voluntary compromise arrangement;
- receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company where the director is or was a director with an executive function at the time of or within 12 months preceding such events;
- compulsory liquidations, administrations, partnership voluntary arrangements of any partnership where the director was a partner at the time of or within 12 months preceding such events;
- receiverships of any asset/s of such person or of a partnership of which the individual is or was a partner at the time of or within 12 months preceding such events;
- public criticism by statutory or regulatory authorities or disqualified by a court from acting as a director or in the management or conduct of the affairs of any company; or
- offence involving dishonesty.

Details on the appointment of directors and terms of office are set out in Annexure 9 to this circular.

Except for Richard Claunch and Jim Myers, who are citizens of the United States of America, all other directors are South African citizens.

The names of all companies and partnerships of which the directors were directors or partners at any time during the previous five years are set out in Annexure 10 to this circular.

Annexure 9 and 12 set out the relevant provisions of York's Articles with regards to:

- appointment, term of office and qualification of directors;
- remuneration of directors;
- any power enabling the directors to vote on remuneration to themselves or any members of the Board;
- any power enabling a director to vote on a proposal, arrangement or contract in which he is materially interested;
- any power enabling the directors, in the absence of an independent quorum of the Board, to vote on remuneration, including pension or other benefits to themselves or any members of the Board;
- borrowing powers exercisable by the directors and how such borrowing powers can be varied; and
- retirement or non-retirement of directors under an age limit.

6.2 Key management

The following individuals form part of York's management committees and are responsible for the operational management of the Company:

- Piet van Zyl – Chief Executive Officer
- Duncan Erskine – Chief Financial Officer
- Koot van der Walt – General Manager Operations
- Kirsten Coetzee – Human Capital Consulting
- Gay Mokoena – Executive Director
- Deon Breytenbach – General Manager Processing (Sawmills and Plywood plant)
- Shaun McCartney – General Manager Forestry (Silviculture, harvesting and forest civil works)
- Cindi Mathebula – Corporate Social Investment
- Sibusiso Kunene – Industrial Relations
- Francois Dekker – Group Risk, Policy & Legal
- Nico Monnig – Resource Planning
- Jan van Boord – Sales and Marketing Manager

The addresses of all of the above individuals are the head office of York: 3 Main Street, Sabie.

6.3 Commissions paid or payable in respect of underwriting

In 2007 the Company had a rights issue of R350 million (three hundred and fifty million Rand) for purposes of acquiring GFP and SAP. This rights issue was fully underwritten by Blackstar Group plc. In terms of the underwriting agreement, an underwriting commission of R5.25 million (five million two hundred and fifty thousand Rand) was payable to Blackstar Group plc, amounting to 1.5% of the gross R350 million (three hundred and fifty million Rand).

There were no other commissions, discounts, brokerages or other special terms granted during the previous three years. Shareholders are referred to paragraph 3.2 above for details of the underwriting commission pertaining to this Rights Offer.

Information applicable to Blackstar Group plc:

Address	Ground Floor, 17 – 19 Rochester Row, London SW1P 1QT Principal Establishment: 58, Charles Martel, L-2134L RCS Luxembourg; B 114318
Directors	Andrew Bonamour (<i>Executive Chairman</i>) John Mills (Luxembourg) Wolfgang Baetz (Luxembourg) Marcel Ezner (Luxembourg)

6.4 Directors' interests in shares

6.4.1 Before the Rights Offer

As at the last practicable date, the directors held, directly and indirectly, the following beneficial interest in the issued share capital of the Company:

Beneficial				
Director	Direct ('000)	Indirect ('000)	TOTAL ('000)	Shareholding (%)
T G Mokoena	40		40	0.05

6.4.2 After the Rights Offer

For the purposes of the table below it has been assumed that all current directors who own shares in the Company will exercise their entitlements to follow their rights in terms of the Rights Offer. Due to the Rights Offer also being offered to the preference shareholders in accordance with the terms of such preference shares as set out in paragraph 7.2 below, the Rights Offer will be slightly dilutive for ordinary shareholders.

Beneficial				
Director	Direct ('000)	Indirect ('000)	TOTAL ('000)	Shareholding (%)
T G Mokoena	163		163	0.05

None of the directors have any interest in the transaction, other than in terms of following their rights on behalf of the shares owned before the Rights Offer.

6.5 Directors' interests in transactions

None of the directors have or had any interest, directly or indirectly, in any transaction which was effected by any entity of the Group during the current financial year, or, in respect of any previous financial year and which remains in any respect outstanding or unperformed.

Furthermore, no amounts were paid within the preceding three years to any director or to any company in which he is beneficially interested to induce him to become a director of the Company.

6.6 Directors' remuneration

For the 12 months ended 30 June 2009, the executive directors were remunerated as follows:

Executive directors

Year ended 30 June 2009 (R'000)	Salary	Pension and Life cover	Motor vehicle	Medical Aid	Share- based payments	Performance bonus	Other	Total
L Cooper ¹	2 433	198	162	50	-	-	-	2 843
J Lehman ¹	1 081	110	135	37	-	-	-	1 363
P van Zyl ²	593	53	44	10	-	-	-	700
D Erskine ²	132	11	6	2	-	-	-	151
G Mokoena	1 172	135	180	37	-	-	-	1 524
Total	5 411	507	527	136	-	-	-	6 581

¹ Resigned during the 2009 financial year.

² Appointed during the 2009 financial year.

Non-executive directors

Year ended 30 June 2009 (R'000)	Fixed directors' fees including allowances	Meeting attendance fees	Travel costs reimbursed and consulting/ advisory	Chairman's/ Deputy Chairman's fees	Total directors' emoluments
J Myers	785	–	2	–	787
A Bonamour ^{1,2}	230	–	7	–	237
P Botha ¹	355	–	–	–	355
R Claunch	227	–	3	–	230
S Meer ¹	194	–	6	–	200
T Modise	267	–	–	–	267
G Motau	115	–	–	–	115
S Murray ^{1,2}	254	–	–	–	254
P Odendaal	146	–	7	–	153
Total	2 573	–	25	–	2 598

Notes:

¹Directors' fees were paid to the companies for which they worked.

²Resigned subsequent to the year ended 30 June 2009.

There will be no change in the remuneration of any of the directors as a consequence of the Rights Offer. No directors' fees were paid to a third party *in lieu* of any directors' fees.

The relationship between the Company and its executive directors is controlled through the Nomination Committee which comprises non-executive directors only and further in terms of York's Articles which provides that no executive director shall be appointed for periods in excess of three years. Executive director appointments remain subject to the provisions of the York's Articles which require one-third rotational resignation of the Board.

6.7 Appointment, remuneration and borrowing powers of directors

The relevant provisions of York's Articles, which provide for the appointment, qualification, remuneration and borrowing powers of its directors, are set out in Annexure 9.

7. INFORMATION RELATING TO YORK SHARES

7.1 Authorised and issued share capital

7.1.1 Share capital

The authorised and issued share capital of York, before and after the Rights Offer, is set out below:

	R'000
Authorised share capital	
600 000 000 ordinary shares of 5 cents each	30 000
2 870 529 preference shares of 5 cents each	144
Total	30 144
Issued share capital before the Rights Offer	
78 370 068 ordinary shares of 5 cents each	3 919
2 870 529 preference shares of 5 cents each ¹	144
Total	4 063
Issued capital after the Rights Offer	
328 370 068 ordinary shares of 5 cents each ²	16 419
2 870 529 preference shares of 5 cents each	144
Total	16 563

7.1.2 Premium on share issue

	R'000
Premium on share issue, before the Rights Offer	1 026 888
Premium on share issue, after the Rights Offer ²	1 505 778

Notes:

- ¹ The 2 870 529 preference shares are still outstanding and have not been converted. These preference shares are not listed.
- ² Calculated on the assumption that all eligible shareholders holding 78 370 068 ordinary shares in York participate in the Rights Offer and the rights pertaining to the 2 870 529 preference shares are followed. Given that the 2 870 529 preference shares are convertible, the preference shareholders are entitled to receive letters of allocation as if they held ordinary shares.

The preference shares were issued in February 2007 to fund the repurchase of York ordinary shares.

There have been no consolidations or sub-division of shares over the past three years. Furthermore, save for the ordinary shares, no other class of shares is listed.

The directors have been granted authority to issue such number of ordinary shares in the authorised ordinary capital of York in order to facilitate the subscriptions in terms of the Rights Offer.

7.2 Rights attaching to shares

7.2.1 Salient terms of the preference shares:

- Upon a rights offer the preference shareholders will be entitled to receive rights as if the preference shares had already been converted into ordinary shares;
- Upon a winding-up, the preference shares will rank prior to the ordinary shares as regards dividends and a return of capital;
- The preference shares will be convertible on a one-for-one basis into ordinary shares at the option of the holder on the date three years and six months from the date of issue;
- The coupon payable on the preference shares will be the prime rate less 1.25 percentage points and payable on 1 July each year; and
- In the instance of a rights offer, the preference shares are to be treated as ordinary shares, which in the case of the present Rights Offer will entitle the preference shareholders to receive 307.72792 new Rights Offer shares for every 100 preference shares held.

The preference shareholder will, on conversion of the preference shares into ordinary shares be entitled to receive ordinary dividends.

Detailed documentation setting out the terms of the preference shares will be available for inspection as detailed in paragraph 10 below.

The preference shares are unlisted and the share certificates of the preference shares are held at the registered office of the Company.

7.2.2 Issue of shares and variation of rights

With the prior approval of the shareholders of the Company in a general meeting, subject to the Statutes (as defined in York's Articles), the approval of the Issuer Services Division of the JSE (where necessary) and Article 3 of York's articles, any securities in the Company's authorised but unissued share capital from time to time may be issued by the directors to such person or persons on such terms and conditions and with such rights or restrictions attached thereto as the directors may determine. Securities in the Company which are authorised but unissued have to be offered to the existing members *pro rata* to their shareholding in the Company, unless otherwise empowered at a general meeting of member; or issued for the acquisition of assets.

All or any of the rights, privileges or conditions for the time being attached to any class of shares forming part of the share capital of the Company may (unless otherwise provided by the terms of issue of the shares of that class) whether or not the Company is being wound up, be varied in any manner with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a resolution passed in the same manner as a special resolution of the Company at a separate general meeting of the holders of the shares of that class.

As stated in Article 3.3 of York's articles, subject to the provisions of section 102 of the Companies Act, if at any time the Company's share capital is divided into different classes of shares, all or any of the special rights, privileges or conditions attached to any class of shares, may, unless otherwise provided for by the terms of issue of the shares of that class, be varied, modified or abrogated in any manner with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the shareholders of that share class. The provisions relating to general meetings shall *mutatis mutandis* apply to any such separate general meeting, but the necessary quorum, unless the Company has only one member or two members holding shares of that class, shall be at least three persons personally present, or if a member is a body corporate, represented, and in addition any holder of shares of the class present in person or by proxy may demand a poll and, on a poll, shall have one vote for each class of share of which he is the holder.

7.2.3 Alterations of capital and memorandum

Subject to the provisions of the Statutes, the Company may from time to time by special resolution, *inter alia*, increase its share capital by new shares of such amount, or increase the number of its shares having no par value, as it thinks expedient (Article 8.1), consolidate and divide all or any part of its share capital into shares of larger amount than its existing shares or consolidate and reduce the number of the issued no par value shares (Article 8.3), sub-divide its shares, or any of them, into shares of smaller amount than is fixed by York's Memorandum (Article 8.6), cancel shares which at the time of the passing of the relevant resolution, have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled or may cancel shares of no par value which have not so been taken or agreed to be taken (Article 8.9), alter the provisions of York's Memorandum with respect to the objects and powers of the Company (Article 6) and convert any shares in the capital of the Company to shares of a different class, whether issued or not, and in particular (but without derogating from the generality of the foregoing) convert ordinary shares or preference shares to redeemable preference shares (Article 8.11).

7.3 Issue of shares

The table below provides a summary of previous share issues and share repurchases by the Company during the preceding three financial years. No shares were issued or repurchased during the 2009 financial year of the Company.

Reconciliation of ordinary shares issued	2009 (‘000)	2008 (‘000)	2006 (‘000)
Opening balance	78 370	11 041	11 041
Ordinary shares repurchased ¹		(2 871)	
Issue of ordinary shares – vendor consideration ²		33 333	
Issue of ordinary shares ³		13 534	
Issue of ordinary shares through Rights Offer offer ⁴		23 333	
Total	78 370	78 370	11 041

Notes:

- ¹ The 2.871 million shares were repurchased on 22 January 2007 at R9.83, which was a 21.7% discount to the 30-day VWAP of such shares of R12.56.
- ² Issue of shares through a vendor consideration issue. A share swap took place on 24 August 2007 between the Company, the IDC and the BEE SPVs, whereby the Company issued 33.3 million ordinary shares at R15.00 each, as consideration for the acquisition of shares in and claims against GFP and SAP valued at approximately R500 million. The 30-day VWAP at the time was R18.46.
- ³ 13.5 million ordinary shares were issued through a specific issue for cash at R15.00 per share on 4 July 2007 to raise additional working capital and to improve the gearing of the Company. The allottees included Coronation Capital Limited, RMB Ventures Four (Proprietary) Limited, Visio Capital Management (Proprietary) Limited and Metier Investments and Advisory Services (Proprietary) Limited. The 30-day VWAP at the time was R14.32.
- ⁴ 23.3 million new ordinary shares were issued through a previous rights offer at R15.00 per share, which was at a R2.50 premium to the 30-day VWAP at the time of the transaction, 3 August 2007. This rights offer was announced on 4 July 2007 with the ratio being 211.341 new ordinary shares for every 100 York ordinary shares held. The proceeds from this rights offer were used to acquire the business of GFP. Further details of which are outlined in Annexure 6 to this circular.

7.4 Share-based payments

The Company has a phantom share option scheme in place. This scheme provides an incentive for senior employees of the Group (including executive directors) which enables them to receive a right to receive a cash payment after a five-year period. These options are granted on the fulfilment of certain conditions and to enable retention of key employees.

The transaction constitutes a long European call option with a term of five years from the grant date in the hands of the employee. During the first portion of its life the option cannot be exercised and is forfeited should the employee leave the employment of the Company. This period of the option's life is referred to as the vesting period. After the vesting period, there is a lock-in period of five years after the grant date applies. The payoff that the beneficiary receives at the end of the lock-in period is the difference between the strike price on the exercise date and one and a half times the 60-day VWAP on the grant date. The scheme is valued using the Black-Scholes methodology.

The scheme is treated as a cash-settled scheme for accounting purposes.

7.5 York share price history

A table setting out the share price history on the JSE is set out in Annexure 11 to this circular.

7.6 Material contracts, promoters service and other agreements

Other than the Underwriting Agreements set out in paragraph 3.2 above and the term sheet, which agreements are available for inspection, no other material contracts have been entered into (either verbally or in writing) by the Company, other than in the normal course of business, during the two years preceding the last practicable date. These documents, including the term sheet, will be available for inspection at the offices of the BJM, Ground Floor, 24 Fricker Road, Illovo, Johannesburg and the Company's registered office.

The Company has not, at any time, save as disclosed in this circular, entered into any material contract containing an obligation or settlement that is material as at the last practicable date.

At the last practicable date, the Company:

- had not entered into any promoters' agreements during the preceding three years;
- is not subject to any management agreements;
- had not entered into any agreements relating to the payment of technical, administration or secretarial fees, other than with the Company Secretary nor is it a party to any material restraint of trade agreements; and
- does not have any royalties, commissions or items of a similar nature payable.

7.7 Vendors

In 2007, the Company acquired 100% GFP and SAP from the GFP Vendors in one indivisible transaction for R1.694 billion (one billion six hundred and ninety-four million Rand). Details of the GFP Vendors are set out in Annexure 7 to this circular.

The GFP Vendors provided warranties to York, which were normal in a transaction of this nature. The agreements with the GFP Vendors excluded any provisions pertaining to restraint of trade and, therefore, do not preclude them from carrying on any business.

7.8 Major shareholders

Major shareholders who beneficially hold 5% or more of the issued ordinary shares, as at the last practicable date, are as follows:

Shareholder	Number of shares held	Shareholding
IDC	23 333 333	29.8%
Coronation Asset Management (Proprietary) Limited	13 135 854	16.8%
Lereko Metier Capital Growth Fund and its associates	13 109 033	16.7%
Bridge Creek Trading 10 (Proprietary) Limited ⁽¹⁾	7 200 000	9.2%
CoroCapital Limited	5 233 620	6.7%

Note:

- (1) Bridge Creek Trading 10 (Proprietary) Limited was set up as a staff BEE trust, funded by the IDC. The York ordinary shares held by Bridge Creek Trading 10 (Proprietary) Limited are currently controlled by its board, which comprises P van Zyl, D Erskine and G Mokoena.

Major shareholders who will beneficially hold 5% or more of the issued ordinary shares, after the Rights Offer, assuming all shareholders exercise their full entitlement in terms of the Rights Offer, are as follows:

Shareholder	Number of shares held	Shareholding
IDC	95 136 513	28.7%
Coronation Asset Management (Proprietary) Limited	53 558 544	16.1%
Lereko Metier Capital Growth Fund and its associates	53 449 188	16.1%
Bridge Creek Trading 10 (Proprietary) Limited ⁽¹⁾	29 356 410	8.8%
CoroCapital Limited	21 338 930	6.4%

Note:

(1) Bridge Creek Trading 10 (Proprietary) Limited was set up as a staff BEE trust, funded by the IDC. The York ordinary shares held by Bridge Creek Trading 10 (Proprietary) Limited are currently controlled by its board, which comprises P van Zyl, D Erskine and G Mokoena.

To the knowledge of the directors, no single shareholder has effective control of York, nor did any group of shareholders have any formal or informal arrangement in terms of which they would act in concert to exercise control of York as at the last practicable date.

7.9 Irrevocable undertakings from shareholders

The Company requires that the Rights Offer is fully subscribed for and, accordingly, has procured irrevocable undertakings from the following ordinary shareholders, representing approximately 73.7% of the issued ordinary share capital of York, to follow their rights in terms of the Rights Offer.

Shareholder	Number of shares	Shareholding Before Rights Offer	Shareholding After Rights Offer¹
IDC	23 333 333	29.8%	28.7%
Lereko Metier Capital Growth Fund and its associates	13 109 033	16.7%	16.1%
Bridge Creek Trading 10 (Proprietary) Limited	7 200 000	9.2%	8.9%
CoroCapital Limited	5 233 620	6.7%	6.4%
Coronation Asset Management (Proprietary) Limited	5 000 000	6.4%	6.2%
Auburn Avenue Trading 55 (Proprietary) Limited	2 800 000	3.6%	3.4%
Conexus Investment Fund Limited	426 947	0.5%	0.5%
Calshelf Trading 101 (Proprietary) Limited ¹	333 333	0.4%	0.4%
Terracina Investments (Proprietary) Limited ¹	333 334	0.4%	0.4%
TOTAL	57 769 600	73.7%	71.0%

Note:

¹. There may be a dilution of the ordinary shareholders' interest in the event that the preference shareholders exercise their rights to participate in the Rights Offer, as if they were ordinary shareholders.

Accordingly, York is assured of a minimum subscription for Rights Offer shares by ordinary shareholders of R355 million (three hundred and fifty-five million). In order to ensure the remaining R145 million (one hundred and forty-five million Rand) is received by the Company, the Rights Offer has been partially underwritten by the Underwriters, limited to an amount of R145 million (one hundred and forty-five million), representing approximately 29% of the total quantum of the Rights Offer.

An underwriting fee of R4 350 000 (four million three hundred and fifty thousand Rand) is payable by York, which is considered market related in so far as it is equivalent to 3% of the value of the underwriting commitment of each of the various Underwriters.

8. OTHER INFORMATION

8.1 Loans receivable

The Company has no material loan receivable amounts outstanding. Furthermore, no security has been furnished by the Group for any director, manager or associate of any director or manager.

8.2 Options or preferential rights in respect of shares

No contract or arrangement or proposed contract or arrangement of any kind has occurred or is being proposed to be given to any person to subscribe for any shares of the Company.

8.3 Litigation statement

There are no legal or arbitration proceedings, including proceedings that are pending or threatened, of which York or its subsidiaries are aware, that may have had or have had, in the 12 months preceding the date of this circular, a material effect on the financial position of the Group.

8.4 Consents

The Merchant Bank, Sponsor, Transfer Secretaries and Legal Advisors have consented in writing, and have not withdrawn their consents, to their names being included in this circular, in the form and context in which they are included.

The Reporting Accountant and the auditors have given their consent in writing, and have not withdrawn their consent, to their name being included in this circular and to the issue of this circular including the report as set out in Annexure 4 to this circular.

8.5 Code of corporate practice and conduct

The directors are of the opinion that York complies with the significant principles incorporated within the King II as the directors and management endorse the objective of conducting the affairs of the Company with honesty, integrity, astuteness and prudence, permanently striving for the highest standards of ethics and good corporate practice. Details of York's practices and conduct are set out in Annexure 12 to this circular.

8.6 Working capital statement

The Board has considered the effects of the Rights Offer and is of the opinion that, subsequent to the full subscription for the Rights Offer:

- York and its subsidiaries will be able to pay its debts in the ordinary course of business for a period of 12 months after the date of issue of this circular;
- the assets of York and its subsidiaries will be in excess of its liabilities for a period of 12 months after the date of issue of this circular. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the audited results of the Company for the year ended 30 June 2009;
- the capital and reserves of York and its subsidiaries will be adequate for its requirements for a period of at least 12 months after the date of issue of this circular; and
- the working capital available to York and its subsidiaries will be sufficient for its requirements for a period of at least 12 months after the date of issue of this circular.

8.7 Material changes

There have been no material changes in the financial or trading position of the Group between the finalisation of York's financial results for the year ended 30 June 2009 and the date of this circular.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are listed in paragraph 6.1 above, collectively and individually, 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 this circular contains all information required by law and the Listings Requirements.

10. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at the offices of the Sponsor, BJM, Ground Floor, 24 Fricker Road, Illovo, Johannesburg and at the Company's registered office, 3 Main Road, Sabie, up to and including Friday, 4 December 2009:

- the statutory documents of York and its subsidiaries;
- the audited financial statements of York for the financial years ended 31 December 2006, 30 June 2008 and 30 June 2009;
- this circular, signed by or on behalf of the directors and the form of instruction registered by CIPRO;
- the letters of consent from the Merchant Bank, Sponsor, Transfer Secretaries and Legal Advisor and independent Reporting Accountants;
- the existing loan agreements with the Lenders, including the amendments to be made to these documents as outlined in the term sheet;
- the terms of the preference shares;

- the Reporting Accountants' report on the financial effects of the Rights Offer and the *pro forma* income statement and balance sheet;
- the irrevocable undertakings referred to in paragraph 7.9.;
- the Underwriting agreements referred to in paragraph 3.2;
- the service agreements with executive directors of the Company; and
- the property valuation report.

For and on behalf of

York Timber Holdings Limited

10 November 2009



P P van Zyl (*CEO*)

J Myers (*Chairman*)

S Meer

D Erskine (*CFO*)

T Modise

G Mokoena

P Odendaal

R Claunch

P Botha

TABLE OF ENTITLEMENT TO RIGHTS OFFER SHARES

The following table sets out the number of Rights Offer shares to which a York shareholder is entitled in terms of the Rights Offer:

Shares held	Entitlement	Shares held	Entitlement
1	3	41	126
2	6	42	129
3	9	43	132
4	12	44	135
5	15	45	138
6	18	46	142
7	22	47	145
8	25	48	148
9	28	49	151
10	31	50	154
11	34	51	157
12	37	52	160
13	40	53	163
14	43	54	166
15	46	55	169
16	49	56	172
17	52	57	175
18	55	58	178
19	58	59	182
20	62	60	185
21	65	61	188
22	68	62	191
23	71	63	194
24	74	64	197
25	77	65	200
26	80	66	203
27	83	67	206
28	86	68	209
29	89	69	212
30	92	70	215
31	95	71	218
32	98	72	222
33	102	73	225
34	105	74	228
35	108	75	231
36	111	76	234
37	114	77	237
38	117	78	240
39	120	79	243
40	123	80	246

Shares held	Entitlement	Shares held	Entitlement
81	249	2 100	6 462
82	252	2 200	6 770
83	255	2 300	7 078
84	258	2 400	7 385
85	262	2 500	7 693
86	265	2 600	8 001
87	268	2 700	8 309
88	271	2 800	8 616
89	274	2 900	8 924
90	277	3 000	9 232
91	280	3 100	9 540
92	283	3 200	9 847
93	286	3 300	10 155
94	289	3 400	10 463
95	292	3 500	10 770
96	295	3 600	11 078
97	298	3 700	11 386
98	302	3 800	11 694
99	305	3 900	12 001
100	308	4 000	12 309
200	615	4 100	12 617
300	923	4 200	12 925
400	1 231	4 300	13 232
500	1 539	4 400	13 540
600	1 846	4 500	13 848
700	2 154	4 600	14 155
800	2 462	4 700	14 463
900	2 770	4 800	14 771
1 000	3 077	4 900	15 079
1 100	3 385	5 000	15 386
1 200	3 693	10 000	30 773
1 300	4 000	100 000	307 728
1 400	4 308	1 000 000	3 077 279
1 500	4 616	10 000 000	30 772 792
1 600	4 924		
1 700	5 231		
1 800	5 539		
1 900	5 847		
2 000	6 155		

HISTORICAL FINANCIAL INFORMATION OF YORK

Shareholders are referred to the no change statement released on SENS on 23 November 2009 and advised that the audited annual financial statements for the 12 months ended 30 June 2009, will be available on the Company's website (www.york.co.za).

The historical information of York has been extracted from the published results of York for the financial years ended, 31 December 2006 (12 months), 30 June 2008 (18 months) and the annual financial statements for 30 June 2009 (12 months). This historical information is the responsibility of the directors.

The audited financial information of York for the years ended 31 December 2006 (12 months), 30 June 2008 (18 months) and 30 June 2009 (12 months) has been extracted from the annual reports and the annual financial statements of York for the respective financial years. The audited financial information has been prepared in terms of IFRS.

The 31 December 2006 audited financial information is not considered comparable with the 30 June 2008 (18 months) and 30 June 2009 (12 months) as it does not incorporate the acquisition of GFP and SAP and the results are as at 31 December 2006 prior to the Company amending its year end to 30 June. Therefore these results have been included separately for information purposes and are extracts from the York Timber Organisation Limited audited financial information.

COMMENTARY ON THE FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2008 (18 months)

Comparing the pre- and post-merger results from December 2006 to June 2008 is a clear indication of the growth of the Group. All indicators are up substantially as a result of the acquisition of GFP in July 2007. Headline earnings per share (HEPS) was up 280% to 1 019 cents (2006: 269 cents). Compared to the post-merger 12-month period, HEPS was up 150% to 671 cents. Net Asset Value per share grew 125% to 2 113 cents (2006: 941 cents) and TNAV per share grew 42%, from 941 cents (2006) to 1 334 cents. Based on HEPS and NAV per share the merger was value enhancing. The improvement in cash from operating activities was due to more effective working capital management and the collection of insurance receivables. The biological assets were fair valued using the Net Standing Value Method and have increased 46% in value since they were acquired in July 2007 which contributed R607 million in unrealised profits. The increase arose due to the rise in saw log prices in the South African market which came about due to the shortage in raw material available. The long-term liability arose mainly due to the acquisition finance raised to purchase GFP. The acquisition of R1,7 billion was financed with R850 million of equity and R850 million of loans. GFP already had asset based finance loans of R257 million which were part of the net assets acquired.

COMMENTARY ON THE FINANCIAL RESULTS FOR THE PERIOD ENDED 30 JUNE 2009 (12 months)

York has had an extremely challenging year characterised by softening demand for its products and lower prices which have resulted in a loss for the year. The Board has proactively managed the current economic environment by engaging new management and entering into and concluding negotiations with the Lenders. Management remains committed to the continued improvement of operating efficiencies and product mix in order for the Group to remain cost competitive in tough economic conditions. The Group has placed renewed focus on its supply chain management to enhance service delivery to its customers, which includes the expansion of all its warehousing facilities and improving and broadening its product offering, thereby entrenching its position as the largest softwood supplier in Southern Africa.

York's plantation asset

The volume of logs from York's plantations has been confirmed through a comprehensive enumeration process. The decline in log prices negatively impacted on this value. Despite this, the underlying value of York's biological asset remains intact and is one of the most pristine long-term rotation plantation assets in the southern hemisphere. York continues to maintain its sought after FSC certified plantations through the Group's tree breeding facilities in its own nursery, modern forestry management practices and sustainable long-term harvesting regime. These measures all contribute to the continued improvement and ensure the sustainability of the plantation asset.

During the period under review the Forestry division's management team has been strengthened and controls throughout all operations have been improved. An extensive fire protection plan has been implemented which includes dedicated aerial attack response using helicopters, increase on-site water carriers, stringent fire protection measures such as fire breaks, a community education program "Mlilo" to increase awareness and

an integrated industry-wide rapid response to enforce the regulations as stipulated in the Forest and Veld Fire Act. In addition, the Group has taken out extensive fire insurance against fire damage.

Market conditions

York has not escaped the consequences of the severe downturn in the worldwide economy. In particular, the building sector of South Africa has seen a slow-down over the past year. As this is York's primary market, the Group has experienced a decline in demand for its products. Downward price pressure was also experienced due to excess capacity in the sawmilling industry, a situation which has been exacerbated by the temporary oversupply of lumber due to the salvage operations subsequent to the fires in 2007 and 2008. The South African sawmilling industry has seen the closure of several sawmills over the past few months and in June 2009 York also embarked on a restructuring process to align its processing capacity with the current lower market demand. After a consultation process, the Group since closed three of its technologically outdated and less efficient sawmills. York also embarked on a cost saving exercise during the latter part of 2008. As a result of the mill closures, the Group needed to align its overhead cost structures with the reduced processing capacity. The project has resulted in a strengthened and focused management team. During June 2009 all divisions within York were restructured and costs throughout the Group were further reduced. The financial benefit of the restructuring and cost cutting exercise will only be realised in the 2010 financial year, even though the restructuring costs and impairment costs have been included in the financial year ended June 2009.

Financial review

The downward adjustment to the fair value of biological assets of R245 million is predominantly attributable to a decline in log prices in the Mpumalanga region. The biological asset value remains higher than at acquisition.

Other Operating Income includes an insurance claim settlement received by the Group as a result of fire damage to its Driekop sawmill consisting of R54 million for loss of income and R111 million for capital expenditure incurred in rebuilding it.

As part of the debt funding raised for the acquisition of GFP, York entered into an interest rate swap transaction with a nominal value of R1.15 billion to hedge itself against the risk of interest rate increases. In terms of IFRS the swap is fair valued at year end at a liability of R35.3 million (2008: R78.8 million assets). In line with the Group's strategy, hedge accounting was adopted in the financial year under review.

As a consequence of the reorganisation of the Group, restructuring costs of R18.7 million and impairment costs of R43.3 million have been recorded.

The Group continues to experience the effects of the fires in the form of additional harvesting and replanting costs.

The tax credit consists mainly of deferred tax on the biological asset.

Working capital

Net working capital reduced from R156 million to R119 million mainly due to a decrease in accounts receivable resulting from reduced sales volumes. As a consequence of the closure of certain sawmills, production has been reduced in line with market demand, which should see inventory levels decline. Working capital management remains a focus for management.

Revised debt terms

When the Board became aware that York may in subsequent periods breach certain of the covenants in its debt package, the Lenders were approached prior to any covenant breach to commence an evaluation of the situation and to determine a sustainable debt and capital structure for York. This resulted in a successful re-negotiation of the terms of the debt package. A portion of the proceeds of the Rights Offer will be used to reduce debt. These revised terms place York on a much sounder footing and will enable it to proactively position it well for future growth in the timber market in South Africa.

Outlook

Cost reductions across the Group and the restructuring of all operations were a necessary response to the current economic challenges being experienced. These actions position York to reap the benefits once the economy recovers. The Group remains largely self-sufficient in terms of logs supplied by its own timber plantations and owns four modern, well-managed sawmills and a plywood plant. The Group also plans to increase its ownership of forestry resources, should these opportunities present themselves. Management's objective is to maximise the Group's profitability through optimisation of its processing plants, raw material utilisation and through exploitation of its leading position in the softwood market. Management will also continue to be cost efficient, improving operational productivity and optimising working capital. Management

is optimistic that once the balance sheet restructure has been successfully concluded, shareholders should see the value of the Group significantly enhanced as York's pre-eminent position in the industry is cemented. An investment in York is strongly underpinned by sustainable forestry and processing assets with the current NAV per share of 1 722 cents and TNAV per share of 939 cents being well in excess of the current traded share price.

INCOME STATEMENTS

	Notes	Group	
		The year ended 30 June 2009 R'000	18 months ended 30 June 2008 R'000
Revenue	30	1 095 290	1 520 043
Cost of sales		(762 223)	(819 452)
Gross profit		333 067	700 591
Other operating income		168 295	38 706
Selling, general and administration expenses		(365 522)	(501 514)
Operating profit (loss)	34	135 840	237 783
Restructuring costs		(18 735)	(8 355)
Fair value adjustments	33	(244 598)	607 308
Income from subsidiaries		-	-
Loss on non-current assets held for sale		(373)	-
(Loss) profit before finance costs		(127 866)	836 736
Finance income	31	13 133	110 421
Finance expense	32	(197 894)	(209 062)
(Loss) profit before taxation		(312 627)	738 095
Taxation	35	80 707	(199 345)
(Loss) profit for the period		(231 920)	538 750
Attributable to:			
Equity holders of the parent		(231 920)	538 750
Minority Interest		-	-
Basic earnings per share (cents)	48	(296)	1 018
Diluted earnings per share (cents)	48	(296)	981

BALANCE SHEETS

	Notes	Group	
		30 June 2009 R'000	30 June 2008 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	429 456	363 511
Investment property	6	5 020	4 920
Biological assets	7	1 492 002	1 718 407
Intangible assets	8	2 984	–
Goodwill	9	610 352	610 352
Other financial assets	10	3 911	80 669
Investments at cost in subsidiaries held by the Company	11	–	–
Loans to Group companies	12	–	–
Instalment sale receivables	13	–	1 005
Deferred tax	27	–	–
		2 543 725	2 778 864
Current assets			
Biological assets	7	246 369	264 663
Other financial assets	10	–	265
Instalment sale receivables	13	1 854	1 848
Inventories	14	226 467	197 908
Trade and other receivables	15	117 999	192 108
Cash and cash equivalents	16	124 422	222 538
Non-current assets held for sale	17	–	1 023
		717 111	880 353
Total assets		3 260 836	3 659 217
NAV per share (cents)		1 722	2 113
TNAV per share (cents)		939	1 33
EQUITY			
Issued capital	19	3 919	3 919
Reserves		(88 438)	10 227
Share premium	19	1 026 888	1 002 622
Retained income		407 237	638 900
		1 349 606	1 655 668
LIABILITIES			
Non-current liabilities			
Cash-settled share-based payment	20	50	733
Other financial liabilities	22	1 061 543	1 096 983
Finance lease obligation	23	23 252	26 821
Instalment sale liability	24	2 907	4 741
Retirement benefit obligation	25	20 200	17 431
Provisions	26	54 643	54 643
Deferred tax	27	414 974	498 615
		1 577 569	1 699 967
Current liabilities			
Other financial liabilities	22	97 819	59 833
Finance lease obligation	23	3 438	2 698
Instalment sale liability	24	1 781	1 578
Trade and other payables	28	225 199	233 984
Current tax payable		5 424	5 489
		333 661	303 582
Total liabilities		1 911 230	2 003 549
Total equity and liabilities		3 260 836	3 659 217

STATEMENTS OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Total share capital R'000	Hedging reserve R'000	Fair value adjustment available-for-sale reserve R'000	Share based payment reserve R'000	Total reserves R'000	Retained income R'000	Total equity R'000
Group									
Balance at 1 January 2007	552	3 061	3 613	-	144	-	144	100 150	103 907
Changes in equity									
Change in fair value of available-for-sale financial assets	-	-	-	-	(363)	-	(363)	-	(363)
Total income and expense recognised directly in equity	-	-	-	-	(363)	-	(363)	-	(363)
Profit for the period	-	-	-	-	-	-	-	538 750	538 750
Total recognised income and expenses for the period	-	-	-	-	(363)	-	(363)	538 750	538 387
Issue of shares	3 511	1 049 490	1 053 001	-	-	-	-	-	1 053 001
Buy-back of own shares	(144)	(28 074)	(28 218)	-	-	-	-	-	(28 218)
Share issue expense	-	(21 855)	(21 855)	-	-	-	-	-	(21 855)
Share based payment	-	-	-	-	-	10 446	10 446	-	10 446
Total changes	3 367	999 561	1 002 928	-	(363)	10 446	10 083	538 750	1 551 761
Balance at 01 July 2008	3 919	1 002 652	1 006 541	-	(219)	10 446	10 227	638 900	1 655 668
Changes in equity									
Change in fair value of available-for-sale financial assets	-	-	-	-	40	-	40	-	40
Movement in fair value of hedge	-	-	-	(89 545)	-	-	(89 545)	-	(89 545)
Total income and expense recognised directly in equity (Loss) for the period	-	-	-	(89 545)	40	-	(89 505)	-	(89 505)
Total recognised income and expenses for the year	-	-	-	(89 545)	40	-	(89 505)	(231 920)	(231 920)
Share premium on rights issued	-	24 266	24 266	-	-	-	-	(231 920)	(231 920)
Reversal of share based payment reserve	-	-	-	-	-	(9 160)	(9 160)	-	24 266
Dividends declared and not claimed	-	-	-	-	-	-	-	257	(9 160)
Total changes	-	24 266	24 266	(89 545)	40	(9 160)	(98 665)	(231 663)	(306)
Balance at 30 June 2009	3 919	1 026 888	1 030 807	(89 545)	(179)	1 286	(88 438)	407 237	1 349 606

CASH FLOW STATEMENTS

	Notes	Group	
		The year ended 30 June 2009 R'000	18 months ended 30 June 2008 R'000
Cash flows from operating activities			
Cash generated by operating activities	38	220 947	224 372
Interest income		13 133	31 561
Income from investments		-	52
Dividend received from subsidiaries		-	-
Finance expense		(168 549)	(163 279)
Tax paid	39	(2 999)	(5 704)
Net cash from operating activities		62 532	87 002
Cash flows from investing activities			
Purchase of property, plant and equipment on expanding of operations	5	(130 604)	-
Purchase of property, plant, equipment and vehicles to maintain operations		-	(50 323)
Sale of property, plant and equipment	5	989	13 271
Purchase of other intangible assets	8	(3 662)	-
Acquisition of subsidiaries, net of cash	40	-	(1 684 520)
Proceeds from loans from group companies		-	-
Fair value movement in financial assets		-	(1 587)
Decrease in loans and receivables		98	-
Purchase of biological assets	7	-	(45 725)
Contribution to self insurance fund		(2 108)	-
Proceeds from sale of non-current assets held for sale		650	838
Decrease/(Increase) in investments in subsidiaries		-	-
Decrease/(Increase) in finance lease receivables		999	(2 853)
Net cash from investing activities		(133 638)	(1 770 899)
Cash flows from financing activities			
Proceeds on share issue	19	-	1 002 928
Increase in share premium	19	24 266	-
Redemption of preference shares	19	(16 537)	-
Net movement on other financial liabilities		(30 279)	833 919
Decrease in instalment sale liability		(1 631)	-
(Decrease)/Increase in finance lease liability		(2 829)	27 857
Net cash from financing activities		(27 010)	1 864 704
Net (decrease)/increase in cash and cash equivalents		(98 116)	180 807
Cash and cash equivalents at the beginning of the period		222 538	41 731
Cash and cash equivalents at the end of the period	16	124 422	222 538

ACCOUNTING POLICIES

1. REPORTING ENTITY

York Timber Holdings Limited, formerly known as The York Timber Organisation Limited (“York” or “the Company”) is a company domiciled and incorporated in the Republic of South Africa.

The financial statements of the Group for the year ended 30 June 2009 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 and softwood processing.

The majority of the trading activities of York are conducted through a wholly-owned subsidiary, York Timbers (Proprietary) Limited. All other operating subsidiaries are wholly owned by York.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), and the Companies Act of South Africa, 1973. The financial statements were approved by the Board of directors on 30 September 2009.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- financial instruments held for trading and financial instruments classified as available for sale are measured at fair value;
- liabilities relating to the share based payment reserve is measured at fair value;
- investment property is measured at fair value; and
- biological assets are measured at fair value less estimated point of sale costs.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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 judgments 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 judgments and estimates that have a significant effect on the financial statements, see:

- note 6 – Investment property;
- note 7 – Biological assets;
- note 9 – Goodwill;
- note 10 – Other financial assets;
- note 15 – Trade and other receivables;
- note 19 – Special Purpose Entity;
- note 20 – Measurements of share-based payments;
- note 26 – Provisions; and
- note 42 – Contingencies.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by all Group entities:

(a) Basis of consolidation

(i) 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 consolidation financial statements from the date the 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.

(ii) Special Purpose Entities

The Group has established Special Purpose Entities (“SPE”) in establishing its Broad Based Black Economic Empowerment (“BEE”) 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 were established on the terms that impose strict limitation on the decision-making powers of the SPE’s management resulting in the Group retaining the residual risks and rewards related to the SPE.

(iii) Investments in subsidiaries

Investments in subsidiaries are measured at cost less impairment losses.

(iv) Transactions eliminated on consolidation

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

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities 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 foreign currency translated at the exchange rate at the end of the period. Any foreign exchange differences are recognised in profit or loss in the year in which the difference occurs.

(c) Property, plant and equipment

(i) 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 classified as property, plant and equipment and measured at cost until construction or development is complete, at which time it is reclassified as investment property. On reclassification to investment property, it is re-measured to fair value and any gain or loss arising on re-measurement is recognised in profit or loss.

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.

(ii) 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, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet.

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 balance sheet 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.

• 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.

(iii) 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.

(iv) 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 estimated useful lives for the current and comparative period are as follows:

	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 – 27 years
• IT equipment	3 – 15 years

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

(d) Financial instruments

(i) 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.

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.

- **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 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 (note 3(e)(ii)), foreign exchange gains and losses on available for sale monetary items (note 3(b)), as well as interest using the effective interest rate method recognised in profit and loss, are recognised directly in equity. 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 or 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 or loss are measured at fair value, and changes therein are recognised in profit or loss.

- **Other loans and receivables**

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

(ii) 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.

- **Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. 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 the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity 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% to 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur 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.

(e) Impairment

- (i) Non-financial assets

The carrying amounts of the Group’s non-financial assets other than biological assets (refer accounting policy (g)), investment property (refer accounting policy (f)), inventories (refer accounting policy (i)) and deferred tax assets (refer accounting policy (o)) are reviewed at each reporting date to determine whether there is any indication of impairment. If there is an 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 the 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.

(ii) 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.

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 equity instruments, the reversal is recognised directly in equity.

(f) 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 (n).

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 equity 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.

(g) Biological assets

Biological assets are measured at fair value less estimated point of sale costs, with any resultant gain or loss recognised in the 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 comprise of standing trees ranging in ages 1 year through to 25 years. The fair value of standing timber older than 4 years, being the age at which it becomes marketable, is based on the market price of the estimated recoverable wood volumes, net of harvesting 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.

(h) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 January 2003, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable asset acquired. In respect of acquisitions prior to 1 January 2003, goodwill represents the amount recognised under the Group's previous accounting framework namely SA GAAP. Goodwill is measured at cost less any accumulated impairment losses.

Goodwill is allocated to cash generating units and is tested annually for impairment (refer policy note (e)). Negative goodwill arising on acquisitions is recognised directly in profit or loss.

(ii) 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.

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

(i) 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 (refer policy (g)). Any change in value at the date of harvest is recognised in profit or loss.

(j) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) 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, the assets (or disposal group) are measured at the lower of their carrying amount or fair value less costs to sell. Any impairment loss on a disposal group is allocated to goodwill first, and then to the 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 re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(k) Share capital

(i) 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.

(ii) Preference share capital

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.

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

(iii) Dividends

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

(l) Employee benefits

(i) 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 provisions for employee entitlements to wages, salaries and annual leave represent the amount which the Company 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.

(ii) 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 will have 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.

(iii) 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 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; this 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 income statement. 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.

(iv) 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.

(m) 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 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.

(n) 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.

(o) 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, in which case it is recognised in equity. 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.

(p) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment) or providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

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

Segment results and segment assets and liabilities included items that can be directly attributed to a segment or allocated on a reasonable basis.

(q) 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 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.

All borrowing costs are recognised in profit or loss using the effective interest rate method.

(r) 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.

(s) New standards and interpretations not yet adopted

New or revised Accounting Standards and Interpretations in issue that are not yet effective for the year ended 30 June 2009 have been considered by the management, who determined that the following Standards and Interpretations will be applicable to the business of the entity and may have an impact on future financial statements:

IAS 1: Presentation of Financial Statements, will be adopted for the first time by York for its financial reporting period ending 30 June 2010.

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.

For each component of comprehensive income, reclassification adjustments (previously known as "recycling" from equity to the income statement) must be disclosed.

The income tax relating to each component of other comprehensive income (items not recognised in profit and loss) must be disclosed. These disclosures may be given either on the face of the statement of comprehensive income or in the notes.

Owner changes in equity are presented in the statement of changes in equity. Dividends and related per share amounts are disclosed on the face of the statement of changes in equity or in the notes.

An additional statement of financial position ("balance sheet") must be presented when the entity restates the comparatives as a result of a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This results in the presentation of two comparative periods as well as the current period.

The Group will present all non-owner changes in equity in a single statement of comprehensive income (which will include the current income statement) and owner changes in equity in the statement of changes in equity.

Reclassification adjustments and income tax relating to each component of other comprehensive income will be disclosed on the face of the statement of comprehensive income. Currently these components are available-for-sale fair value gains/losses reserve and the foreign currency translation reserve.

IAS 23: Borrowing costs, will be adopted by York for the first time for its financial reporting period ending 30 June 2010.

The Group will capitalise borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that commence on or after 1 July 2009. Currently these borrowing costs are expensed. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

The Group's existing accounting policy on borrowing costs will change as a result of the adoption of the revised IAS 23.

IAS 27: Consolidated and Separate Financial Statements

IAS 27 will be adopted by York for the first time for its financial reporting period ending 30 June 2010.

In accordance with IAS 27 amendments, 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. When control of an investee is lost, the resulting gain or loss relating to the transaction will be recognised in profit and 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 will, however, change its accounting policy relating to the loss of control when an equity interest is retained. In future, when control is lost, through sale or otherwise, the resulting gain or loss recognised in profit and loss will include any remeasurement to fair value of the retained equity interest. All cash flows relating to acquisition and sale of interests in subsidiaries currently form part of the cash flows from investing activities. In future, changes in the equity holding in a subsidiary that do not result in loss of control will form part of cash flow from financing activities on the basis that these transactions are equity transactions.

The amendments to IAS 27 also require that losses (including negative "other comprehensive income" as detailed in the revised IAS 1) have to be allocated to the non-controlling interest even if doing so causes the non-controlling interest to be in a deficit position. The Group will in future change its accounting policies on the allocation of losses to non-controlling interests. In the past losses were allocated only until the non-controlling interests had a zero balance.

IFRS 3: Business Combinations

The revised IFRS 3 will be adopted by York for the first time for its financial reporting period ending 30 June 2010.

IFRS 3 applies to all new business combinations that occur after 1 July 2009. For these future business combinations, the Group will change its accounting policies to be in line with the revised IFRS 3. In future all transaction costs will be expensed and contingent purchase consideration will be recognised at fair value at acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree will be recognised in profit and loss.

IFRS 7: Financial Instruments

The amendments to IFRS 7 will be adopted by York for the first time for its financial reporting period ending 30 June 2010.

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.

IFRS 8: Operating Segments

The revised IFRS 8 will be adopted by the York for its financial reporting period ending 30 June 2010.

This IFRS requires an entity to adopt the 'management approach' when reporting on the financial performance of its operating segments. Generally, the segment reporting would be based on the information that management uses internally for evaluating segment performance and when deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet. The IFRS therefore requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENTAL REPORT

Business segmental analysis	Sawmilling		Plywood		Warehousing		Forestry		Elimination		Consolidated	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Revenue												
External sales	670 033	914 703	188 954	180 064	171 414	368 941	64 887	56 335	-	-	1 095 288	1 520 043
Inter-segment sales	13 633	45 710	6 386	-	21 919	34 483	445 227	461 618	(487 165)	(541 811)	-	-
Total revenue	683 666	960 413	195 340	180 064	193 333	403 424	510 114	517 953	(487 165)	(541 811)	1 095 288	1 520 043
Result												
Fair value adjustment biological assets	-	-	-	-	-	-	(244 698)	607 308	-	-	(244 698)	607 308
Trading	112 244	110 927	(895)	(5 860)	(4 970)	10 147	77 393	172 318	-	-	183 772	287 532
Segment result	112 244	110 927	(895)	(5 860)	(4 970)	10 147	(167 305)	779 626	-	-	(60 926)	894 840
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	(66 940)	(58 104)
Profit from operations	-	-	-	-	-	-	-	-	-	-	(127 866)	836 736
Net finance costs	-	-	-	-	-	-	-	-	-	-	(184 761)	(88 641)
Income tax expense	-	-	-	-	-	-	-	-	-	-	80 707	(199 345)
Profit for the year	-	-	-	-	-	-	-	-	-	-	(231 920)	538 750
Segment assets	441 497	409 471	59 407	98 397	47 790	83 118	1 876 764	2 153 193	-	-	2 425 458	2 744 179
Unallocated corporate assets	-	-	-	-	-	-	-	-	-	-	835 378	915 038
Consolidated total assets	-	-	-	-	-	-	-	-	-	-	3 260 836	3 659 217
Segment liabilities	47 148	176 150	11 186	15 970	7 935	34 621	78 487	45 042	-	-	144 756	271 783
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	155 336	35 008
Non-current and current loans and borrowings	-	-	-	-	-	-	-	-	-	-	1 190 740	1 192 654
Taxation and deferred taxation	-	-	-	-	-	-	-	-	-	-	420 398	504 104
Consolidated total liabilities	-	-	-	-	-	-	-	-	-	-	1 911 230	2 003 549
Additions to biological assets	-	-	-	-	-	-	-	-	-	-	45 725	45 725
Capital expenditure	125 380	22 299	590	469	-	-	4 634	14 321	-	-	130 604	37 089
Depreciation and amortisation	(20 012)	(20 653)	(793)	(1 754)	(413)	(514)	(4 336)	(3 286)	6 165	6 165	(19 389)	(26 207)
Impairment of tangible assets	(42 409)	-	(981)	-	-	-	-	-	-	-	(43 390)	-

4. SEGMENTAL REPORT (continued)

Business segments:

The segmented trading results is reported as the operating profits by divisions before depreciation, tax and interest and excluding fair value adjustments. The Group is organised into four major operating divisions – Sawn timber products, Plywood, Warehousing and Forestry. The divisions are the basis on which the Group reports its primary segment information. The Sawn timber products segment produces and sells a broad range of structural and industrial sawn timber products. The Plywood division manufactures and sells plywood products. The Warehousing division buys and sells timber related products on a wholesale basis. The Forestry division owns plantations on which it grows pine and eucalyptus trees that are felled on a rotational basis and then sold.

Geographical segments:

The Group regards its business as a single geographical segment.

Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and impairments. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of accounts, wages and accrued liabilities. Segment assets and liabilities do not include deferred income taxes and taxes currently payable.

Inter-segment transfers:

Segment revenue, segment expenses and segment results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. Those transfers are eliminated on consolidation. There were no changes in segment accounting policy.

Sales to customers more than 10%:

During the year the Sawmilling and Plywood segments collectively generated 18.7% of their external revenue by selling to only one customer. No other sales to customers generated more than 10% revenue in the segments.

5. PROPERTY, PLANT AND EQUIPMENT

Group	2009			2008		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	145 559	–	145 559	145 566	–	145 566
Buildings	122 110	(18 481)	103 629	92 694	(9 376)	83 318
Plant and equipment	232 579	(75 386)	157 193	126 732	(26 246)	100 486
Furniture and fixtures	1 211	(588)	623	1 056	(463)	593
Motor vehicles	14 946	(4 386)	10 560	14 187	(5 403)	8 784
Computer equipment	8 604	(4 302)	4 302	7 730	(3 113)	4 617
Work in progress	6 033	–	6 033	20 147	–	20 147
Spare parts and servicing equipment	1 557	–	1 557	–	–	–
	532 599	(103 143)	429 456	408 112	(44 601)	363 511

Reconciliation of property, plant and equipment: Group – 30 June 2009

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	145 566	–	(7)	–	–	–	145 559
Buildings	83 318	30 327	(386)	–	(4 653)	(4 977)	103 629
Plant and equipment	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
	363 511	130 604	(2 558)	–	(18 711)	(43 390)	429 456

Reconciliation of property, plant and equipment: Group – 30 June 2008

	Opening balance	Additions through business combinations	Additions	Disposals	Depreciation	Total
Land	–	131 317	14 249	–	–	145 566
Buildings	22 115	65 423	1 293	(5)	(5 508)	83 318
Plant and equipment	38 545	81 696	11 174	(13 261)	(17 668)	100 486
Furniture and fixtures	169	253	283	(1)	(111)	593
Motor vehicles	4 430	4 027	1 662	(355)	(980)	8 784
Computer equipment	542	3 570	2 495	(49)	(1 941)	4 617
Work in progress	–	–	20 147	–	–	20 147
	65 801	286 286	51 303	(13 671)	(26 208)	363 511

Pledged as security

The freehold land and buildings including the plantations referred to in note 7 are encumbered in favour of Micawber 558 (Proprietary) Limited as security for the loan as per note 22.

Instalment sale agreements

The Group entered into an instalment sale agreement with Stannic and WesBank for plant, equipment and vehicles. The net carrying value of these instalment sale agreements at year end is R4.688 million (2008: R6.319 million). Refer to note 24.

Finance leases obligation

The Group entered into finance lease agreements with WesBank for plant, equipment and vehicles. The net carrying value of these finance lease agreements at year end is R26.690 million (2008: R29.519 million), Refer to note 23.

Group

	2009	2008
Plant and equipment	384	424
Motor vehicles	2 212	2 404
	2 596	2 828
Plant and equipment	15 202	18 477
Motor vehicles	3 681	4 203
	18 883	22 680

Land claims have been lodged against a significant percentage of the land registered to York Timbers (Proprietary) Limited (also refer to note 7). The status of these land claims as at the reporting date:

Information	Hectares	Hectares
Gazetted and in process of being gazetted	37 348	45 035
Claims in research phase	46 142	38 455
Unaffected at present	10 498	10 498
	93 988	93 988

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

There were no changes to the nature of property, plant and equipment or change in policy regarding the use thereof.

6. INVESTMENT PROPERTY

Group	2009	2008	
Investment property	5 020	4 920	
Reconciliation of investment property: Group – 30 June 2009			
	Opening balance (Gross carrying amount)	Transfers to freehold land and buildings	Total
Investment property	4 920	100	5 020
Reconciliation of investment property: Group – 30 June 2008			
	Opening balance (Gross carrying amount)	Transfers to freehold land and buildings	Total
Investment property	5 900	(980)	4 920

Investment property comprises:

1. Portion 1 and 2 of Erf 1279, White River.
2. Portion 5 of Erf 254, Claremont.

Lease agreements for investment properties are at market related rentals and are renewed on a six-monthly basis.

Pledged as security

Investment property with a carrying value of R4 400 million (2008: R4 300 million) is subject to a mortgage bond with a carrying value of R1 178 million (2008: R1 273 million) in favour of Nedbank Limited. Refer to note 22.

Details of valuation

The effective date of the revaluations was 30 June 2009. Revaluations were performed by an independent valuer, Tetragon Valuers (Proprietary) Limited, professional real estate and property valuers. Tetragon Valuers (Proprietary) Limited are not connected to the Company and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Direct expenses arising from investment property that generated rental income during this year were R0.206 million (2008: R0.466 million)

Amounts recognised in profit and loss for the year

Group	2009	2008
Rental income from investment property	2 244	3 152

7. BIOLOGICAL ASSETS

Group

	2009	2008
Trees in a plantation forest	1 738 371	1 983 070
Reconciliation of biological assets:		
Trees in a plantation forest		
Opening balance	1 983 070	18 000
Purchased plantations	–	45 725
Additions due to business combination	–	1 321 968
Fair value adjustments	(244 699)	607 308
Plantation harvested and held under irrigation	–	(9 931)
	1 738 371	1 983 070
Non-current assets	1 492 002	1 718 407
Current assets	246 369	264 663
	1 738 371	1 983 070
The fair value adjustment comprises of the following elements		
Adjustment to standing timber values to reflect fair value less point of sale cost at year-end	(179 698)	751 208
Change in fair value due to a decrease in volume	(65 001)	(143 900)
	(244 699)	607 308

Quantities of biological asset

At year-end standing timber comprised of approximately 50 277 (2008: 50 906) hectares of pine and 4 756 (2008: 4 227) hectares of eucalyptus tree plantations which ranges from newly established plantations to plantations that are 25 years' old. The total cubic metres of trees in the plantations at year-end amounts to 4 671 340 cubic metres (2008: 4 829 647 cubic metres). Volume increase due to growth for the year amounts to 437 140 cubic metres. Volume decrease due to harvesting and adjustments for the year amounts to 595 447 cubic metres.

Pledged as security

Land holdings, including those on which the plantations are planted, including the fixed property referred to in note 5 are encumbered in favour of Micawber 558 (Proprietary) Limited as security for the loans as per note 22 and amounts to 93,988 (2008: 93,988) hectares.

Land claims

Land claims have been lodged against a significant percentage of the land registered in the name of a subsidiary York Timbers (Proprietary) Limited (refer note 5). A solution on how to resolve the claims for the land with cognisance of the standing timber on the land must still be determined. The standing timber is seen as an integral part of the land and the solutions determined must address the land, the standing timber on the land and future standing timber rotations. The Group has however engaged individually with claimant communities and at industry level in representative forums to establish sustainable mechanisms that are mutually beneficial.

Methods and assumptions used in determining fair value:

Current market prices

The current market price utilised for Pine is the market related price per cubic meter as sold by York Timbers (Proprietary) Limited to its own Sawmills and to the related Plywood plant. Eucalyptus market prices are determined with reference to prices achieved from external customers while pulp prices are determined by the ruling price achieved for pulp sold to third parties. The prices utilised are based on prices achieved in May 2009. No changes in prices were observed between May 2009 and June 2009.

Expected yield per log class

The expected yields per log class are calculated with reference to growth models relevant to the growing area (Escarpment and Highveld). The growth models are derived from actual trial data (permanent sample plots – PSP's) that have been measured annually since 1976. A merchandising model, using the modeled tree shape at various ages is used to split the trees into predefined products.

Volume adjustment factor

Due to the nature of the plantations and more specifically the susceptibility thereof to the environment, an adjustment factor (percentage based) has been determined to reduce the volumes determined above based on information that management has at its disposal. This percentage is mainly based on factors such as baboon damage and damage due to the natural elements such as wind/rain/hail. An adjustment factor of 10% has been used for 2008 and 2009.

Rotation

The Group continues to manage Pine trees on a 25-year rotation in the Escarpment and in the Highveld. Older age classes are systematically reduced to reach these targets.

Temporary Unplanted Areas

Temporary Unplanted Areas (TUP) for the Group as at year end amounted to approximately 5 334 (2008: 5 504) hectares which is above the targeted level of approximately 2 500 hectares.

Current portion

The current portion of biological assets presents the biological assets to be harvested and sold in the next 12 months after year-end.

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 the systems in place are adequate to manage those risks. 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 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.

8. INTANGIBLE ASSETS

Group	2009			2008		
	Cost/ Valuation	amortisation/ impairment	Carrying value	Cost/ Valuation	amortisation/ impairment	Carrying value
Patents and other rights	1 000	(1 000)	–	1 000	(1 000)	–
Computer software	3 662	(678)	2 984	–	–	–
Development expenditure	7 868	(7 868)	–	7 868	(7 868)	–
	12 530	(9 546)	2 984	8 868	(8 868)	–

Reconciliation of intangible assets – Group – 2009

	Opening balance	Additions	Amortisation	Total
Patents and other rights	–	–	–	–
Computer software	–	3 662	(678)	2 984
Development expenditure	–	–	–	–
	–	3 662	(678)	2 984

9. GOODWILL

Group	2009			2008		
	Cost	Impairment	Carrying value	Cost	Impairment	Carrying value
Goodwill	610 352	–	610 352	610 352	–	610 352
Reconciliation of goodwill – Group – 30 June 2009						
				Opening Balance		Total
Goodwill				610 352		610 352
Reconciliation of goodwill – Group – 30 June 2008						
				Opening Balance	Additions through business combinations	Total
Goodwill				–	610 352	610 352

Goodwill arose from the business combination that took place on 13 July 2007, where the Company purchased 100% of the shares in GFP and SAP and therefore purchased 100% and 70% of the shares of York Timbers (Proprietary) Limited and Bonheur 50 Investments (Proprietary) Limited, respectively. Goodwill represents the difference between the fair values of assets purchased and the acquisition price. Refer to note 40.

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.

Goodwill has been allocated only to the forestry segment for segment reporting purposes because the Company acquired the subsidiaries for the purpose of ensuring future log supply to the processing facilities.

Impairment testing

The Group's goodwill is classified as an indefinite asset and is 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 the Group Sales. Goodwill is allocated to the Forestry Segment (Cash Generating Unit) for impairment testing.

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

- i. The plantations are managed in rotation based on a clear fell age of between 21 years and 25 years.
- ii. 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.
- iii. Long-term CPIX of 5,5% (2008: 5,4%).
- iv. Weighted average cost of capital 14% (2008: 13.46%).
- v. Target debt : equity ratio of 30 : 70 (2008: 30 : 70).
- vi. Pre-tax cost of debt of 11.5% (2008: 14.75%).

10. OTHER FINANCIAL ASSETS

Group

	2009	2008
At fair value through profit or loss – designated		
Derivative – interest rate swap	–	78 808
At fair value through profit or loss – held for trading		
Foreign exchange contracts	–	265
Available for sale		
Listed shares	629	589
Self Insurance Fund	3 282	1 174
	3 911	1 763
Loans and receivables		
Global Forest Products Holding Company (Proprietary) Limited	–	98
Total other financial assets	3 911	80 934
Non-current assets		
At fair value through profit or loss	–	78 808
Available for sale	3 911	1 763
Loans and receivables	–	98
	3 911	80 669
Current assets		
Held for trading	–	265
Total other financial assets	3 911	80 934

Listed shares comprise:

- (1) 40 540 (2008: 40 540) ordinary shares in FirstRand Limited at quoted market price of R14.06 (2008: R13.30) per share.
- (2) 2 276 (2008: 2 276) ordinary shares in Discovery Holdings Limited at quoted market price of R25.84 (2008: R21.70) per share.

Self Insurance Fund

A five-year contract has been signed with Santam Risk Finance Limited effective 1 July 2005 whereby GFP, York Timbers (Proprietary) Limited and SAP undertake to pay a R2 million (excluding VAT) premium per year to cover:

- Property and machinery breakdown and business interruption with a maximum cover of R10 million over the five year contract period, in aggregate; and
- Property and machinery breakdown and business interruption aggregate protection with a maximum cover of R3 million over the five year contract period, in aggregate.

The maximum aggregate amount the insurer shall pay under this policy is limited to R13 million in the aggregate in respect of all sections of the contract. The R3 million over the R10 million becomes payable in the event a claim exceeds R35 million.

Global Forest Products (Proprietary) Limited, York Timbers (Proprietary) Limited and South African Plywood (Proprietary) Limited shall retain the following amounts for its own account:

- Property and machinery as well as breakdown and business interruption R0,5 million per occurrence; and
- Property and machinery breakdown as well as business interruption aggregate protection R35 million.

This policy, which commenced on 1 July 2005, gives York Timbers (Proprietary) Limited, Global Forest Products (Proprietary) Limited and South African Plywood (Proprietary) Limited immediate cover of R13 million.

York Timbers (Proprietary) Limited, Global Forest Products (Proprietary) Limited and South African Plywood (Proprietary) Limited are entitled to a refund of R10 million, less claims paid and administration costs and after interest earned at the end of the five-year contract period.

The Self Insurance Fund is measured at fair value. The fair value adjustment is equal to the market related interest to be received on this financial asset over a fixed period. The gain or loss on measurement is recognised in the profit or loss for the period.

Loans and receivables

This loan is with Global Forest Products Holding Company (Proprietary) Limited. The loan is unsecured, bears no interest and has no fixed terms of repayment. The loan is measured at amortised cost.

Derivatives – Interest rate swap

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational activities. The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand and the extent to which instruments are favourable or unfavourable and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Foreign exchange contracts

The Group uses forward exchange contract financial instruments to hedge its exposure to foreign exchange risks arising from operational activities.

Forward exchange contracts are classified as held for trading and measured at fair value.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price. In the current financial period Foreign exchange contracts are classified as other financial liabilities, refer to note 22. In 2008 forward exchange contracts consisted out of 15 contracts with a fair value of R50 million. This foreign exchange contract asset is the difference between the fair value of the contracts measured at forward rate for related contracts with the same maturity date at year-end and the forward rate at year-end.

11. INVESTMENTS AT COST IN SUBSIDIARIES HELD BY THE COMPANY

Name of company	Nature of business	% holding 2009	% holding 2008	Carrying amount 2009	Carrying amount 2008
Direct Investments					
Inland Realty Limited – 566 120 ordinary shares issued	Management and investment	100.00%	100.00%	1 309	1 509
Beth Warehouse (Proprietary) Limited – 2 ordinary shares issued	Property holding	100.00%	100.00%	–	–
Global Forest Products (Proprietary) Limited – 100 ordinary shares issued	Dormant	100.00%	100.00%	1 117 743	1 117 743
South African Plywood (Proprietary) Limited – 200 ordinary shares issued	Dormant	100.00%	100.00%	–	–

Name of company	Nature of business	% holding 2009	% holding 2008	Carrying amount 2009	Carrying amount 2008
Indirect investments					
Agentimber (Proprietary) Limited – 120 ordinary shares issued – 260 000 12% preference shares issued	Timber trading	100.00%	100.00%	–	–
Bonheur 50 Investments (Proprietary) Limited – 70 ordinary shares issued	Dormant	70.00%	70.00%	–	–
Global Sawmills Limited – 250 000 ordinary shares issued – 1 Cumulative preference share issued	Dormant	100.00%	100.00%	–	–
Longbogen (Proprietary) Limited – 4 000 ordinary shares issued	Property holding	100.00%	100.00%	–	–
Madiba Forest Products (Proprietary) Limited – 100 ordinary shares issued	Dormant	100.00%	100.00%	–	–
Madiba Timbers (Proprietary) Limited – 200 ordinary shares issued	Sawmilling and timber trading	100.00%	100.00%	–	–
Pretoria Amalgamated Transport Limited – 8 000 ordinary shares issued	Property holding	100.00%	100.00%	–	–
Sonrach Properties (Proprietary) Limited – 500 ordinary shares issued	Property holding	100.00%	100.00%	–	–
York Timbers (Proprietary) Limited – 2 ordinary shares issued	Forestry and timber trading	100.00%	100.00%	–	–
				1 119 052	1 119 252

During the current financial year the Company's subsidiary, Inland Realty Limited, cancelled and redeemed its 6% cumulative preference shares of R2.00 each.

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

All of the companies are incorporated and domiciled in South Africa.

12. LOANS TO GROUP COMPANIES

Subsidiaries

Group

	2009	2008
York Timbers (Proprietary) Limited	–	–
Subtotal	–	–
Impairment of loans to subsidiaries	–	–
	–	–

The loans to subsidiaries bear no interest and have no fixed date of repayment exist.

Loans to Group companies impaired

As of 30 June 2009, loans to Group companies of R158.220 million (2008: Rnil) were impaired and provided for.

Impairment has been recognised on the loans to subsidiaries as the recoverable amount of the loan is less than its carrying amount. The impairment loss has been recognised in profit and loss.

13. INSTALLMENT SALE RECEIVABLES

Group

	2009	2008
Gross investment in the lease receivables		
– within one year	1 940	1 848
– in second to fifth year inclusive	–	1 666
	1 940	3 514
<i>Less: Unearned finance income</i>	(86)	(661)
	1 854	2 853
Present value of minimum lease payments received		
– within one year	1 854	1 516
– in second to fifth year inclusive	–	1 337
	1 854	2 853
Non-current assets	–	1 005
Current assets	1 854	1 848
	1 854	2 853

These instalment sale receivables bear interest at prime rate of 11.0% per annum (2008: 15.5% per annum) and are receivable over the lease term of three years in 36 monthly instalments of R215 000 (2008: R154 000), starting on 30 April 2007 and ending on 30 March 2010.

All the risks associated with ownership were transferred to the purchaser on delivery of the assets. None of the directors were party to any of the instalments sale receivables.

Other than the instalment sale receivables and the loans to Group companies, there were no material loan receivable amounts outstanding.

14. INVENTORIES

Group	2009	2008
Raw materials	50 510	37 221
Work in progress	41 335	35 484
Timber and timber products	143 319	111 332
Consumables	22 501	22 440
Sub-total	257 665	206 477
Write down to net realisable value	(31 198)	(8 569)
	226 467	197 908

The write down to net realisable value relates to products which from management's experience and knowledge has reached the end of its useful life. The condition of the inventory and also market demand and customer preference are recognised in arriving at the write down amount.

The write down of inventory to net-realisable value can be attributed to the following inventory items:

	2009	2008
Work in progress	(27 576)	-
Timber and timber products	(3 622)	(8 569)
	(31 198)	(8 569)

Inventory pledged as security

Inventory is encumbered under a General Notarial Bond in favour of Micawber 558 (Proprietary) Limited.

15. TRADE AND OTHER RECEIVABLES

Group	2009	2008
Trade receivables	108 452	147 704
Employee costs in advance	526	8 355
Prepayments	3 713	3 425
Deposits	242	215
VAT	-	4 122
Loans to employees and managers	383	321
Inter-company debtors	-	-
Other receivables	4 683	27 966
	117 999	192 108

Trade and other receivables pledged as security

The trade receivables of the Group have been ceded to FirstRand Bank Limited as security for the banking facilities made available to the Group (refer note 16) and loan facilities (refer note 22).

Trade and other receivables impaired

Trade and other receivables are shown net of impairment losses which arise as a result of debtors where the recoveries of the debts are doubtful. The amount of the allowance for impairment losses was R18 176 million as of 30 June 2009 (2008: R9 707 million).

The allowance for impairment losses is based on a view taken by management on the recoverability of outstanding amounts, where the amounts exceed normal terms by at least 30 days.

16. CASH AND CASH EQUIVALENTS

Group	2009	2008
Cash on hand	85	138
Bank balances	124 337	222 400
	124 422	222 538

The banking facility granted by First Rand Bank Limited is secured by a cession of trade receivables (refer note 15) and cross suretyships within the Group as well as the assets financed under the asset based facility. Total bank facilities are as follows:

	2009	2008
General banking facility	59 000	80 000
Guarantees	81 000	44 000
Forward exchange contracts	–	1

The general banking facility of R59 million is shared by the Group.

17. NON-CURRENT ASSETS HELD FOR SALE

In the prior reporting period the Group was in the process of disposing certain investment properties. The last of these investment properties was disposed during the review period.

Assets and liabilities

Non-current assets held for sale	2009	2008
Investment property	–	1 023
Details and carrying value of investment property classified as held for sale:		

Investment property

Portion 20 of Farm Krelingspost	–	1 023
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This investment property held for sale was sold during the current financial year and a loss of R0.373 million was recognised in profit or loss.

18. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group – 2009

	Loans and receivables	Fair value through profit or loss – held for trading	Fair value through profit or loss – designated	Available for sale	Total
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
	119 853	124 422	–	3 911	248 186

Group – 2008

	Loans and receivables	Fair value through profit or loss – held for trading	Fair value through profit or loss – designated	Available for sale	Total
Other financial assets	98	265	78 808	1 763	80 934
Instalment sale receivables	2 853	–	–	–	2 853
Trade and other receivables	192 108	–	–	–	192 108
Cash and cash equivalents	–	222 538	–	–	222 538
	195 059	222 803	78 808	1 763	498 433

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.

19. ISSUED CAPITAL

Group

	2009	2008
Authorised		
100 000 000 ordinary shares of R0.05 each	5 000	5 000
2 870 529 convertible, non-redeemable cumulative Preference shares of R0.05 each	144	144
	5 144	5 144
Reconciliation of number of ordinary shares issued:		
Reported at the beginning of the period	78 370	11 041
Shares repurchased	–	(2 871)
Issue of shares – vendor consideration	–	33 333
Issue of shares – ordinary shares	–	13 534
Issue of shares through right issue offer	–	23 333
	78 370	78 370
Issued ordinary shares		
Ordinary share capital	3 919	3 919
Share premium	1 026 888	1 024 477
Share issue costs written off against share premium	–	(21 855)
	1 030 807	1 006 541
Convertible, non-redeemable cumulative preference shares		
Redeemable preference share capital	–	144
Redeemable preference share premium	–	28 074
	–	28 218

The share issues during the prior financial period consist of:

- 23.3 million new ordinary shares through a rights at an issue price of R15.00 per share. The Rights Offer was announced on 4 July 2007 with the ratio being 211.34123 Rights Offer shares for every 100 York shares held at the close of trade on Friday, 3 August 2007.
- 13.5 million ordinary shares through a “specific issue for cash” at R15.00 per share on 4 July 2007 to raise additional working capital and to improve the gearing of the Company.
- Issue of ordinary shares through a “Vendor Consideration Issue”. A share swap took place on 24 August 2007, between the Company and IDC where the Company swapped 33.3 million shares at R15.00 each as consideration for the outstanding loans to the value of R500 million with the IDC.

Share buy-back:

- The Company, jointly with Blackstar Investors Plc, made a repurchase offer to shareholders of the Company to repurchase its shares at R9.83 per share. The Company repurchased 2 870 529 shares from the existing shareholders. This share buy-back transaction took place on 16 March 2007.
- The share buy-back transaction was financed by the issue of 2 870 529 convertible, non-redeemable cumulative preference shares at 5 cents each. The preference shares are convertible on a one-to-one basis three years and six months from the date of issue. The coupon payable on the preference shares is prime rate less 1.25% per annum. These preference shares form part of loans and borrowings and the preference dividends part of finance cost. Refer to note 22.
- The ordinary shares that were repurchased by the Company were cancelled.

Rights Offer cost:

- The Company paid R21.86 million for the Rights Offer as mentioned above. This cost was deducted from share premium during the prior financial reporting period.

Unissued shares cannot be allocated or issued by directors without the authorisation of the shareholders in the general meeting.

Consolidation of SPE and Trusts

One of York's principal strategic objectives is the implementation of a broad-based BEE structure that will result in a percentage of the Company's equity and voting rights being beneficially held by black people. Moreover, the Company recognised the need to address the lack of participation by black women and broad-based structures in BEE consortia and has structured a transaction to assist in the achievement of this objective.

Blackstar funded SPE and Trusts

York created, allocated and issued 2 870 529 preference shares at R9.83 on 20 February 2007, which is used as the valuation date, to a Staff SPE and Community SPE, respectively, with:

- 1 104 050 of these preference shares issued to a Staff SPE. This Staff SPE is owned by a Staff Trust; and
- 1 766 479 of the preference shares issued to a Community SPE. This Community SPE is in turn owned by a Community Trust.

In turn, the SPE issued the following preference shares to fund the purchase of the York preference shares:

- 1 766 479 redeemable, cumulative preference shares at par value of R0.05 were issued to Blackstar (Cyprus) Investors Limited "Blackstar";
- 1 104 050 redeemable, cumulative preference shares at par value of R0.05 were issued to Blackstar Investors Plc "Blackstar" and

During the previous financial reporting period the SPE and Trusts were not consolidated as it was the view of the Group that the Group did not control these SPE and Trusts. During the current financial reporting period this view was reassessed and it was determined that the Group controls the SPE and Trusts.

IDC Funded SPE

On 24 August 2007 the IDC subscribed to 33.3 million shares through the previously described Vendor Consideration Issue. Ten million of these shares were subscribed to by two SPE at the time. They together took up the 10 million ordinary shares at a price of R15 per ordinary share.

These two SPE were funded through preference shares issue to the IDC, as follows:

- 10 000 000 cumulative redeemable preference shares of R0.01 in varying classes of share, with varying real IRR return requirements ranging from 2.5% to 8%. These shares are redeemable by the SPE at any time after three years and one day of issue, but no later than the tenth anniversary of the issue date.

At the time of creation of the SPE and the IDC funding structures, the intention was that the control of allocation of benefits and rewards would be at the instance of the IDC. Subsequent implementation of the structures has not resulted in this intention and therefore the structures are being reviewed and will be amended as appropriate. As the economic substance has not been implemented correctly, these structures are not consolidated.

Share premium

During the prior financial period the share premium increased due to the consolidation of the SPE and Trusts. The SPE's and Trusts' share premium does not affect the Company's share premium and therefore the share premium is different in the Group than that in the Company.

20. SHARE-BASED PAYMENTS

(i) Cash settled share based payment

2009

Share Option Group	Number ('000)	Value per share option (R)	Total value (R'000)
Number of options in issue at 30 June 2009	399	0.18	71
Outstanding at the end of the period	399	0.18	71

Weighted average share price at exercise date of options was R22,70

Outstanding options	Exercise date within one year	Exercise date from two to five years	Exercise date after five years	Total
Options with a value of R0.18	50	21	–	71

2008

Share Option Group	Number ('000)	Value per share option (R)	Total value (R'000)
Options granted on 1 March 2008	492	7.36	3 618
Outstanding at the end of the period	492	7.36	3 618

Weighted average share price at exercise date of options in 2008 was R23.00.

Outstanding options	Exercise date within one year	Exercise date from two to five years	Exercise date after five years	Total
Options with a value of R7.36	733	2 885	–	3 618

Information on options granted during the year:

Weighted fair value of options issued	–	1	–	–
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The Group offers its key employees an incentive plan in the form of an employee share option scheme. This incentive will be achieved through certain employees being afforded the right to receive a cash payment after a five-year period, subject to the fulfilment of certain conditions. This cash payment will be based on the appreciation in the value of the shares over the five-year period.

These shares were allocated on 1 March 2008 and notice of allocation sent to beneficiaries. The transaction constitutes a long European call option with a term of five years from the grant date in the hands of the employees.

The movement of options in issue from 492 000 on 30 June 2008 to 399 000 on 30 June 2009 is due to members exiting from the scheme.

Employee share options are call options granted by entities to their 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 up to five years after the grant date follows, at which time the option is exercised.

The payoff that a beneficiary of the share option scheme will receive, at the end of the lock-in period, is the difference between the spot price on the exercise date and one and a half times the 60-day volume weighted average price on the grant date. The structure of this scheme is valued using the Black-Scholes methodology.

The scheme is treated as a cash-settled scheme. Cash settled schemes are valued at reporting date in terms of IFRS 2.

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

- Weighted average share price of R22.70 (2008: R20.75) per share
- Exercise price of R34.05 (2008: R34.05) per share
- Expected volatility was calculated by using the moving weighted average 53.43% (2008: lambda = 99%) on historical share prices
- Option life is five years
- No dividends will be paid in the foreseeable future. Therefore a dividend yield of 0% was applied in the calculation
- The risk-free interest rate sourced from the Bond Exchange of South Africa. The zero coupon swap curve as at 30 June 2009 was used

Method and the assumptions to incorporate the effects of expected early exercise:

- Volatility was calculated using the exponentially moving weighted average 53.43% (2008: $\lambda = 99\%$), on historical share price data, to calculate the volatility. When historical share prices are used normally the history preceding valuation date equal in duration to the time to maturity is used, 5 years in this instance. However, management indicated that the rights issue during August of 2007 biased the volatility upwards. Based on analysis of share price volatility subsequent to the Rights Offer, the average of the exponentially weighted volatilities for 1 March 2008 and 13 August 2008 were selected.

Liability arising from share-based payments

	2009	2008
Carrying amount of cash-settled liability	(50)	(733)
Intrinsic value	-	(733)

Any changes in the cash-settled liability is recognised as part of finance cost.

(ii) Equity settled share-based payment

Model Inputs and Assumptions

Valuation date

The transaction was approved at a shareholders meeting on 20 February 2007, which is used as valuation date.

Subscription and Funding Assumptions

Main Street subscribed for preference shares. These preference shares will be convertible to ordinary shares in time to result in Main Street's 26% stake in York at the time of conversion. Main Street obtained funding for the preference share subscription by issuing preference shares to Blackstar Plc ("Blackstar").

Preference Shares

The preference shares were issued as follows:

- Main Street subscribed for 2 870 529 preference shares.
- The preference shares will be convertible on a one-for-one basis into ordinary shares at the option of the holder three years and six months from the date of issue.
- The coupon payable will be the prevailing Prime interest rate less 1.25%.
- The preference share subscription price was R9.83 per share.
- York preference dividend dates will be 1 July each year, subject to sufficient profits being available.

Share price

The share price at which Blackstar Plc purchased a majority stake in York at the time of the preference share subscription is used as the spot price on valuation date, i.e. R9.83.

York Dividend Assumptions

Management indicated that no ordinary dividends are expected until 2011.

Volatility Estimation

Since the potential transaction with Blackstar was announced on 22 January 2007 in a circular to the shareholders, the share price between the announcement and the transaction date was biased upwards by the potential corporate action. The volatility prior to the announcement, i.e. 19 January 2007, is therefore more indicative of the variability in the York share price around the time of the transaction. The exponentially weighted moving average (EWMA) method with a λ coefficient of 99% was used to estimate the historical volatility from York's historical share prices. The estimated EWMA volatility of 36.8% has been applied.

Risk-free Interest Rates

The risk-free interest rate for the valuation date was independently sourced from the Bond Exchange of South Africa.

Maturity

The maturity date of the transaction is the date on which the preference shares are convertible to ordinary shares, at the earliest, 20 August 2010. We will assume that trigger events will not occur during the life of the transaction.

Valuation results

Given the details and assumptions mentioned above, the amounts recognised are as follows:

	2009	2008
Equity reserve arising from share-based payment	–	10 446
Amount recognised as part finance cost	(9 160)	10 446

21. HEDGING RESERVE

Description of the hedge

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 with RMB, fixing its future interest settlements in ZAR terms. Through this swap agreement the Group pays a fixed rate (9.58%) and receives JIBAR. The hedge is classified as a cash flow hedge.

Nature of the risks being hedged

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 22 for the fair value of the hedge.

This is the first year that hedge accounting was applied. During the prior period the movement in the fair value of the hedge was recognised in profit and loss.

Group

	2009	2008
Opening balance	–	–
Movement in fair value of hedge	(89 545)	–
	(89 545)	–

22. OTHER FINANCIAL LIABILITIES

At fair value through profit or loss – held for trading

Foreign exchange contract

The Company uses forward exchange contract financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. No hedge accounting is applied. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, 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. Forward exchange contracts consist of six contracts with a fair value of R2.296 million and a contract value of R2.416 million

120	–
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22. OTHER FINANCIAL LIABILITIES (CONTINUED)

Group

Held at amortised cost	2009	2008
Rand Merchant Bank Senior Term A Loan		
This loan was incurred on 12 July 2007. The interest rate is based on the 3-month JIBAR plus a margin of 2.75%, with a nominal annual rate compounded monthly ("NACM") of 13.987% (2008: 13.425%). Interest is compounded monthly and payments are made quarterly. The loan is repayable at escalating values as per contract agreed upon. The next payment will be R9.091 million (2008: R10.541 million), starting 31 January 2008 with a final payment on 13 July 2014	148 476	168 516
Rand Merchant Bank Senior Term B Loan		
This loan was incurred on 12 July 2007. The interest rate is based on the 3-month JIBAR plus a margin of 2.9%, with a NACM of 14.137% (2008: 13.572%). Interest is compounded monthly and payments are made quarterly. The loan is repayable at escalating values as per contract agreed upon. The next payment will be R17.767 million (2008: R10.239 million), starting 31 October 2009 with a final payment on 13 July 2014	280 119	281 789
Rand Merchant Bank Senior Term C Loan		
This loan was incurred on 12 July 2007. The interest rate is based on the 3-month JIBAR plus a margin of 3.25%, with a NACM of 14.486% (2008: 13.917%). Interest is compounded monthly and paid over quarterly. Interest is paid in quarterly instalments of R5.791 million (2008: R7.623 million) and the principal amount will be settled with a bullet payment on 13 July 2014	203 840	205 054
Rand Merchant Bank Mezzanine Loan		
This loan was incurred on 12 July 2007. The interest rate is based on the 3-month JIBAR plus a margin of 8%, with a NACM of 19.237% (2008: 18.584%) Interest is compounded monthly and paid over quarterly. Interest is paid in quarterly instalments of R17.599 million (2008: R21,537 million), and the principal amount will be settled with a bullet payment on 13 July 2015	441 669	444 280
Nedbank Mortgage Bond		
This loan is secured by a first mortgage bond over freehold land and buildings with a carrying value of R4.400 million (2008: R4.3 million), (refer note 6), bears interest at 11.5% per annum (2008: 12%) and is repayable by monthly instalments of R0.020 million (2008: R0.019 million). The last payment is due on 30 September 2016	1 178	1 273
WesBank Capital Loan		
This loan bears interest at an effective rate of 13.50% (2008: 14%) per annum and is payable over a period of seven years in 14 payments of R6 million (2008: R6 million) every six months, starting in June 2007. The final balance will be settled with a bullet payment of R14 million in December 2013. This loan is secured by a R38 million Special Notarial Bond over the hewsaw plant, reflected under property plant and equipment, with a carry value of R21.374 million (2008: R18.6 million) and a mortgage bond over fixed property, refer note 5 above	45 845	51 122
South African Forestry Company Limited (SAFCOL)		
The loan bears interest at prime less 3.5% and is repayable on 1 July 2009	6 150	5 522

22. OTHER FINANCIAL LIABILITIES (CONTINUED)**Group**

	2009	2008
York Convertible, Non-Redeemable Cumulative Preference Shares		
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. Refer to note 19 above	–	28 217
Blackstar Redeemable Cumulative Preference Shares		
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	11 680	–
Equity kicker liability		
The equity kicker derived from the terms of the preference shares held by Blackstar which entitles Blackstar to 25% of the increase in the audited net asset value of the SPEs as defined earlier (refer note 19), valued with standard Black-Scholes option methodology	699	–
Preference dividends payable		
Preference dividends on Redeemable Preference Shares have been accrued but not yet declared	8 194	–
Derivative – interest rate swap		
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% and receives JIBAR. Refer to note 21 for the movement in the fair value of the hedge recognised in equity	35 319	–
Loan Raising Fees		
RMB loan raising fees amortised over the period of the loan (seven years). The amortised amount is included in finance expense	(23 927)	(28 957)
	1 159 242	1 156 816
The RMB Senior Loan Facilities and Mezzanine Loan Facility are secured in favour of Micawber 558 (Proprietary) Limited 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.		
Non-current liabilities		
At amortised cost	1 061 543	1 096 983
Current liabilities		
Held for trading	120	–
At amortised cost	97 699	59 833
	97 819	59 833
	1 159 362	1 156 816

23. FINANCE LEASE OBLIGATION

Group

Minimum lease payments due	2009	2008
– within one year	5 909	6 753
– in second to fifth year inclusive	23 636	25 947
– later than five years	5 587	8 355
	35 132	41 055
<i>Less: Future finance charges</i>	(8 442)	(11 536)
Present value of minimum lease payments	26 690	29 519
Present value of minimum lease payments due		
– within one year	3 438	2 698
– in second to fifth year inclusive	17 755	15 747
– later than five years	5 497	11 074
	26 690	29 519
Non-current liabilities	23 252	26 821
Current liabilities	3 438	2 698
	26 690	29 519

These liabilities consist of 15 (2008: 15) capitalised finance leases, payable over a period of six years at an effective interest rate of 13,69% (2008: 14%) per annum. These liabilities are secured by plant and equipment and motor vehicles with a carrying value of R18,883 million (2008: R22,680 million), refer note 5. These leases have no escalation clause. Repayments are based on the outstanding debt and the prevailing interest rate.

On expiry of the initial lease period, the lease will automatically be 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.

24. INSTALMENT SALE LIABILITY

Minimum instalments due	2009	2008
– within one year	2 148	2 338
– in second to fifth year inclusive	3 212	6 181
– later than five years	55	280
	5 415	8 799
<i>Less: Future finance charges</i>	(727)	(2 480)
Present value of minimum lease payments	4 688	6 319
Present value of minimum instalment sale payments due		
– within one year	1 781	1 578
– in second to fifth year inclusive	2 852	4 273
– later than five years	55	468
	4 688	6 319
Non-current liabilities	2 907	4 741
Current liabilities	1 781	1 578
	4 688	6 319

These liabilities consist out of 19 (2008: 23) instalment sale agreements with Stannic and WesBank and are payable over a period of two to six years at an effective interest rate of 13.1% (2008: 12.76%) per annum. These liabilities are secured by plant and equipment and motor vehicles with a carrying value of R2 596 million (2008: R2 828 million). Refer note 5.

25. RETIREMENT BENEFITS

(i) Defined benefit plan

The Group's policy is not to provide post-retirement medical aid benefits to its employees. However, a provision is made for a closed group of current and former employees in respect of legacy post-retirement medical scheme contributions 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 2009.

Carrying value

	2009	2008
Present value of the defined benefit obligation-wholly unfunded	(20 200)	(17 431)
Movements for the period		
Opening balance	17 431	15 874
Contributions by members	–	11
Benefits paid	(1 061)	–
Net expense recognised in the income statement	3 830	1 546
	20 200	17 431
Net expense recognised in the income statement:		
Current service cost	234	(46)
Interest cost	1 700	1 592
Actuarial losses	1 896	–
	3 830	1 546

Main assumptions

It is assumed there would be a gap of 2% between the discount rate (estimated corporate bond yield of 9.1% (2008: 9.75%) and the medical contribution inflation rate (an increase of 7.1% (2008: 7.75%) was assumed).

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase	One percentage point decrease
The aggregate of the service cost and interest cost	2 184	1 726
Defined benefit obligation	22 690	18 035

Amounts for the current and previous four periods are as follows:

	2009	2008	2007	2006
Post-retirement benefit obligation	20 200	17 431	15 874	13 134

(ii) Defined contribution plan

The Group has three provident schemes, R&S Provident Fund, ROL Provident Fund and the Hospitality Provident Fund, for weekly paid employees, which are defined contribution plans. Pensioners under the scheme have had their pensions bought by means of annuities from insurers and there is no ongoing liability for the scheme. The scheme is governed by the Pension Funds Act, 1956, as amended.

Retirement fund

It is the policy of the Group to provide retirement benefits to all its employees, salaried/monthly paid and weekly paid. The Group has three provident schemes Hospitality Provident Fund, General Provident Fund and York Timbers Provident Fund (formerly GFP Provident Fund), for employees, which are defined contribution plans, all of which are subject to the Pension Funds Act, 1956, as amended.

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

	2009	2008	2007	2006
ROL Provident fund	212	209	-	-

Pension fund

It is the policy of the Group to provide pension benefits to all its salaried employees. The Group has two pension funds, ROL Pension Fund and Liberty Pension Fund.

Medical aid fund

The Group contributes to a defined medical aid scheme for the benefit of its permanent employees and their dependants.

In terms of the Group's policy there is no post-retirement medical aid obligation for current or retired employees.

The Group is under no obligation to cover any unfunded benefits.

	2009	2008	2007	2006
Total Group provident fund contribution	11 205	13 767	-	-
Total Group pension fund contribution	2 548	3 356	-	-
Total Group medical aid fund contribution	6 524	10 144	-	-

26. PROVISIONS

Environmental rehabilitation

Opening balance	54 643	-	-	-
Additions through business combination	-	54 643	-	-
	54 643	54 643	-	-

The environmental rehabilitation provision relates to costs associated with indemnities in the business combination (refer to note 40). This amount was calculated for business combination purposes in terms of International Financial Reporting Standards 3 (IRFS 3). The expected timing of the outflow of economic benefits with regards to the provision is uncertain.

No reimbursements are expected.

27. DEFERRED TAX

Deferred tax (liability) asset

Group

	2009	2008
Deferred tax attributable to the following:		
Capital allowances	33 938	(49 609)
Biological assets	(477 313)	(489 957)
Provisions	15 308	30 233
Calculated assessed loss	15 375	32 784
Derivative financial instruments	34	(22 066)
Other deferred tax	(2 316)	-
	(414 974)	(498 615)

Reconciliation of deferred tax asset (liability)

At beginning of the year	(498 615)	(9 414)
Acquired through business combination	-	(295 575)
Increase in tax losses available for set-off against future taxable income	-	-
Originating temporary difference on tangible fixed assets	-	-
Charge to the income statement	83 641	(193 626)
	(414 974)	(498 615)

	2009	2008
Use and sales rate		
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% (2008 : 14%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2008 : 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.		
Tax consequences of undistributed reserves:		
STC on remaining reserves	10.00%	10.00%

28. TRADE AND OTHER PAYABLES

Group

	2009	2008
Trade payables	159 443	157 832
VAT	7 609	-
Other payables and accruals	25 564	37 758
Accrued leave pay	12 190	11 679
Accrued bonus	6 087	5 816
Sundry accruals	5	7
Accrued expense ²	145	-
Other accrued expenses	13 807	20 578
Deposits received	349	314
	225 199	233 984

29. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group

	2009	2008
Financial liabilities at amortised cost		
Finance lease obligation	26 690	29 519
Instalment sale liability	4 688	6 319
Other financial liabilities	1 159 242	1 156 816
Trade and other payables	225 199	233 984
	1 415 819	1 426 638

Fair value through profit or loss – held for trading

Other financial liabilities	120	-
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30. REVENUE

Sale of goods	1 093 046	1 516 891
Rental income	2 244	3 152
	1 095 290	1 520 043

31. FINANCE INCOME

Dividend income on available-for-sale financial	1	52
Derivative-interest rate swap	-	78 808
Interest income on bank deposits	12 402	15 358
Interest charged on trade and other receivables	2	-
Other interest	728	16 203
	13 133	110 421

32. FINANCE EXPENSE

Group	2009	2008
Non-current borrowings	10 265	7 641
Dividends on preference shares classified as liabilities	7 732	4 615
Fair value of share-based payment	(9 160)	10 446
Trade and other payables	3 768	10 781
Finance leases	154 243	166 080
Bank	269	3 436
RMB Transaction costs	5 030	4 740
Equity kicker liability	699	–
Derivative – interest rate swap	24 582	–
Other interest paid	466	1 323
	197 894	209 062
Finance expense can be reconciled according to instrument as follow:		
Fair value through profit or loss	269	3 436
Other	197 625	205 626
	197 894	209 062

33. FAIR VALUE ADJUSTMENTS

Investment property	100	–
Biological assets	(244 698)	607 308
	(244 598)	607 308

34. OPERATING PROFIT/(LOSS)

Operating profit for the year is stated after accounting for the following:

Income from subsidiaries

Dividends from subsidiary	–	–
Administration and management fees	–	–
Leasing and hire charges	–	–
	–	–

Operating expenses

Operating lease charges:		
– Premises	(1 843)	(2 377)
– Motor vehicles	(125)	(50)
– Equipment	(950)	(1 243)
– Other	214	(1)
(Loss)/Profit on sale of property, plant and equipment	(1 569)	400
Loss on sale of non-current assets held for sale and net assets of disposal groups	(373)	(339)
Impairment of:		
– Property, plant and equipment	(43 390)	–
– Loans to Group companies	–	–
– Other financial assets	–	(1 078)
– Trade and other receivables	(6 183)	–
Depreciation and amortisation of:		
– Property, plant and equipment	(18 711)	(26 208)
– Intangible assets	(678)	–
Directors' emoluments:		
– Executive directors	(6 581)	(10 069)
– Non-executive directors	(2 598)	(1 990)

34. OPERATING PROFIT/(LOSS) (continued)**Group**

	2009	2008
Amount expended in respect of retirement benefit plans consisting of the following:		
– Provident fund contributions	(2 548)	(13 767)
– Pension fund contributions	(11 205)	(3 356)
– Medical aid fund contributions	(6 524)	(10 144)
Foreign exchange gain on forward exchange contracts	149	1 142
Operating lease income	1 256	1 420
Administration expense	(1 451)	(49 968)
Distribution expense	(151 432)	(156 789)
Employee costs	(148 482)	(279 230)
Research and development costs	(337)	(286)
Selling expense	(2 226)	(1 469)
Net cost of fire damage	–	(25 766)
Insurance proceeds from fire damages	158 731	24 381

35. TAXATION**Major components of the tax expense****Group**

	2009	2008
Current		
Local income tax – current period	2 555	6 084
Local income tax – recognised in current tax for prior periods	–	(365)
STC	379	–
	2 934	5 719
Deferred		
Originating and reversing temporary differences	(83 641)	204 143
Changes in tax rates	–	(10 517)
	(83 641)	193 626
	(80 707)	199 345

In terms of the arbitration award received from the Department of Water Affairs and Forestry in 2004, any taxes arising from the award would be for the account of the Department. During 2006 the SA Revenue Service revised the assessment for the 2004 year with an additional R12.61 million as payable. This was recovered from the Department. An objection against this assessment has been lodged.

The recovery of the taxation from the Department has been excluded from net income. In the event that the Receiver seeks to tax this amount, there is a contingent liability of R3.66 million taxation payable which in turn is recoverable from the Department.

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate:

	2009	2008
Income before taxation	25.80%	27.00%
Disallowed expenditure	2.20%	(0.40%)
Dividend and capital income		
Deferred tax asset not raised		1.40%
Rate adjustment		
	28.00%	28.00%

36. AUDITORS' REMUNERATION

	2009	2008
Fees	1 157	1 636
Other services	67	195
Expenses	6	39
	1 230	1 870

37. OPERATING LEASE

The Group leases industrial land and certain land and buildings under operating leases.

Total future minimum lease payments under operating leases which may not be cancelled:

Group

	2009	2008
Not later than 1 year	374	2 636
Between 2 and 5 years	1 495	353
After 5 years	1 612	412
	3 481	3 401

38. CASH GENERATED BY/(UTILISED IN) OPERATING ACTIVITIES

(Loss)/Profit before taxation	(312 627)	738 095
Adjustments for:		
Depreciation, amortisation and impairment	62 779	26 208
Provision for bad debts	8 469	6 110
Write-down of inventory	22 631	8 567
Loss on sale of property, plant and equipment	1 569	400
Loss on sale of non-current assets held for sale	373	339
Interest received	(13 133)	(110 421)
Finance expense	197 894	209 062
Fair value adjustments	244 984	(607 308)
Share-based payment	(683)	733
Impairment of group company loans	-	-
Movements in retirement benefit assets and liabilities	2 769	(35)
Fair value adjustment: shares acquired	-	-
Dividend received from subsidiaries	-	-
Changes in working capital:		
Inventories	(51 190)	(55 162)
Trade and other receivables	65 640	(15 346)
Trade and other payables	(8 528)	31 019
Provisions utilised	-	(7 889)
	220 947	224 372

39. TAX PAID

Balance at beginning of the year	(5 489)	(5 474)
Current tax for the period recognised in income statement	80 707	(199 345)
Movement in deferred taxation	(83 641)	193 626
Balance at end of the year	5 424	5 489
	(2 999)	(5 704)

40. ACQUISITION OF BUSINESSES

Business Combination

York purchased 100% of all the shares in and shareholders' claims against GFP and SAP in the prior reporting period for an amount, inclusive of acquisition costs, of R1.703 million. The acquisition was settled by cash raised through a rights offer, debt facilities extended by Rand Merchant Bank and a vendor consideration issue to the IDC.

Approval of the purchase was ratified by shareholders on 12 July 2007.

Goodwill representing the difference of fair values of net assets purchased and the acquisition price, is underpinned by the availability of own logs for the Global and York mills, thereby ensuring sustainability. Refer to the calculation below.

The acquiree's revenue and earnings before interest and tax since the acquisition date (13 July 2007) was approximately R1.059 billion and R700 million, respectively.

Business combinations	Pre-acquisition Carrying mounts	Fair value adjustments	Recognised values on acquisitions
Property, plant and equipment	342 963	(56 677)	286 286
Biological assets	1 321 968	–	1 321 968
Inventories	106 658	–	106 658
Trade and other receivables	121 593	–	121 593
Cash and cash equivalents	4 868	–	4 868
Loans and borrowings	(257 066)	–	(257 066)
Deferred tax liabilities	(332 226)	36 651	(295 575)
Trade and other payables	(155 053)	(54 643)	(209 696)
Net identifiable assets and liabilities	1 153 705	(74 669)	1 079 036
Goodwill on acquisition			624 613
Consideration paid in cash, satisfied in cash			1 703 649
Warranty provision refunded in cash by vendors			(14 293)
Business combination cost			32
Cash and cash equivalents purchased			(4 868)
Net cash outflow			1 684 520

Fair values of assets and liabilities

The identifiable assets, liabilities and contingent liabilities of the acquiree that exist at the date of acquisition are recognised in the consolidated financial statements at fair value.

Biological assets

These have been valued on the standing timber methodology, using the pre-fire volumes and selling prices information available in early July 2007.

Property, plant and equipment

- Land was valued independently and the increased amount of R95.6 million adopted.
- Residential and Commercial buildings were independently valued and an increased value of R35.1 million adopted.
- Industrial buildings were independently valued at replacement value, but a fair value could not be established owing to the integration of these businesses with the plantation business and the lack of a market for buildings in their locality. No adjustment to carrying values was therefore made.
- The fair value of the remaining plant and equipment by business unit was then established by reviewing the recoverable amounts of the business units as cash generating units based on value in use calculations. These calculations used in cash flow projections based upon a detailed five year forecast which is based on the current installed production facilities and business circumstances (as at July 2007). Cash flows for a further 15-year period were extrapolated using an eight percent per annum inflation rate and which is appropriate because of the expected useful life of the majority of assets. The projected inflation rate is consistent with long term projections of financial institutions. A pre-tax discount rate of 16% has been used in discounting the projected cash flows. The discount rate is based on the rate of Government Bonds of 9% at 30 June 2007, which was seen as a risk free rate. A risk premium of 7% has been added, which is considered appropriate for the sawmilling and plywood industry in South Africa. The calculations reflected the requirement to impair assets to the value of R238 million over the operations Sabie Sawmill, Driekop Sawmill and Plywood manufacturing plant.

Inventories of finished goods

- Finished goods are valued at selling prices less the cost of disposal and a reasonable profit margin for the selling effort of the acquirer.
- Inventory was valued at July 2007 achieved selling prices, less a selling margin of 5% and the Warehouse Division's distribution costs in the case of the Plywood Division.
- Aggregate values of all business unit inventory required an upward valuation of R0,415 million. Owing to the immateriality no adjustment was made.

Intangible assets

Intangible assets were identified as part of the assets taken over. Goodwill of R610 million was raised, being the difference between the acquisition cost and the fair values of assets and liabilities.

Deferred tax assets and liabilities

- Acquired deferred tax assets and liabilities are recognised at the probable amount of the tax benefit/liability that will be recovered/payable, assessed from the point of view of the acquirer and the Group as a whole.
- SAP deferred tax asset became a liability on aggregating and R6.4 million was provided for.

Indemnities in a business combination

The contingent liabilities with respect to environmental costs have been valued and an amount of R54 million was provided for in the calculation of the business combination.

Liabilities incurred or assumed

- The cost of a business combination includes liabilities incurred or assumed by the acquirer in exchange for control of the acquiree. Future losses or other costs expected to be incurred due to the acquisitions such as the costs of restructuring the acquiree, are not part of the business combination as they are not liabilities at the date of acquisition.
- By definition no adjustment was made for restructuring costs.

Consideration for business combination

Consideration paid by the Company for the acquisition of businesses consists out of three parts:

- R350 million – 23 333 333 ordinary shares issued through Rights Offer at R15.00 per share.
- R500 million – 33 333 333 shares issued through “vendor consideration issue” at R15.00 per share.
- A cash consideration of R854 million.

41. COMMITMENTS

Authorised capital expenditure

	2009	2008
Already contracted for but not provided for		
• Property, plant and equipment	136	–
Not yet contracted for and authorised by directors		
• Property, plant and equipment	3 164	–

R0.136 million has been approved and contracted for the expansion of operations in the Sabie Sawmill. The actual cost to date for the projects is R5.951 million.

The directors authorised capital expenditure for the expansion of operations in the Jessievale Sawmill. R0.336 million of the authorised amount has already been spent in the current financial year.

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained profits, Rights Offer of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

42. CONTINGENCIES

Fire

Several claims from third parties were lodged against the Group in respect of damages allegedly caused by veld fires in 2001. This claim has been withdrawn by the claimants in 2009. The Group was fully insured against any third party claims.

Driekop fire claim damages

Damages incurred at the Driekop Sawmill during the 2007 plantation fires amounted to R110 million with an additional loss of equipment of R75 million and additional cost of R8 million.

44. DIRECTORS' EMOLUMENTS

Executive

2009 Paid by the subsidiaries	Salary and bonus R'000	Pension and Life cover R'000	Travel allowance R'000	Medical aid R'000	Director's fee R'000	Total R'000
L S Cooper	2 433	198	162	50	–	2 843
D J Erskine	132	11	6	2	–	151
J K H Lehman	1 081	110	135	37	–	1 363
T G Mokoena	1 172	135	180	37	–	1 524
P P van Zyl	593	53	44	10	–	700
	5 411	507	527	136	–	6 581
2008 Paid by the subsidiaries	Salary and bonus R'000	Pension and Life cover R'000	Travel allowance R'000	Medical aid R'000	Director's fee R'000	Total R'000
I S D Tucker	329	61	43	22	1	456
A C de Villiers	–	–	–	–	2	2
T G Mokoena	91	–	–	–	38	129
	420	61	43	22	41	587
A C de Villiers	844	41	128	112	41	1 166
L S Cooper	3 326	177	311	155	73	4 042
J H K Lehman	2 943	106	165	86	62	3 362
T G Mokoena	681	84	135	–	12	912
	7 794	408	739	353	188	9 482

Non-executive

Paid by the Company	2009	2008
A Bonamour*	237	180
P C Botha*	355	184
S Murray*	254	133
G Tipper*	–	170
T Modise	267	219
S Meer*	200	133
J Kopp	–	45
S Motlana	–	28
M C J van Vuuren	–	37
P B Odendaal	153	25
R Claunch	230	193
W Marshall-Smith	–	52
J P Myers	787	591
G Motau	115	–
	2 598	1 990

Details in regards of the payment of directors' emoluments

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

45. COMPARATIVE FIGURES

The prior reporting period was longer than 12 months; therefore comparative figures are not directly comparable to the current balances.

Certain comparative figures have been reclassified:

- During the current year the policy towards the classification of accounts as Cost of sales was reviewed, and certain accounts were reclassified out of Revenue, Other operating income and Operating expenses to Cost of sales.

- In 2008 the Finance lease obligations and Instalment sale liabilities were shown as one item on the balance sheet under Finance lease obligation. The Finance lease obligations and Instalment sales liabilities are now shown separately.
- The amortisation of the RMB Loan raising fees amounting to R4.74 million in 2008 was moved from Selling, general and administration expenses to Finance expenses.
- In inventories a reclassification was done between raw materials, timber and timber products (finished goods), and consumables. This was done to more accurately reflect inventory that is classified as finished products for certain business units, but is classified as raw materials for the Group.
- Loans to group companies have been reclassified during the current financial period from current assets to non-current assets.

The effects of the reclassification are as follows:

	2009	2008
Balance sheet		
Inventories – Raw materials	–	27 062
Inventories – Timber and timber products	–	(28 438)
Inventories – Consumables	–	1 376
Property, plant and equipment: Land – Accumulated depreciation	–	–
Property, plant and equipment: Buildings – Accumulated depreciation	–	–
Finance lease obligation	–	6 319
Instalment sale liability	–	(6 319)
Income statement		
Revenue	–	1 538
Cost of sales	–	249 648
Other operating income	–	20
Selling, general and administration expenses	–	(264 301)
Finance expense	–	4 740
Restructuring costs.	–	8 355

46. RISK MANAGEMENT

The Group's use of financial instruments exposes it to a variety of financial risks, namely: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Financial Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co operation with the Group's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

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.

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

46. RISK MANAGEMENT (CONTINUED)

Group

	Less than 1 year	Between 2 and 5 years	Over 5 years
At 30 June 2009			
Other financial liabilities	97 819	403 649	657 894
Finance lease obligation	3 438	17 755	5 497
Instalment sale liability	1 781	2 852	55
Trade and other payables	225 199	–	–
At 30 June 2008			
Other financial liabilities	59 833	323 616	773 367
Finance lease obligation	2 698	15 747	11 074
Instalment sale liability	1 578	4 273	468
Trade and other payables	233 984	–	–

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet 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.

Group

	Less than 1 year	Between 2 and 5 years	Over 5 years
At 30 June 2009			
Forward foreign exchange contracts – held for trading			
• Outflow	120	–	–
At 30 June 2008			
Forward foreign exchange contracts – held for trading			
• Outflow	1	–	–
• Inflow	(265)	–	–

Risk from biological assets

The Group is exposed to financial risks arising from changes in fair value less point of sale cost of its biological assets. The Group reviews its outlook for selling prices regularly in considering the need for active financial risk management.

Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market 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. 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.

46. RISK MANAGEMENT (CONTINUED)

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

Group

Fixed interest rate	2009	2008
Financial assets/(liabilities)		
– Interest rate swap	(35 319)	78 808
Variable interest rate		
Financial assets/(liabilities)		
– Instalment sale receivables	1 854	2 853
– Loans and borrowings	(1 124 043)	(1 156 816)
– Finance lease obligation	(26 690)	(29 519)
– Instalment sale liability	(4 688)	(6 319)

The majority (93% (2008: 92%)) of the Group's debt is covered by a fixed interest rate swap, therefore no interest rate sensitivity analysis has been performed.

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.

Credit risk is managed on a group basis. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. 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. Credit guarantee insurance is purchased.

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

Group

Financial instrument	2009	2008
Available for sale financial assets	3 911	1 763
Financial assets at fair value through profit or loss	–	78 808
Financial assets held for trading	–	265
Loans and receivables	–	98
Instalment sale receivables	1 854	2 853
Trade and other receivables	117 999	192 108
Cash and cash equivalents	124 422	222 538

Trade debtors (included in loans and receivables) are guaranteed by a CGIC contract with a credit limit of R351 million, with a deductible annual aggregate of R1.5 million, and 15% of each claim thereafter.

The aging of trade receivables at the reporting date was:

Group

	2009	2008
Current	59 841	106 251
30 days	25 111	23 456
60 – 90 days	6 500	8 703
120 days and over	17 000	9 294
	108 452	147 704

46. RISK MANAGEMENT (CONTINUED)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2009	2008
Opening balance	9 707	2 135
Impairment loss recognised	8 469	7 572
Closing balance	18 176	9 707

Forward exchange contracts which relate to future commitments comprise:

- US\$ 0.062 million (2008: US\$ 2.935 million) with forward exchange rates varying from 1US\$:R8.09 to 1US\$:R9.17 (2008: 1US\$:R6.67 to 1US\$:R7.99), and maturing up until 31 July 2009 (2008: 31 October 2008).
- EUR 0.166 million (2008: EUR 2.084 million), with forward exchange rates varying from 1EUR:R11.03 to 1EUR:R11.54 (2008: 1EUR:R12.79 to 1EUR:R13.30), and maturing up until 31 July 2009 (2008: 30 April 2008).

The Group reviews its foreign currency exposure, including commitments on an ongoing basis. The Group expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Post-tax profit for the year would increase/(decrease) as a result of gains/(losses) on equity securities classified as at fair value through profit or loss. Other components of equity would increase/(decrease) as a result of gains/(losses) on equity securities classified as available for sale.

Capital 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. The board of directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity, excluding non-redeemable preference shares and monitor interest, and 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. From time to time the Group purchases its own shares on the market: the timing of these purchases depends on market prices. Buy and sell decisions are made in a specific transaction basis by the risk management committee; the Group does not have a defined share buy-back plan.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

47. GOING CONCERN

The 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.

48. BASIC EARNINGS AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2009 was based on the (loss)/profit attributable to ordinary share holders of R(231.920) million (2008: R538.750 million) and a weighted average number of ordinary shares of 78.370 million (2008: 52.931 million).

The calculation of diluted earnings per share at 30 June 2009 is based on the profit attributable to ordinary shareholders, after the effect on basic earnings for the convertible preference shares of (R231.920) million (2008: R543.365 million) and a weighted average number of ordinary shares after the effect of the convertible preference shares of 78.370 million (2008: 55.408 million). In the current year there were no instruments that had a dilutive effect.

48. BASIC EARNINGS AND DILUTED EARNINGS PER SHARE (CONTINUED)

Calculations are as follows:

Reconciliation of basic earnings per share to diluted earnings per share

	2009	2008
Net (loss)/profit for the period	(231 920)	538 750
Profit attributable to ordinary shareholders	(231 920)	538 750
Preference dividends	-	4 615
Profit attributable to ordinary shareholders (diluted)	(231 920)	543 365
Reconciliation of weighted average number of ordinary shares		
Issued ordinary shares	78 370	11 041
Effect of own shares held	-	(9 527)
Effect of shares repurchased	-	1 762
Effect of shares issued in July 2007	-	5 097
Effect of shares issued in August 2007	-	44 558
Weighted average ordinary shares for the year	78 370	52 931
Effect of convertible preference shares	-	2 477
	78 370	55 408
Basic earnings per share (cents)	(296)	1 018
Diluted earnings per share (cents)	(296)	981

49. HEADLINE EARNINGS

The calculation of headline earnings per share at 30 June 2009 was based on the profit/(loss) attributable to ordinary shareholders of (R199 352) million (2008: R539 282 million) adjusted by items not qualified being part of headline earnings and number of shares of 78 370 million (2008: 52 931 million).

Reconciliation of earnings to headline earnings – Group – 30 June 2009:

	Gross	Tax	Total
Basic earnings attributable to ordinary shareholders	(312 627)	80 707	(231 920)
- Loss on disposal of equipment and vehicles	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
Headline earnings for the year	(267 395)	68 043	(199 352)
Headline earnings per share (cents)	(254)		

Reconciliation of earnings to headline earnings – Group – 30 June 2008:

	Gross	Tax	Total
Basic earnings attributable to ordinary shareholders	738 095	(199 345)	538 750
- Loss on disposal of equipment and vehicles	400	(112)	288
- Loss on sale of non-current assets held for sale	339	(95)	244
Headline earnings for the year	738 834	(199 552)	539 282
Headline earnings per share (cents)	1 019		

50. RESTRUCTURING OF OPERATIONS

The Group will restructure some of its sawmilling operations. The sawmill plants that are effected by the restructuring are: (a) Golden Rhino Sawmill; (b) Roburnia Sawmill and (c) Madiba Sawmills.

These plants were operational at 30 June 2009 and closure of these operations has occurred in the 2010 financial year. Salient financial information regarding these sawmilling operations is included below and exclude any inter-Group transactions:

	Group	
	2009	2008
INCOME STATEMENT		
Revenue	97 170	122 711
Cost of sales	(85 388)	(96 448)
Gross profit	11 782	26 263
Other operating income	34	3 412
Operating expenses	(18 851)	(19 277)
Impairment of assets	(32 325)	-
Operating profit/(loss)	(39 360)	10 398
Restructuring costs	(6 606)	-
Finance costs	(2)	(11)
	(45 968)	10 387
BALANCE SHEET		
Non-current assets		
Property, plant and equipment	-	33 523
Total non-current assets	-	33 523
Current assets		
Inventories	11 838	13 332
Trade and other receivables	8 987	4 504
Cash and cash equivalents	5	5
Total current assets	20 830	17 841
	20 830	51 364
Equity		
Retained earnings	10 387	-
Profit/(Loss) for the period	(45 968)	10 387
	(35 581)	10 387
Non-current liabilities		
Deferred tax	-	138
Other non-current liabilities	46 278	36 765
Total non-current liabilities	46 278	36 903
Current liabilities		
Trade and other payables	10 133	4 074
Total current liabilities	10 133	4 074
	20 830	51 364

INCOME STATEMENTS

For the 12-month period ended 31 December 2006

Group

	2006
	R'000
Revenue	393 975
Cost of sales	(242 481)
Gross profit	151 494
Other operating income	6 649
Selling, general and administration expenses	(118 319)
Profit from operations	39 824
Biological asset fair value adjustment	5 722
Profit before finance costs	45 546
Finance income	2 066
Finance expense	(5 282)
Income from subsidiaries	-
Profit before taxation	42 330
Taxation	(11 014)
Profit for the period	31 316
Earnings per share (cents)	284
Diluted earnings per share (cents)	284

BALANCE SHEETS

For the 12-month period ended 31 December 2006

Group

	2006
	R'000
ASSETS	
Non-current assets	
Property, plant and equipment	65 801
Biological assets	18 000
Goodwill	–
Investment property	5 900
Other financial assets	902
Investments at cost in subsidiaries held by the Company	–
Instalment sale receivables	–
	90 603
Current assets	
Inventories	34 724
Biological assets	–
Other financial assets	–
Instalment sale receivables	–
Trade and other receivables	59 909
Cash and cash equivalents	41 731
Non-current assets held for sale	2 200
	138 564
Total assets	229 167
EQUITIES AND LIABILITIES	
Equity	
Issued capital	552
Reserves	144
Share premium	3 061
Share-based payment reserve	–
Retained earnings	100 150
	103 907
LIABILITIES	
Non-current liabilities	
Loans and borrowings	26 582
Finance lease obligation	6 175
Retirement benefit obligation	–
Provisions	7 889
Deferred taxation	9 414
Share-based payment	–
	50 060
Current liabilities	
Loans and borrowings	10 244
Trade and other payables	57 676
Current tax payables	5 474
Current liabilities	–
Finance lease obligation	1 806
	75 200
Total liabilities	125 260
Total Equity and Liabilities	229 167

STATEMENTS OF CHANGES IN EQUITY

For the 12-month period ended December 2006

	Share capital R'000	Share premium R'000	Total share capital R'000	Fair value adjustment assets- available- for- sale reserve R'000	Share based payment reserve R'000	Retained earnings R'000	Total equity R'000
Group							
Balance at 1 January 2006	552	3 060	3 612	-	-	68 834	72 446
Issue of shares	-	1	1	-	-	-	1
Change in fair value of available for sale financial assets	-	-	-	144	-	-	144
Total income and expense recognised directly in equity	-	-	-	144	-	-	144
Profit for the year	-	-	-	-	-	31 316	31 316
Balance as at 31 December 2006	552	3 061	3 613	144	-	100 150	103 907

CASH FLOW STATEMENTS

For the 12-month period ended 31 December 2006

Group

	31 December 2006 R'000
Cash flows from operating activities	
Cash generated by operating activities	8 015
Finance income	891
Income from investments	362
Dividend received from subsidiaries	-
Finance expense	(5 282)
Tax paid	(1 475)
Net cash from operating activities	2 511
Cash flows from investing activities	
Proceeds from sale of property, plant and equipment	783
Acquisition of property, plant and equipment – to maintain	(2 787)
Sale of property, plant and equipment:	
Acquisition of subsidiaries, net of cash	-
Sale of other financial assets	10 069
Purchase of biological assets	-
Reduction in purchase consideration of biological assets	2 000
Proceeds from sale of non-current assets held for sale	-
Increase in investments in subsidiaries	-
Net cash from investing activities	(10 065)
Cash flows from financing activities	
Proceeds on share issue	1
Loans and borrowings repaid	(8 433)
Loans and borrowings raised	28 880
Increase in finance lease obligation	-
Increase in instalment sale receivables	-
Net cash from financing activities	20 448
Net increase in cash and cash equivalents	33 024
Cash and cash equivalents at the at the beginning of the period	8 707
Cash and cash equivalents at the end of the period	41 731

**UNAUDITED *PRO FORMA* FINANCIAL INFORMATION
IN RESPECT OF THE RIGHTS OFFER**

The table below sets out the unaudited *pro forma* financial information relating to the Rights Offer. The unaudited *pro forma* financial information, which is the responsibility of the directors, has been prepared for illustrative purposes only and, because of its nature, may not give a true reflection, of York's financial position, changes in equity, results of operations or cash flows.

The unaudited *pro forma* financial information is merely intended to provide information about how the Rights Offer may have affected the balance sheet of York at 30 June 2009, had the Rights Offer been effected on that date.

Unaudited *pro forma* income statement for the period ended 30 June 2009

The unaudited *pro forma* income statement has been prepared on the assumption that the Rights Offer was effected on 1 July 2008.

YORK TIMBER HOLDING LIMITED

INCOME STATEMENT⁽¹⁾

	Before 30-Jun-09 Audited R'000	Rights Offer <i>Pro Forma</i> Adjustment R'000⁽²⁾	<i>Pro Forma</i> After Rights Offer R'000
Revenue	1 095 290		1 095 290
Cost of sales	(762 223)		(762 223)
Gross profit	333 067	-	333 067
Other operating income	168 295		168 295
Selling, general and administration expenses	(365 522)		(365 522)
Operating profit (loss)	135 840	-	135 840
Restructuring costs	(18 735)		(18 735)
Fair value adjustments	(244 598)		(244 598)
Income from subsidiaries	-		-
Loss on non-current assets held for sale	(373)		(373)
(Loss) profit before finance costs	(127 866)	-	(127 866)
Finance income	13 133		13 133
Finance expense ⁽³⁾	(197 894)	70 060	(127 834)
(Loss) profit before taxation	(312 627)	70 060	(242 567)
Taxation ⁽⁴⁾	80 707	(19 617)	61 090
(Loss) profit for the period	(231 920)	50 443	(181 477)
Attributable to:			
Equity holders of the parent	(231 920)	50 443	(181 477)
Minority interest	-		-

Reconciliation of headline earnings

	Before 30-Jun-09 Audited R'000	Rights Offer <i>Pro Forma</i> Adjustment R'000⁽²⁾	<i>Pro Forma</i> After Rights Offer R'000
Profit attributable to equity holders of York Limited	(231 920)	50 443	(181 477)
Loss on disposal of equipment and vehicles	1 130		1 130
Costs incurred on unsuccessful acquisition	(72)		(72)
Loss on NCAHFS	269		269
Impairment of plant, equipment and vehicles	31 241		31 241
Headline earnings for the period	(199 352)	50 443	(148 909)
Basic earnings per share (cents)	(296)		(55)
Diluted earnings per share (cents)	(296)		(55)
Headline earnings per share (cents)	(254)		(45)
Number of ordinary shares ⁽⁵⁾	78 370 000	250 000 000	328 370 000

Notes:

- The "Before the Rights Offer" column is based on the audited financial statements for the year ended 30 June 2009. The issued and weighted number of shares in issue before the Rights Offer are 78 370 000 and after the Rights Offer will be 328 370 000.
- The financial effects are calculated on the assumption that:
 - all shareholders follow their rights and York raises R500 million;
 - R450 million of the proceeds from the Rights Offer were used to repay debt facilities;
 - R50 million of the proceeds from the Rights Offer were held in cash, which would be used to fund future capital expenditure and maintenance of York's sawmills;
 - the full cash proceeds from the Rights Offer have been received and the Rights Offer shares issued on 1 July 2008 for the income statement impact.
- Represents the finance cost saving on the R450 million used to pre-pay the outstanding debt facilities. This interest saving adjustment of 38% is expected to have a continuing effect on York. The Company has hedged its interest rate exposure through entering into an interest rate swap where by it pays 9.58% plus the margin (average margin of 5%) on the various underlying facilities.
- Tax has been calculated based on the statutory tax rate (28%).
- The number of shares has been adjusted to take into account the issue of 250 000 000 new York ordinary shares pursuant to the Rights Offer.

Unaudited *pro forma* balance sheet at 30 June 2009

The unaudited *pro forma* balance sheet has been prepared on the assumption that the Rights Offer was completed on 30 June 2009.

YORK TIMBER HOLDING LIMITED

BALANCE SHEET⁽¹⁾

	Before 30-Jun-09 Audited R'000	Rights Offer <i>Pro Forma</i> Adjustment R'000 ⁽²⁾	<i>Pro Forma</i> After Rights Offer R'000
ASSETS			
Non-current assets	2 543 725	–	2 543 725
Property, plant and equipment	429 456		429 456
Investment property	5 020		5 020
Biological assets	1 492 002		1 492 002
Intangible assets	2 984		2 984
Goodwill	610 352		610 352
Other financial assets	3 911		3 911
Current assets	717 111	41 390	758 501
Biological assets	246 369		246 369
Instalment sale receivables	1 854		1 854
Inventories	226 467		226 467
Trade and other receivables	117 999		117 999
Cash and cash equivalents	124 422	41 390	165 812
Total assets	3 260 836	41 390	3 302 226
EQUITY AND LIABILITIES			
Equity	1 349 606	491 390	1 840 996
Issued capital	3 919	12 500	16 419
Reserves	(88 438)		(88 438)
Share premium	1 026 888	478 890	1 505 778
Retained income	407 237	–	407 237
LIABILITIES			
Non-current liabilities	1 577 569	(450 000)	1 127 569
Cash settled share based payment	50		50
Other financial liabilities	1 061 543	(450 000)	611 543
Finance lease obligation	23 252		23 252
Instalment sale liability	2 907		2 907
Retirement benefit obligation	20 200		20 200
Provisions	54 643		54 643
Deferred tax	414 974	–	414 974
Current liabilities	333 661	–	333 661
Other financial liabilities	97 819		97 819
Finance lease obligation	3 438		3 438
Instalment sale liability	1 781		1 781
Trade and other payables	225 199		225 199
Current tax payable	5 424		5 424
Total equity and liabilities	3 260 836	41 390	3 302 226
NAV per share	1 722		561
TNAV per share	939		374
Debt	1 190 740		740 740
Equity	1 349 606		1 840 996
Ratio	88%		40%

Notes:

- Balance sheet "Before the Rights Offer" column is based on the audited financial statements for the year ended 30 June 2009.
- The financial effects are calculated on the assumptions that:
 - all shareholders follow their rights and York raises R500 million;
 - the cash proceeds have been received and the Rights Offer shares issued on 30 June 2009 for the balance sheet impact. The funds raised will be used to repay debt of R450 million and for capital expenditure of R50 million;
 - transaction costs of R4.3 million have been applied against the share premium account;
 - underwriting fees pertaining to R145 million of underwriting, at a fee of 3% (R4.4 million) and have been applied against the share premium account.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT

"The Directors
York Timber Holdings Limited
3 Main Street
Sabie
1260

4 November 2009

Dear Sirs,

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL EFFECTS, INCOME STATEMENT AND BALANCE SHEET OF YORK TIMBER HOLDINGS LIMITED ("York")

INTRODUCTION

We have performed our limited assurance engagement with regard to the unaudited *pro forma* financial effects, income statements and balance sheets (collectively "the *pro forma* financial information") of York set out in Annexure 3 to the circular to be dated on or about Monday, 23 November 2009 issued in connection with the proposed Rights Offer.

The *pro forma* financial information has been prepared for purposes of complying with the requirements of the JSE Limited ("JSE"), for illustrative purposes only, to provide information about how the proposed Rights Offer might have affected the reported financial information had the Rights Offer been undertaken on 1 July 2008 for income statement purposes and on 30 June 2009 for balance sheet purposes.

Because of its nature, the *pro forma* financial information may not present a fair reflection of the financial position, changes in equity, results of operations or cash flows of York, after the Rights Offer.

RESPONSIBILITIES

The directors of York are solely responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the circular and for the financial information from which it has been prepared.

Their responsibility includes determining that the *pro forma* financial information contained in the circular has been properly compiled on the basis stated, the basis is consistent with the accounting policies of York and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information as disclosed in terms of the JSE Listings Requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the *pro forma* financial information included in the circular. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial information and the Guide on *Pro forma* Financial Information issued by The South African Institute of Chartered Accountants.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

SOURCES OF INFORMATION AND WORK PERFORMED

Our procedures consisted primarily of comparing the historical financial information of York for the year ended 30 June 2009 with the source documents, considering the *pro forma* adjustments in light of the accounting policies of York, considering the evidence supporting the *pro forma* adjustments, recalculating the amounts based on the information obtained and discussing the *pro forma* financial information with the directors of York.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of York.

Whilst our work performed involved an analysis of the historical audited financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information undertaken in accordance with the International Standards on Auditing or the International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

OPINION

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that, in terms of Sections 8.17 and 8.30 of the JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of York;
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed pursuant to Section 8.30 of the JSE Listings Requirements.

Yours faithfully

KPMG Inc.

Per Heinrich Mans
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

DETAILS OF MATERIAL LOANS

The details of material loans to York and/or any of its subsidiaries at 30 June 2009 are set out below. The details of such material loans are the responsibility of the directors.

Date loan made	Name of borrower	Nature of finance	Amount R'000	Interest and repayment terms	Loan period	Nature of security	Arrears	Amount post-Rights Offer R'000
12 July 2007	Rand Merchant Bank	Senior Term A Loan	148 476	The interest rate is based on 3-month JIBAR plus a margin of 2.75%. Interest is compounded monthly and payments are made quarterly. The loan is repayable at escalating values as per contract agreed upon.	5 years Final payment on 13 July 2014	Secured in favour of Micawber 558 (Proprietary) Limited 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.	None	90 215
12 July 2007	Rand Merchant Bank	Senior Term B Loan	280 119	The interest rate is based on 3-month JIBAR plus a margin of 2.9%. Interest is compounded monthly and payments are made quarterly. The loan is repayable at escalating values as per contract agreed upon.	5 years Final payment on 13 July 2014	Secured in favour of Micawber 558 (Proprietary) Limited 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.	None	170 229
12 July 2007	Rand Merchant Bank	Senior Term C Loan	203 840	The interest rate is based on 3-month JIBAR plus a margin of 3.25%. The principal amount will be settled as a bullet payment on 13 July 2014.	5 years Final payment on 13 July 2014	Secured in favour of Micawber 558 (Proprietary) Limited 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.	None	123 920

Date loan made	Name of borrower	Nature of finance	Amount R'000	Interest and repayment terms	Loan period	Nature of security	Arrears	Amount post-Rights Offer R'000
12 July 2007	Rand Merchant Bank	Mezzanine Loan	441 669	This loan was incurred on 12 July 2007. The interest rate is based on 3-month JIBAR plus a margin of 8%.	6 years Final payment on 13 July 2015	Secured in favour of Micawber 558 (Proprietary) Limited 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.	None	270 669
January 2001	Nedbank	Mortgage bond (the loan arose to cover working capital requirements)	1 178	Interest at 11.5% per annum and is repayable by monthly instalments.	7 years Final payment on 30 September 2016	This loan is secured by a first mortgage bond over freehold land and buildings.	None	1 178
June 2007	WesBank	Asset finance (the loan arose from the purchase & installation of new machinery at the Sabie sawmill)	45 845	The loan bears interest at an effective rate of 13.50% per annum and is payable over a period of seven years in 14 payments of R6 million every six months, starting in June 2007. The final balance will be settled with a bullet payment of R14 million in December 2013.	3 years Final payment on December 2013	This loan is secured by a special Notarial Bond over the Hewsaw plant.	None	14 916
August 2006	South African Forestry Company Limited (SAFCOL)	Working capital facility	6 150	The loan is repayable in 3 equal annual instalments bears interest at prime less 3.5% and is repayable on 1 July 2009.	3 years	Unsecured.	None	6 150

Date loan made	Name of borrower	Nature of finance	Amount R'000	Interest and repayment terms	Loan period	Nature of security	Arrears	Amount post-Rights Offer R'000
Various times	Various financial institutions	Finance lease	26 690	This consists of 15 capitalised finance leases, payable over a period of 6 years at an effective interest rate of 13,69% per annum. These leases have no escalation clause. Repayments are based on the outstanding debt and the prevailing interest rate.	6 years	These liabilities are secured by plant and equipment and motor vehicles.	None	26 690
Various times	Stannic and WesBank	Instalment lease	4 688	These liabilities consist out of 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 13.1% (2008: 12.76%) per annum.	2 to 6 years	These liabilities are secured by plant and equipment and motor vehicles.	None	4 688
1 158 655								708 655

The majority of the above material borrowings occurred as a result of the acquisition of GFP and SAP in June 2007. Loans post the prepayment of R450 million pursuant to the Rights Offer, which are due within the next 12 months, will be financed out of cash reserves and internally generated cash flow. There have been no material changes to these loan balances since 30 June 2009, apart from the capital repayment at the end of September as per the underlying loan agreement. The Senior Lenders and Mezzanine Lenders will receive 62% and 38%, respectively, of the R450 million repayment.

The borrowing powers of the directors are unlimited and have therefore not been exceeded during the previous three years.

DETAILS OF MATERIAL COMPANIES ACQUIRED

The details of material companies which have been acquired during the preceding three years.

Date acquired	Nature of acquisition	Consideration	Purchase consideration	Loan portion of consideration	Goodwill acquired	Valuation
12 July 2007	100 % acquisition of GFP and SAP ¹	R1 694 747	The acquisition was cash settled and funds were raised through the issue of new shares (rights offer) R340, million debt of R845 million, vendor issue of R500 million to the IDC, and the remaining consideration of R9 million was paid for through a specific issue for cash.	R1.7 billion facilities with debt providers comprising facilities outlined in Annexure 5, being mainly: Senior A Facility Senior B Facility Senior C Facility Mezzanine Facility WesBank Asset Finance.	R624 613 Goodwill is classified as an indefinite asset and is therefore tested for impairment at each financial year end. The asset's are compared to the present value of the future cash flow that are expected to flow from the asset.	Details of the valuation of the property are included in Annexure 13 and are also available for inspection at the Company's office.
March 2007	100% acquisition of the Goedgeloof Plantation	R32 000	The acquisition was settled in cash.	–	zero	R36 800

Note:

¹ The purchase consideration of these companies was underpinned by the value of GFP's plantations. The properties pertaining to these plantations are listed in Annexure 13. At the time of the acquisition the properties were valued by an independent registered valuer at R1 547 954 128 as set out in a previous circular to shareholders dated 15 June 2007. Details pertaining to the vendors from whom these assets were acquired is set out in Annexure 7.

The identifiable assets, liabilities and contingent liabilities of GFP and SAP that existed at the date of acquisition are recognised in the consolidated financial statements at fair value.

None of the current directors had any beneficial interest, direct or indirect, in the acquisition of GFP. There has been no cash or securities paid or benefit given within the three preceding years or proposed to be paid to any promoter.

VENDOR DETAILS

The table below details the disclosure requirements in terms of the Listings Requirements relating to the vendors of material assets purchased or acquired by York during the three years preceding the last practicable date:

1. VENDORS PERTAINING TO THE ACQUISITION OF GFP AND SAP

Name of vendor	Address	Names of beneficial shareholders (direct and indirect)	Addresses of beneficial shareholders (direct and indirect)
African Consumer Products Investments Limited	1225 I St NW Ste 900 Washington, DC 20005	D – Global Environment Emerging Markets Fund, L.P.	1225 I St NW Ste 900 Washington, DC 20005
GFP Partners Limited	1225 I St NW Ste 900 Washington, DC 20005	D – GEF Forestry, LLC 1225 I I – Global Capital Co. II, LLC	1225 I St NW Ste 900 Washington, DC 20005
Global Forest Products Holding (Proprietary) Limited	1225 I St NW Ste 900 Washington, DC 20005	D – GEF Africa Investment Limited I – GEF Forestry, LLC	1225 I St NW Ste 900 Washington, DC 20005
GEEMF II Africa Investment Limited	1225 I St NW Ste 900 Washington, DC 20005	D – GEEMF II Eastern Europe and Africa, LLC I – Global Emerging Markets Fund II L.P	1225 I St NW Ste 900 Washington, DC 20005
IDC	19 Fredman Drive Sandton, 2196	The Government of South Africa through the Ministry of Trade and Industry	The DTI Campus 77 Meintjies Street Sunnyside, 0002

Notes:

- The vendors are not precluded from carrying on business in competition with York, although this is not their intention. No restraint of trade payments were made to the vendors.
- Other than the dividend warranties which were normal to a transaction of this nature, the vendors or current directors of the Company had no beneficial interest, direct or indirect in the transaction or any other transaction over the previous three years.
- The vendors settled all liabilities accrued for taxation before the closing date of the transaction.
- The assets acquired, were transferred into a wholly-owned subsidiary of York, and the shares in this subsidiary pledged and ceded as security for the loan facilities raised to fund the transaction.

2. VENDORS PERTAINING TO THE GOEDGELOOF PLANTATION

The only other major acquisition of the Company in the three years preceding the date of this circular was the Goedgeloof Plantation in March 2007. Details of the vendor are set out below:

Name of vendor	Address	Names of beneficial shareholders (direct and indirect)	Addresses of beneficial shareholders (direct and indirect)
Crocodile Valley Estate (Proprietary) Limited (Registration number 1993/002306/07)	C/o Stegmanns Attorneys Celtis Plaza Schoeman Street Hatfield, Pretoria (P/Bag 11210, Nelspruit, 1200)	Solomon Family	C/o Stegmanns Attorneys Attorneys Celtis Plaza Schoeman Street Hatfield, Pretoria (P/Bag 11210, Nelspruit, 1200)

MATERIAL LEASE PAYMENTS, COMMITMENTS AND CONTINGENCIES

Finance leases obligation

The Group entered into finance lease agreements with WesBank for plant, equipment and vehicles. The net carrying value of these finance lease agreements at year-end is R26 690 000 (2008: R29 519 000).

Instalment sale agreements

The Group entered into an instalment sale agreement with Stannic and WesBank for plant, equipment and vehicles. The net carrying value of these instalment sale agreements at year-end is R4 688 000 (2008: R6 319 000).

Finance lease obligations

Minimum lease payments due	R'000 2009	R'000 2008
- within one year	5 909	6 753
- in second to fifth year inclusive	23 636	25 947
- later than five years	5 587	8 355
	35 132	41 055
<i>Less: Future finance charges</i>	<i>(8 442)</i>	<i>(11 536)</i>
Present value of minimum lease payments	26 690	29 519
Present value of minimum lease payments due		
- within one year	3 438	2 698
- in second to fifth year inclusive	17 755	15 747
- later than five years	5 497	11 074
	26 690	29 519
Non-current liabilities	23 252	26 821
Current liabilities	3 438	2 698
	26 690	29 519

These liabilities consist of 15 (2008: 15) capitalised finance leases, payable over a period of six years at an effective interest rate of 13.69% (2008: 14%) per annum. These liabilities are secured by plant and equipment and motor vehicles with a carrying value of R18.9 million (2008: R22.7 million). These leases have no escalation clause. Repayments are based on the outstanding debt and the prevailing interest rate.

On expiry of the initial lease period, the lease will automatically be 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.

Installment sale obligations

	R'000 2009	R'000 2008
Minimum installments due		
– within one year	2 148	2 338
– in second to fifth year inclusive	3 212	6 181
– later than five years	55	280
	5 415	8 799
<i>Less: Future finance charges</i>	(727)	(2 480)
Present value of minimum lease payments	4 688	6 319
Present value of minimum instalment sale payments due		
– within one year	1 781	1 578
– in second to fifth year inclusive	2 852	4 273
– later than five years	55	468
	4 688	6 319
Non-current liabilities	2 907	4 741
Current liabilities	1 781	1 578
	4 688	6 319

These liabilities consist out of 19 (2008: 23) instalment sale agreements with Stannic and WesBank and are payable over a period of 2 to 6 years at an effective interest rate of 13.1% (2008: 12.76%) per annum. These liabilities are secured by plant and equipment and motor vehicles with a carrying value of R2.596 million (2008: R2.8 million).

Contingencies

Land claims have been lodged against the land registered in the name of a subsidiary of York, York Timbers (Proprietary) Limited, which is the wholly owned operating subsidiary of the Company. Of these claims, to the best of management's knowledge, approximately 27.5% have been gazetted by the Department of Land Affairs. A solution on how to resolve the claims for the land with cognisance of the standing timber on the land must still be determined. The standing timber is seen as an integral part of the land and the solutions determined must address the land, the standing timber on the land and future standing timber rotations. The Company has however engaged individually with claimant communities and at industry level in representative forums to establish sustainable mechanisms that are mutually beneficial.

The Company is therefore unable to determine the potential financial impact of the land claims on the business of York, until an agreement with the communities is near conclusion.

Material inter-company transactions

There have been no material financial or other inter-company transactions recorded by the Company in the preceding financial year.

EXTRACTS FROM YORK'S STATUTORY DOCUMENTS

Extracts from the memorandum and articles of association pertaining to the appointment, qualification, remuneration and borrowing powers of the Company, as they may be exercised by the directors are set out below:

DIRECTORS – NUMBER, QUALIFICATION AND REMUNERATION

- 13.1 Until otherwise determined by a meeting of members, the number of directors shall be not less than 4 (four) nor more than 15 (fifteen).
- 13.4 The shareholding qualification for directors and alternate directors may be fixed, and from time to time varied, by the Company at any meeting of members and unless and until so fixed, no qualification shall be required.
- 13.5 The remuneration of the executive directors shall from time to time be determined by in sub-committee by an appointed quorum on non-executive directors, when appropriate assisted by independent advisers. The remuneration of non-executive directors shall be approved by the Company in general meeting.
- 13.6 The directors shall be paid all their travelling, and other expenses properly and necessarily incurred by them in and about the business of the Company and in attending meetings of the directors or of committees thereof, and if any director shall be required to perform extra services or to go or to reside abroad or otherwise shall be specially occupied about the Company's business he shall be entitled to receive a remuneration to be fixed by a disinterested quorum of the directors which may be either in addition to or in substitution for the remuneration provided for in article 13.5.

GENERAL POWERS OF DIRECTORS

- 20.1 The management of the Company shall be vested in the directors who, in addition to the powers and authorities by these articles expressly conferred upon them, may exercise all such powers, and do all such acts and things as may be exercised or done by the Company and are not hereby or by the Statutes expressly directed or required to be exercised or done by the Company in general meeting, (including without derogating from the generality of the foregoing or from the rights of the members, the power to resolve that the Company be wound up), but subject nevertheless, to such management and control not being inconsistent with these articles or with any resolution passed at any general meeting of the members in accordance therewith, but no resolution passed by the Company in general meeting shall invalidate any prior act of the directors which would have been valid if such resolution had not been passed. The general powers given by this article shall not be limited or restricted by any special authority or power given to the directors by any other article.
- 20.2 It is hereby declared pursuant to the provisions of the Statutes that although the directors shall have power to enter into a provisional contract for the sale or alienation of the undertaking of the Company, or the whole or the greater part of the assets of the Company, such provisional contract shall become binding on the Company only in the event of the specific transaction proposed by the directors being approved by a resolution passed by the Company in general meeting.
- 20.3 The directors shall have the power to delegate to any person or persons any of their powers and discretions and to give to any such person or persons power of sub-delegation.
- 20.4 Without in any way limiting or restricting the general powers of the directors to grant pensions, allowances, gratuities and bonuses to officers or ex-officers, employees or ex-employees of the Company or the dependants of such persons, it is hereby expressly declared that the directors may from time to time without any further sanction or consent of the Company in general meeting, but subject to the Statues, grant pensions, gratuities or other allowances to any person or to the widow or dependants of any deceased person in respect of services rendered by him to the Company as managing director, executive director, general manager or manger, or in any other office or employment under the Company, notwithstanding that he may continue to be or be elected a director or may have been a director of the Company, of such amounts, for such period, whether for life or for a definite period or for a period terminable on the happening of any contingency or event, and generally upon such terms and conditions as the directors in their discretion may from time to time think fit. For the purpose of this Article, the expression "executive director" shall mean a director appointed to an executive office

in the Company and receiving in addition to his fees as a director salary or remuneration for additional services whether under a service agreement or otherwise. The directors may authorise the payment of such donations by the Company to such religious, charitable, public or other bodies, clubs, funds or associations or persons as may seem to them advisable or desirable in the discretion of the directors.

BORROWING POWERS

- 12.1 The directors may exercise all the powers of the Company to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured) and other securities (with such special privileges, if any, as to allotment of shares or stock, attending and voting at general meetings, appointment of directors or otherwise as may be sanctioned by a general meeting) whether outright or as security for any debt, liability or obligation of the Company or of any third party.
- 12.2 For the purpose of the provisions of article 12.1 the borrowing powers of the company shall be unlimited.

COMMITTEES, AGENTS AND COMMITTEE/S IN FOREIGN COUNTRY/IES OF THE BOARD

- 18.1 The directors may delegate or allocate any of their powers to an executive or other committee consisting of such member or members of their body or any other person or persons as they think fit. Any committee so formed shall in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the directors.
- 18.2 Any director who serves on an executive or other committee, or who devotes special attention to the business of the Company, or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such extra remuneration (in addition to the remuneration he may be entitled to as a director) by way of a salary and/or by way of an amount equal to a percentage of the dividends declared, provided that such amount shall be limited to a reasonable maximum to be fixed by a disinterested quorum of the directors.
- 18.3 The meetings and proceedings of any such committee consisting of 2 (two) or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the directors so far as the same are applicable thereto and are not superseded by any regulations made by the directors under Article 18.
- 18.4 All acts done at any meeting of the directors or of any executive or other committee of the directors, or by any person acting as a director shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of the directors or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or were not qualified to vote be as valid as if every such person had been duly appointed and was qualified to be and to act and vote as a director.
- 21.1 Without prejudice to the general powers conferred by these Articles, it is hereby expressly declared that the directors shall be entrusted with the power to appoint persons resident in a foreign country to be a local committee for the Company in that country, and at their discretion to remove or suspend such local committee and any member thereof, to fix and vary their remuneration, and also to open offices of the Company where necessary and to close the same at their discretion, and to appoint and remove agents to represent the Company for the issue, subdivision, conversion and consolidation and transmission of shares and for such other purposes as the directors may subject to the provisions of these Articles determine, and to give the members of such committee or any such agents the power to appoint alternate committee members or substituted agents and to remove such alternates and substitutes, to appoint others or to act again themselves, as also to grant to such committee members or agents power to appoint other persons as co-committee-members or joint agents. Any director may act on the local committee whenever in the country for which the committee is appointed to act and may take part in the proceedings of such committee and may have same rights and privileges as any member of the committee.
- 21.2 All appointments of alternate committee members or substituted agents by members of any local committee or agents made in accordance with the provisions of Article 21.1 shall be subject to the approval of the remaining members of the local committee or agents and shall be reported forthwith to the directors. No local committee member or his alternate or agent or substituted agent shall be obliged to be a member of the Company.

MANAGING AND EXECUTIVE DIRECTORS

- 16.1 The directors may from time to time appoint one or more of their number to be managing director or joint managing directors of the Company or to be the holder of any other executive office in the Company, including for the purposes of these articles the offices of chairperson (subject to the JSE Listings Requirements) and may, subject to any contract between him or them and the Company, from time to time terminate his or their appointment and appoint another or others in his or their place or places.
- 16.2 A managing director may be appointed by contract for a maximum period of 3 (three) years at any one time and he shall be subject to retirement by rotation and be taken into account in determining the rotation of retirement of directors, except during the period of any such contract. The managing director shall be eligible for reappointment at the expiry of any period of appointment. Subject to the terms of his contract, he shall be subject to the same provisions as to removal as the other directors and if he ceases to hold the office of director from any cause he shall ipso facto cease to be a managing director.
- 16.3 A director appointed in terms of the provisions of Article 16.1 to the office of managing director of the Company, or to any other executive office in the Company, may be paid in addition to the remuneration payable in terms of Article 13.5 or 13.6, such remuneration – not exceeding a reasonable maximum in each year – in respect of such office as may be determined by a disinterested quorum of the directors.
- 16.4 The directors may from time to time entrust and confer upon a managing director or other executive officer for the time being such of the powers and authorities vested in them as they think fit, and may confer such powers and authorities for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they may think expedient and they may confer such powers and authorities either collaterally with, or to the exclusion of, and in substitution for, all or any of the powers and authorities of the directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers and authorities. A managing director appointed pursuant to the provisions hereof shall not be regarded as an agent or delegate of the directors and, after powers have been conferred upon him by the directors in terms hereof, he shall be deemed to derive such powers directly from this Article.

CASUAL VACANCIES

- 13.2 The directors shall have power at any time and from time to time to appoint any person as a director, either to fill a casual vacancy or as an addition of the board, but so that the total number of the directors shall not at any time exceed the maximum number fixed. Subject to the provision of Article 16.2 any person appointed to fill a casual vacancy or as an addition to the board shall retain office only until the next following annual general meeting of the company and shall then retire and be eligible for re-election.

DISQUALIFICATION AND PRIVILEGES OF DIRECTORS

- 13.8 A director shall cease to hold office as such:
- 13.8.1 if he becomes insolvent, or assigns his estate for the benefit of his creditors, or suspends payment or files a petition for the liquidation of his affairs, or compounds generally with his creditors; or
 - 13.8.2 if he becomes of unsound mind; or
 - 13.8.3 if (unless he is not required to hold a share qualification) he has not duly qualified himself within 2 (two) months of his appointment or if he ceases to hold the required number of shares to qualify him for office; or
 - 13.8.4 if he is absent from meetings of the directors for 6 (six) consecutive months without leave of the directors and is not represented at any such meetings during such 6 (six) consecutive months by an alternate director and the directors resolve that the office be vacated, provided that the directors shall have power to grant any director leave of absence for any or an indefinite period; or
 - 13.8.5 if he is removed under the provisions of Article 13.16; or
 - 13.8.6 1 (one) month or, with the permission of the directors earlier, after he has given notice in writing of his intention to resign; or
 - 13.8.7 if he shall pursuant to the provisions of the Statutes be disqualified or cease to hold office or be prohibited from acting as director.

ROTATION OF DIRECTORS AND REMOVAL

- 15.1 At the first annual general meeting all of the directors shall retire, and at the annual general meeting held in each year there after $\frac{1}{3}$ (one-third) of the directors, or if their number is not a multiple of 3 (three) then the number nearest to, but not less than $\frac{1}{3}$ (one-third) shall retire from office, provided that in determining the number of directors to retire no account shall be taken of any director who by reason of the provisions of Article 16.2 is not subject to retirement. The directors so to retire at each annual general meeting shall, be firstly those retiring in terms of Article 13.2 and secondly those referred to in terms of Article 13.6 and lastly those who have been longest in office since their last election or appointment. As between directors of equal seniority, the directors to retire shall, in the absence of agreement, be selected from among them by lot: provided that, notwithstanding anything herein contained, if, at the date of any annual general meeting any director will have held office for a period of 3 (three) years since his last election or appointment he shall retire at such meeting, either as one of the directors to retire in pursuance of the foregoing or additionally thereto. A retiring director shall act as a director throughout the meeting at which he retires. The length of time a director has been in office shall save in respect of directors appointed or elected in terms of the provisions of Articles 13.2 and 13.16, be computed from the date of his last election or appointment.
- 15.2 Retiring directors shall be eligible for re-election. No person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election to the office of director at any general meeting unless, not less than 7 (seven) days nor more than 14 (fourteen) days before the day appointed for the meeting, there shall have been given to the Company secretary notice in writing by some member duly qualified to be present and vote at the meeting for which such notice is given of the intention of such member to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.
- 15.3 Subject to Article 15.2, the Company in general meeting may fill the vacated offices by electing a like number of persons to be directors and may fill any other vacancies. In electing directors the provisions of the Statutes shall be complied with.
- 15.4 If, at any general meeting at which an election of directors ought to take place, the place of any retiring director is not filled, he shall if willing continue in office until the dissolution of the annual general meeting in the next year, and so on from year to year until his place is filled, unless it shall be determined at such meeting not to fill such vacancy.
- 15.5 For the purposes of this Article 15, "director" shall mean a non-executive director.
- 13.16 Subject to the provisions of the Statutes, a majority of directors may remove a director at a directors meeting before the expiration of his period of office and by an ordinary resolution elect another person in his stead. The person so elected shall hold office until the next following annual general meeting of the Company and shall then retire and be eligible for re-election.

PROCEEDINGS OF DIRECTORS' MEETINGS

- 17.1 The directors may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, and may determine the quorum necessary for the transaction of business. Until otherwise determined, 5 (five) directors shall form a quorum. A director may at any time and the company secretary upon the request of a director shall convene a meeting of the directors. The directors may determine what period of notice shall be given of meetings of directors and may determine the medium of giving such notice which may include telephone, telegram, telex, e-mail (electronic mail) or telefax. A director who is not within the Republics shall not be entitled to notice of any such meeting, but notice shall be given to all duly appointed alternate directors who may at the time be within the Republic.
- 17.2 Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes, the chairperson shall not have a second or casting vote.
- 17.3 The directors may elect a chairperson of their meetings and one or more deputy chairmen to preside in the absence of the chairperson, and may determine a period, not exceeding 1 (one) year, for which they are to hold office, but if no such chairperson or deputy chairperson is elected or if at any meeting neither the chairperson nor a deputy chairperson is present at the time appointed for holding the same, the directors shall choose one of their number to be chairperson of such meeting.
- 17.4 A meeting of the directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these articles or the regulations of the Company for the time being vested in or exercisable by the directors generally.
- 17.5.1 Subject to the provisions of the Statutes, a resolution in writing signed by all the directors, including through the medium of telefax or other form of electronic transmission where the directors' consent thereto can be verified shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted.

- 17.5.2 Subject to the provisions of the Statutes, in the case of matters requiring urgent resolution or, if for any reason its is impracticable to meet or pass a resolution as contemplated in Article 17.1 proceedings may be conducted by utilising video conference or telephone conference facilities, provided that the required quorum is met. A resolution agreed to by a majority of the directors participating during the course of such proceedings shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted. The Company secretary shall as soon as is reasonably possible after such meeting by video or telephone conference has been held, be notified thereof by the relevant parties to the meeting, and the Company secretary shall prepare a written minute thereof.
- 17.6 Any resolution referred to in Article 17.5.1 may consist of several documents, each signed by one or more directors or their alternates in terms of these Articles.
- 17.7 Any resolution referred to in Article 17.5.1 shall be deemed (unless the contrary is stated therein) to have been passed on the date upon which it was signed by the last director or alternate required to sign it and where it states a date as being the date of its signature by any director or alternate that document shall be prima facie evidence that it was signed by that director or alternate on that date.

VALIDITY OF ACTS OF DIRECTORS AND COMMITTEES

- 18.4 All acts done at any meeting of the directors or of any executive or other committee of the directors, or by any person acting as a director shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of the directors or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or were not qualified to vote, be as valid as if every such person had been duly appointed and was qualified to be and to act and vote as a director.

**DETAILS OF DIRECTORS OTHER DIRECTORSHIPS AND PARTNERSHIPS
DURING THE PREVIOUS FIVE YEARS**

Director	Current directorships	Previous directorships
P van Zyl	<ul style="list-style-type: none"> • Agentimber (Proprietary) Limited – 1971/001646/07 • Auburn Avenue Trading 55 (Proprietary) Limited – 2007/022082/07 • Auburn Avenue Trading 55 (Proprietary) Limited – 2007/022082/07 • Beth Warehouse (Proprietary) Limited – 1960/004069/07 • Bonheur 50 General Trading (Proprietary) Limited – 2003/003297/07 • Bridge Creek Trading 10 (Proprietary) Limited – 2007/021981/07 • Global Forest Products (Proprietary) Limited – 1973/013025/07 • Global Sawmills Limited – 1938/011643/06 • Inland Realty Limited – 1946/024147/06 • Longbogen (Proprietary) Limited – 1974/000592/07 • Madiba Forest Products (Proprietary) Limited – 1995/013464/07 • Madiba Timbers (Proprietary) Limited – 1962/001033/07 • Main Street 488 (Proprietary) Limited – 2006/031880/07 • Main Street 493 (Proprietary) Limited – 2006/034301/07 • Pretoria Amalgamated Transport Limited – 1944/018072/06 • Sonrach Properties (Proprietary) Limited – 1947/025065/07 • York Timbers (Proprietary) Limited – 1999/006411/07 	<ul style="list-style-type: none"> • HM Timber Limited – 2005/033139/06 Resigned January 2009 • Klein Karoo Leather Training Centre (Proprietary) Limited – 2001/024556/07
D Erskine	<ul style="list-style-type: none"> • Agentimber (Proprietary) Limited – 1971/001646/07 • Auburn Avenue Trading 55 (Proprietary) Limited – 2007/022082/07 • Beth Warehouse (Proprietary) Limited – 1960/004069/07 • Bridge Creek Trading 10 (Proprietary) Limited – 2007/021981/07 • Global Forest Products (Proprietary) Limited – 1973/013025/07 • Global Sawmills Limited – 1938/011643/06 • Inland Realty Limited – 1946/024147/06 • Klamath Investments (Proprietary) Limited – 2002/021125/07 • Longbogen (Proprietary) Limited – 1974/000592/07 • Madiba Forest Products (Proprietary) Limited – 1995/013464/07 	<ul style="list-style-type: none"> • H M Plywood (Proprietary) Limited – 2005/015618/07 Resigned 15 May 2009

Director	Current directorships	Previous directorships
D Erskine (continued)	<ul style="list-style-type: none"> • Madiba Timbers (Proprietary) Limited – 1962/001033/07 • Main Street 488 (Proprietary) Limited – 2006/031880/07 • Main Street 493 (Proprietary) Limited – 2006/034301/07 • Pretoria Amalgamated Transport Limited – 1944/018072/06 • Sonrach Properties (Proprietary) Limited – 1947/025065/07 • Thanx Investing 9 (Proprietary) Limited – 1999/021765/07 • York Timbers (Proprietary) Limited – 1999/006411/07 	
J Myers	<ul style="list-style-type: none"> • AMB Holdings Limited – 1995/003054/06 • Econet Wireless Zimbabwe Limited – 7548/98 • Humbug Investments (Proprietary) Limited – 2002/013672/07 • AMB Capital Limited – 1996/016470/06 • Hanwell Investments (Proprietary) Limited – 1998/005624/07 • Seringa Ranch (Proprietary) Limited – 2004/000492/07 	<ul style="list-style-type: none"> • American Chamber Of Commerce In South Africa (Association Inc Under Section 21) – 1977/003776/08 • Blackstar Group (Proprietary) Limited – 2005/042844/07 Resigned – March 2008
P Botha	<ul style="list-style-type: none"> • Astrapak Limited – 1995/009169/06 • Calshelf Trading 101 (Proprietary) Limited – 2005/005324/07 • Cast Arena Trade And Invest 73 (Proprietary) Limited – 2007/008494/07 • Claim Your Share Investments (Proprietary) Limited – 2003/019305/07 • Hyperception Properties 151 (Proprietary) Limited – 2004/009526/07 • Lereko Libstar Investments (Proprietary) Limited – 2006/032074/07 • Lereko LMCGF Investments (Proprietary) Limited – 2007/002341/07 • Lereko Metier Capital Growth Fund Managers (Proprietary) Limited – 2004/033161/07 • Lereko Metier Investors (Proprietary) Limited – 2005/009193/07 • Lereko Metier Trustees (Proprietary) Limited – 2005/009192/07 • Liberty Star Consumer Holdings (Proprietary) Limited – 2005/019820/07 • Marble Gold 436 (Proprietary) Limited – 2007/011729/07 • Metier Advisory (Proprietary) Limited – 2005/005233/07 • Metier Founder Investments (Proprietary) Limited – 2007/031233/07 • Metier Investment And Advisory Services (Proprietary) Limited – 2003/006293/07 • Paul Botha And Associates (Proprietary) Limited – 2003/019259/07 • Paul Botha Inc – 1998/002350/21 • Pfaff Investment Holdings (Proprietary) Limited – 1997/015150/07 • Terracina Investments (Proprietary) Limited – 2004/001205/07 • Tindari Investments (Proprietary) Limited – 2003/028310/07 • Workable Investments (Proprietary) Limited – 1996/017319/07 	<ul style="list-style-type: none"> • Bajano Investments (Proprietary) Limited – 2004/022513/07 Resigned 9 December 2004

Director	Current directorships	Previous directorships
R Claunch	<ul style="list-style-type: none"> • Safind Forest Products (Proprietary) Limited – 2001/024370/07 • Safind Lumber Products (Proprietary) Limited – 2002/016746/07 • Safind Marketing And Shipping (Proprietary) Limited – 2000/021172/07 • Kylee Estates (Proprietary) Limited – 1970/014301/07 • Kylee Timbers CC – 1986/004225/23 • Sojitz Forest Management (Proprietary) Limited – 2007/012142/07 • F En G Stokkiesdraai Eiendomme CC – 1999/035295/23 	<ul style="list-style-type: none"> • Brenton On Sea Unit 34 CC – 1996/062184/23 Resigned 29 March 2007
S Meer	<ul style="list-style-type: none"> • Broadband Infraco (Proprietary) Limited – 1989/001763/07 • Lodox Systems (Proprietary) Limited – 2000/024615/07 • Tswelopele Industrial Marketing CC – 1997/049400/23 • Foodcorp (Proprietary) Limited – 2004/000743/07 • 523 Mayfair West CC – 1990/028659/23 	<ul style="list-style-type: none"> • None
T Mokoena	<ul style="list-style-type: none"> • Act Of Grace 25 (Association Inc Under Section 21) – 2005/028687/08 • Agentimber (Proprietary) Limited – 1971/001646/07 • Beth Warehouse (Proprietary) Limited – 1960/004069/07 • Bonheur 50 General Trading (Proprietary) Limited – 2003/003297/07 • Bridge Creek Trading 10 (Proprietary) Limited – 2007/021981/07 • Erf 932 Malelane (Proprietary) Limited – 2006/033719/07 • Ermelo Self-Employment Projects (Proprietary) Limited – 1996/003123/07 • Ferreirastraat 7 (Proprietary) Limited – 2006/013470/07 • Global Forest Products (Proprietary) Limited – 1973/013025/07 • Global Sawmills Limited – 1938/011643/06 • Imbumba Tourism Services (Proprietary) Limited – 2006/015950/07 • Invuno Fund Managers (Proprietary) Limited – 2008/025474/07 • Inland Realty Limited – 1946/024147/06 • Ivory Pewter Trading 69 (Proprietary) Limited – 2007/035440/07 • Linga 2005 Properties (Proprietary) Limited – 2005/039373/07 • Longbogen (Proprietary) Limited – 1974/000592/07 • Luphisi Hunting And Tourism Safaris (Proprietary) Limited – 2005/016126/07 • Madiba Forest Products (Proprietary) Limited – 1995/013464/07 • Madiba Timbers (Proprietary) Limited – 1962/001033/07 • Main Street 488 (Proprietary) Limited – 2006/031880/07 	<ul style="list-style-type: none"> • Main Street 493 (Proprietary) Limited – 2006/034301/07 Resigned • Touraissance Investments (Proprietary) Limited – 2005/028127/07 Resigned

Director	Current directorships	Previous directorships
T Mokoena (continued)	<ul style="list-style-type: none"> • Maputo Corridor Logistics Initiative (Association Inc Under Section 21) – 2004/007466/08 • Mbombela Clay Bricks (Proprietary) Limited – 2000/021273/07 • Moody Blue Trade And Invest 146 (Proprietary) Limited – 2007/034533/07 • Mpu Biodiesel (Proprietary) Limited – 2008/029319/07 • Mpumalanga Housing Finance Company (Association Inc Under Section 21) – 1986/000788/08 • Mpumalanga Nafcoc Investment Corporation Limited – 2001/025618/06 • Mpumalanga Youth Business Initiative (Proprietary) Limited – 1996/003138/07 • Nelspruit Youth Projects (Proprietary) Limited – 1996/003120/07 • Quipsell Trading 1037 (Proprietary) Limited – 2002/025765/07 • Silulu Consulting (Proprietary) Limited – 2008/003527/07 • Sonrach Properties (Proprietary) Limited – 1947/025065/07 • South African Plywood (Proprietary) Limited – 2000/029212/07 • Tabala Telecoms (Proprietary) Limited – 2005/003239/07 • The Sawmillers Association Of South Africa (Association Inc Under Section 21) – 2008/011057/08 • Toro-Toro Business Enterprise CC – 2001/027073/23 • Vutsela Iglobhu Investments (Proprietary) Limited – 2007/005676/07 • Vutsela Investments (Proprietary) Limited – 2005/001921/07 • Witbank Youth Projects (Proprietary) Limited – 1996/003057/07 • York Timbers (Proprietary) Limited – 1999/006411/07 • Mbovest 2005 Properties (Proprietary) Limited – 2005/039371/07 	
T Modise	<ul style="list-style-type: none"> • Grand Bridge Trading 148 (Proprietary) Limited – 2005/005133/07 • Lwm Distributors CC – 1992/032971/23 • Pan Afrique Holdings (Proprietary) Limited – 2006/028754/07 • Senthibele Investments (Proprietary) Limited – 1997/012877/07 • St Andrew’s School For Girls (Association Inc Under Section 21) – 1923/007507/08 • Techniboard Products (Proprietary) Limited – 1996/016261/07 • The Village Leadership Consulting (Proprietary) Limited – 2005/026539/07 	<ul style="list-style-type: none"> • Global Forest Products (Proprietary) Limited – 1973/013025/07 Resigned • Grand Bridge Trading 148 (Proprietary) Limited – 2005/005133/07 Resigned • Serengeti Defence Technologies (Proprietary) Limited – 2006/034093/07 Resigned
P Odendaal	<ul style="list-style-type: none"> • Harlands Saligna Limited – 1933/005117/06 	<ul style="list-style-type: none"> • None

TRADING HISTORY OF ORDINARY SHARES ON THE JSE

The highest and lowest share prices, values and the volumes traded of York Timber Holdings Limited ordinary shares on the JSE, quarterly from 30 September 2006 to 30 September 2008, monthly from 30 September 2008 to 30 September 2009 and daily from 1 October 2009 to 6 November 2009, being the last practicable date, are set out below:

QUARTERLY

Date	High (C)	Low (C)	Volume	Value (R)
31/12/2006	1 300	851	39 486	462 150
31/03/2007	2 000	1 000	225 740	3 256 430
30/06/2007	3 475	2 000	178 138	4 705 287
30/09/2007	4 000	1 800	1 943 754	45 593 205
31/12/2007	2 600	2 200	3 770 696	90 366 556
31/03/2008	2 600	1 900	1 366 822	32 188 439
30/06/2008	2 517	2 075	10 700 098	261 049 722
30/09/2008	2 074	1 650	1 516 181	26 694 711

MONTHLY

Date	High (C)	Low (C)	Volume	Value (R)
30/09/2008	1 900	1 690	700 728	12 198 627
31/10/2008	1 700	1 450	198 230	3 024 123
30/11/2008	1 600	1 400	39 332	594 288
31/12/2008	1 650	1 500	167 761	2 714 876
31/01/2009	1 700	1 550	36 827	590 639
28/02/2009	1 600	900	42 526	471 920
31/03/2009	705	540	501 831	3 248 754
30/04/2009	540	401	276 877	1 346 590
31/05/2009	585	460	220 511	1 150 965
30/06/2009	470	430	658 250	3 013 749
31/07/2009	450	425	204 634	914 424
31/08/2009	450	430	368 383	1 634 960
30/09/2009	450	410	132 609	572 868

DAILY

Date	High (C)	Low (C)	Volume	Value (R)
1/10/2009	470	450	50 920	232 062
2/10/2009	470	415	13 550	62 127
5/10/2009	425	425	2 962	12 588
6/10/2009	470	410	14 820	62 452
7/10/2009	-	-	-	-
8/10/2009	420	410	6 000	24 620
9/10/2009	420	410	5 014 000	21 058 700
12/10/2009	430	420	12 300	51 890
13/10/2009	420	386	240 837	959 185
14/10/2009	400	392	39 122	156 408
15/10/2009	405	396	121 647	484 378
16/10/2009	399	398	68 900	274 250
19/10/2009	405	405	6 410	25 960
20/10/2009	420	395	67 600	269 206
21/10/2009	410	380	7 991 420	30 373 389
22/10/2009	400	387	36 650	144 298
23/10/2009	395	380	2 557 105	9 717 659

DAILY

Date	High (C)	Low (C)	Volume	Value (R)
26/10/2009	400	395	41 300	163 201
27/10/2009	395	385	9 110	35 228
28/10/2009	385	381	32 218	124 019
29/10/2009	374	370	40 000	148 800
30/10/2009	385	375	106 800	401 400
2/11/2009	385	380	151 585	578 975
3/11/2009	395	385	74 560	290 362
4/11/2009	400	385	27 410	106 164
5/11/2009	420	400	85 078	349 346
6/11/2009	420	415	29 686	123 596

CORPORATE GOVERNANCE STATEMENT

COMPLIANCE WITH THE PROVISIONS OF THE KING II REPORT, JSE LISTINGS REQUIREMENTS AND THE COMPANIES ACT, 61 OF 1973

York is subject to the ongoing disclosure, corporate governance and other requirements imposed by the JSE Listings Requirements, the King 2 Report (2002) and the Companies Act, 61 of 1973. York expressly endorses the recommendations espoused in the King 2 Report and continuously strives to improve its governance and risk reporting processes to the board and stakeholders.

York has recently reinforced its purpose and value fundamentals to achieve and maintain the highest standards of ethical behaviour in the way that York conducts its business. The value system is intended to guide the standard of behaviour that York applies in its interaction with all stakeholders, placing a special emphasis on our interactions with each other, our customers, our shareholders, our suppliers and the communities in which York operates.

Issues of corporate governance continue to receive the Board's consideration, refinement and attention to reflect current best practice in corporate governance and specifically taking into account the changes arising from the South African Corporate Law reform process, including the recent publication of the King 3 Report (2009).

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 focal point of York's governance framework. It is a balanced, unitary Board, collectively mandated to set the long-term strategic direction and business plans for York and to monitor progress towards achievement of the its objectives set against the economic, environmental and social issues that pertain to York and to ensure the integrity of the financial statements to fairly present the state of affairs of the Company and of the Group; maintain and manage an effective system of risk management and internal control, and the highest standard of corporate governance.

During 2009 Piet van Zyl was appointed as executive director and chief executive officer and Duncan Erskine as an executive director and chief financial officer in place of, respectively, Lance Cooper and John Lehman, who had resigned. In addition, G Motau was appointed as an independent non-executive director and chairperson of York's Audit and Risk Committee.

Mr Andrew Bonamour and Mr Simon Murray resigned from the Board in October 2009. Ms G Motau has accepted a position with KPMG who are the Company's auditors. Accordingly, she also resigned in October 2009 as a result of a potential conflict of interest.

Board responsibilities

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

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

- 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 and 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, refinancing 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 the succession plan;
- evaluating the performance of the Company directors.

Board composition and board meetings

A key aspect of the Company's governance philosophy is that no one individual has unfettered powers of decision-making. Accordingly, the Board currently comprises nine directors, six of whom are non-executive (three of whom are independent non-executives) and three executive directors. The Board is chaired by an independent, non-executive Chairman. The roles of Chief Executive Officer and Chairman are also split.

In considering the composition of the Board, competency in respect of York's affairs carries as much weight as independence. The directors bring to the board a wide range of expertise, commercial and technical experience and business acumen that allow them to exercise independent judgement in board deliberations and decisions.

Members of the Board have unlimited access to the Company secretary, who acts as an adviser to the Board and its sub-committees on issues relating to statutory regulations and corporate governance. Furthermore, where appropriate, advice of independent professionals may be obtained by any Board member at the expense of the Company.

Non-executive directors

The non-executive directors exert significant influence at meetings. They are not involved in the day-to-day operations of York nor are they full-time 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 evaluation.

CEO and executive directors

While 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 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 weekly as the Executive Committee of York and regularly interface with senior management to guide and control the day-to-day management of the business and to act as a medium of communication and co-ordination between operating divisions and the Board.

In terms of York's Articles, no executive director has a service contract enduring beyond a period of three years.

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 his duties in accordance with the Companies Act, the JSE Listings Requirements and the provisions of the King 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 to ensure compliance with JSE Listings Requirements and that the proceedings of the Board and its members the various sub-committees, 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 sub-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 interests in contracts with the Company.

Board meetings

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 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. Where necessary, decisions are taken between Board meetings by written resolution as provided for in the Company's articles of association.

Rotation of directors

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

New appointment of a director, training and updating the knowledge of directors

In terms of 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, standards of conduct and resources of the Company. Nominations are considered individually with preference for appointments that will ensure diversity and full and free exchange amongst Board members.

Board sub-committees

York subscribes to a policy of delegated authority. It aids the imperative of a division of responsibilities and enhances the distribution of power. The Board sub-committees, each with its specific duties and responsibilities that have been documented and its terms of reference approved by the Board, do not have decision-making powers but advise the board by way of recommendations founded in consensus at committee level. Membership is reserved for non-executive directors (save for the Transformation Committee) and each sub-committee is chaired by an independent, non-executive director.

All of 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 its 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-committees' responsibilities.

The Chairperson of each board sub-committee annually reports to the Board as a whole the extent and manner in which the particular committee has performed its mandate.

The sub-committees are subject to regular evaluation by the Board in regard to performance and effectiveness.

The following standing sub-committees have been constituted:

- Audit and Risk Committee.
- Remuneration and Nomination Committee.
- Transformation Committee.

Audit and risk committee

Members: P Botha, T Modise, R Claunch

As result of the recent resignation of G Matau in October 2009 to join the Company's auditors, R Claunch has been appointed to the Audit and Risk Committee. The Audit and Risk Committee ("the Committee") identifies and evaluates exposure to financial risks, reviews the appropriateness and adequacy of the systems of internal financial and operational control, reviews accounting policies, evaluates the appropriateness and integrity of financial reporting, reviews and approves external audit plans, findings, reports and fees, evaluates the appropriateness of using external auditors for non-audit services and provides effective communication between directors, management and internal and external auditors.

The Committee is also responsible for reviewing and recommending to the Board the interim and year-end financial statements and any dividend announcements. In addition, the Committee deliberates on the independence of the external auditors and to satisfy itself as to the appropriateness, expertise and experience of the Financial Director.

The Committee provides the Board with regular reports and copies of the minutes of its meetings. The Group Risk Manager, Company secretary and internal and external auditors have unrestricted access to the Chairperson of the Committee.

The Committee meets at least quarterly. Meetings are attended by invitees, including the chief executive officer, chief financial officer, external auditors and internal auditors. The Company secretary acts as the committee secretary.

Remuneration and Nomination Committee

Members: J Myers (Chairperson), R Claunch, S Meer

The Remuneration and Nomination Committee (“the Committee”) addresses issues relating to the remuneration and performance management policies of York and specifically the remuneration packages of directors and senior management. The Committee discharges its responsibilities with the assistance of independent remuneration consultants (and their reports based on industry comparatives).

York’s remuneration policies are designed with the intention to ensure 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.

York, with the assistance of an independent remuneration consultancy and on the recommendation of the Committee to the Board, undertook a group-wide regrading of all waged and salaried positions as part of the operational restructuring process of which shareholders were advised. After a thorough assessment the necessary steps were taken to adjust remuneration scales in line with industry norms and the financial outlook of York.

The Remuneration Committee ensures that the executive directors’ remuneration mix, in respect of guaranteed remuneration, performance bonuses and share options, is appropriate so as to align the directors’ interests with those of shareholders. The Committee recommends the basis for 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 York in general meeting.

In keeping with good corporate governance practices, the chief executive officer attends meetings by invitation only and is not entitled to vote. The chief executive officer does not participate in discussions regarding his remuneration.

Share option scheme

York has share-based incentive schemes for certain senior employees and executive directors. The scheme provides participants with a cash payment after a five-year period based on the market value of York’s ordinary shares. The transaction constitutes a long European call option with a term of five years from the grant date in the hands of the employee. 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 of five years after the grant date applies. The payoff that the beneficiary receives at the end of the lock-in period is the difference between the strike price on the exercise date and one and a half times the 60-day volume weighted average price on the grant date. The structure scheme is valued using the Black-Scholes methodology and is treated as a cash-settled scheme.

Transformation Committee

Members: T Modise (Chairperson), P Botha

The Transformation Committee’s (“the Committee”) primary objective is to ensure that York attains transformation in line with the Forestry Charter and that the Company is positioned to best advantage in the industry. To achieve these objectives the Committee assists with the development of policies and guidelines for the management of transformation issues such as procurement, employment equity, human resource development and retention, succession planning and social development.

Principally, the Committee provides a forum for discussing transformation issues and presenting key findings to the Board from the ongoing monitoring and reporting processes and ensures that there is a disciplined and co-ordinated approach to all transformation and social issues within the Company.

Financial Planning Committee

Members: P Botha (Chairperson), A Bonamour (resigned), S Murray (resigned)

In early 2009, the Board constituted a Financial Planning Committee with a broad but specific mandate to recommend a financial and re-aligned operational strategy for York. The Committee relied on a wide range of independent and management expertise to develop a strategy York believes to be in the best interests of all its stakeholders. The Committee was disbanded after having made its final recommendation to the Board which delegated the responsibility for implementation to the executive.

Accountability

The directors are individually and collectively responsible for the York's system of internal control. Whilst no system can provide absolute guarantees and protection against material loss, the systems are designed to give the directors reasonable assurance that problems can be identified promptly and remedial action taken as appropriate. The Board reviews the effectiveness of internal controls on an ongoing basis. The key features of the internal control system include:

1. Organisational structure

The operational business structure of the York is designed to facilitate the efficiency of strategy implementation and to minimise, as far as possible, the complexity of the reporting arrangements. The structure focuses on the core businesses of the Group, with an executive director and management committee member having direct line management responsibility for one or more of these activities. Stringent reporting procedures are applied to ensure that performance is monitored so that effective and prompt action can be taken as the need arises. Certain of the Group's key functions, including taxation, secretarial, internal audit, treasury and insurance, are undertaken centrally.

York has a board approved delegation of authority framework which reflects its organisational structure. Based on a clear definition of each individual's role and responsibilities, the framework stipulate the areas in which the delegated authority may be exercised, the related tasks and regulations to be taken into account and any specific procedures to be followed are documented.

2. Financial reporting

The Group operates a comprehensive financial control system with each operating business unit's performance being closely monitored against both budget and prior period performance.

3. Internal audit

York's maintains an in-depth system of internal financial and risk controls. The internal audit function is outsourced to an accredited third party service provider. The purpose, authority and responsibility of the internal audit function are formally defined in an internal audit mandate that has been approved by the Board and that is consistent with the requirements of King II. The Audit and Risk Committee in consultation with York's Executive Committee annually reviews the scope and coverage of the internal audit plan and budget.

The internal audit plan is based on risk assessments, which is of a continual nature in an attempt to identify not only existing and residual risks, but also emerging risks.

The internal audit function includes the examination of the systems of internal financial control, so as to bring material deficiencies, instances of non-compliance and development needs to the attention of the Audit and Risk Committee, external auditors and operational management for resolution. The internal audit function communicates with the external auditors as well as the Group Risk Manager to ensure proper coverage and to minimise duplication of effort.

The internal auditor has unrestricted access to the Chairpersons of both the Board and the Audit and Risk Committee and the external auditors have full access to all reports issued by internal audit.

4. External audit

The external auditors express an independent opinion on the annual financial statements. The auditors are appointed by the Board on the recommendation of the Audit and Risk Committee and which appointment is turn ratified by shareholders in general meeting. The external auditors' performance and independence is monitored by the Audit and Risk Committee. Any non-audit services provided by the external auditor is considered and approved by the Audit and Risk Committee prior to such services being rendered.

5. *Business continuity and technology recovery*

A process has been put in place to develop a formal business continuity plan for the continuation of critical administrative, processing and forestry business processes to in the event of a large-scale business disrupting incidents.

6. *Compliance*

The primary role of the York's compliance function is to minimise regulatory risk by assisting management in complying with statutory, regulatory and supervisory requirements. Under the auspices of the Audit and Risk Committee, York has recently undertaken a comprehensive review of its policy and regulatory framework which when complete will provide assurance at a Group level.

RELATIONSHIPS AND REPORTING

Employee participation

The Company has adopted a variety of participating structures on issues that affect employees, including, *inter alia*, the establishment of various consultative forums, training programme's, regular communication through the Group's and divisions' in-house magazines and the establishment of Group and divisional human resources forums. These structures are designed to achieve good employer/employee relations by encouraging open communication, consultation and identifying and resolving sensitivities and conflicts.

Employment equity

The directors believe that economically viable and self-sustaining employment equity is an essential and integral part of corporate governance within all our businesses.

Code of conduct

York is committed to the highest standards of honesty, integrity, behaviour and ethics in dealing with all stakeholders. All directors and employees of York maintain high personal ethical standards, to act in good faith and in the best interests of York and its stakeholders.

Guiding York's day-to-day business dealings are shared values of fair-dealing, trustworthiness, open communication, respect, collaboration and knowledge sharing, ownership and accountability, innovation and thinking which highlight York's commitment to a work environment that fosters respect and helps us deliver on our promise to customers. When ethical situations arise in the normal course of doing business, the Group encourages its people to make decisions that are consistent with Group values.

Securities trading policy and rules

York has a documented Securities Trading Policy and Rules which serves as both an interpretative guide and regulatory compliance tool to directors and staff alike in respect of matters provided for in the Securities Services Act, 36 of 2004, and the JSE Listings Requirements.

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. Closed periods are from 31 December up to the date of publication of the interim results; from 1 July to 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 announcement.

Directors' disclosure of contractual interests

Directors York 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. Such disclosures are noted by the Company secretary and kept in a separate register of directors' disclosures. Disclosures are updated periodically if necessary.

Register of directors and officers

A register of Directors and Officers is available for inspection at the Company's registered offices in Sabie, Mpumalanga Province, Republic of South Africa.

Occupational health and safety

The directors acknowledge their responsibility to employees and the public for compliance with occupational health and safety standards. The Board is responsible for assuring the adequacy and effectiveness in the application of the overall health, safety and environmental strategies of the Group. In compliance with the terms of the York health and safety policy, an appropriate programme has been implemented throughout the Company.

ENVIRONMENT

York accepts its role as a responsible steward of the environment wherever it does business. York will at all times operate its business in a manner that is ecologically sound. York is committed to practicing sustainable forestry, to conserve natural resources and energy, and to continually improve its environmental management practices. The sound management of York's plantations and processing facilities is conducted in strict accordance with the standards demanded by the Forestry Stewardship Council and other relevant bodies.

York's plantations and sawmills are certified by the Forestry Stewardship Council, an international accreditation body. This certification assures customers and stakeholders that all of its products are produced in a manner that is economically, environmentally and sociologically sustainable and strives to service today's needs, while protecting resources for future generations.

To underpin its commitment, York has committed R50 million for the next five years to improve its air quality, water and waste treatment processes at all its sawmills.

Compliance with environmental laws and regulations

The continuous introduction of new and amended legislation has increased the level of performance required to achieve compliance. Additional mitigation measures need to be put in place on a regular basis as regulations change. This has created challenges particularly where old technology is still in use. In order to address these needs, an Integrated Water and Waste Management Plan has been compiled for York's Sabie and Plywood mills and submitted to the authorities for approval. This plan will be rolled out to the other processing facilities in future.

The environmental investment that has been committed is aimed at ensuring full compliance with current legislation over a 5-year period. Furthermore, a proposed improved energy cogeneration plant will consume all bio-waste and eliminate the need for disposal, the monitoring that is required, and the associated risks of managing a waste disposal site.

Initiatives to mitigate environmental impact of products

York's products are manufactured from natural timber and timber fibres originating from a sustainable source. These timber plantations offer a renewable supply of wood fibre thus reducing pressure on threatened natural forests. The products are fully biodegradable and have no adverse effect when introduced into the environment.

Percentage of materials used that are recycled input materials

Approximately 95% of the raw material is converted into end products ranging from solid wood and composite products such as plywood. Waste by-products such as shavings are currently sold as bedding to the agricultural sector, other is used as fuel, and boiler ash is provided to the composting industry. The outer wood and bark waste sections contaminated with soil and mud is currently disposed of by rehabilitating excavations and borrow pits. It has been planned to use this material as fuel in the proposed cogeneration plant.

Energy saved through due to conservation and efficiency improvements

York is participating in the national energy conservation program which is aimed at a 10% reduction in energy consumption. The planned phased introduction of new technology will be more energy efficient and result in further reductions in energy consumption.

Initiatives to provide energy efficient or renewable energy-based products and reduction of energy requirements as a result thereof

The proposed cogeneration plant will be fuelled from wood and plantation waste making the Sabie and Plywood processing facilities not only totally self-sufficient, but will also enable surplus energy to be fed into the national grid. The plant will also eliminate the need for fossil fuels. Once this plant is operational, further wood-waste fuelled cogeneration plants will be planned for the other processing facilities.

Initiatives to reduce energy consumptions and achievements

The technical and engineering departments ensure replacement of electrical motors with more efficient units as part of the capital replacement program. Furthermore, continuous attention is given to the optimisation of dust extraction systems to reduce energy consumption. In the current economic downturn, two smaller inefficient plants are being permanently closed down and a third is being mothballed.

Water sources significantly affected by withdrawal

Water withdrawal is within the prescribed legal limits and therefore impacts are within acceptable norms as prescribed in the National Water Act.

SUSTAINABLE FOREST MANAGEMENT

Forests managed on a perpetual 25-year rotation

Sustainable forest management implies the ability to continue providing a steady supply of forest products (logs) into the future without depleting the forest resource. The annual harvest is determined through regulating the forest yield by varying the average clearfell age around the 25 ± 3 years either way, age range.

A complex growth and yield system, together with forest compartment and inventory data are used within a harvest scheduling system to predict optimal yield levels. In this process the rate of replanting is also determined so as to normalize the age-class distribution and to keep the temporary unplanted area at an optimum level.

The execution of the harvest plan is monitored monthly to ensure compliance with the plan and to compare actual with predicted yields, providing a feedback loop to test the accuracy of the yield prediction systems. This process is externally monitored.

BIO-DIVERSITY MANAGEMENT

York actively promotes bio-diversity by setting aside and managing areas suitable for rare animals and plant species to live and grow. Approximately one-third of the landholding (27 000 hectares) is set aside to conserve representative samples of the various habitats and ecosystems that naturally occur in the particular area.

Description of significant impact of activities on bio-diversity

Expansion of commercial forestry activities in the footprint area of the Company has been halted by primarily water licensing and water use legislation. Forestry allocation quotas have been utilised by the industry at large; therefore the threat of expansion of forestry on bio-diversity does not exist. However, the biggest threat to bio-diversity is the loss of habitats and ecosystems within non-commercial areas due to invasion of commercial trees.

Each forestry estate has a weed control programme that focuses on eliminating weeds in both commercial and non-commercial (i.e. protected) areas. Furthermore, the Company is committed to integrated weed management principles as well as the long-term reduction in the quantity of pesticides used. All pesticides used comply with the approved list of chemicals issued by the FSC.

Bio-diversity values within the commercial areas are also protected where warranted, such as the identification and protection of raptors' nests. Environmental guidelines are in place to guide staff on such aspects.

Habitats protected or restored

The non-commercial areas set aside for conservation have been categorised according to type and characteristic, and recorded on the management database. They are included in the parameters of plantation maps and are thus further clearly indicated during production planning processes.

York owns and manages a total of 1 100 hectares of indigenous forests within these protected habitats. These are all considered High Conservation Value Forests (HCVF) in terms of the National Forest Act, No. 84 of 1998.

Number of red data and other species by level of extinction

The management plan for each area includes species lists, which also highlights the occurrence of threatened or endangered species. The system used to classify level of threat is the international convention of the IUCN. Over 60 Red Data Species (species that are classified as Endangered, Vulnerable, or Rare) such as the Blue Swallow, the Oribi, and other plants, insects, reptiles and bats have been identified and are closely monitored on an annual basis.

A formal monitoring programme is in place for these and other important values such as water quality. The monitoring is undertaken by independent specialists and the results are publicly available.

Natural Heritage Sites and Areas of Special Interest

York protects and manages seven Natural Heritage sites. These sites are areas of significant historical or ecological importance in a national context and are registered under the South African Natural Heritage Programme. The sites located on York property include a tree fern reserve, grasslands, caves, as well as rock art paintings. Although the national programme is currently dormant, these sites remain protected and well-managed with restricted access to specialist and educational groups.

The sites provide environmental and education opportunities for organisations such as local schools, plant interest groups, bird watching clubs, and lepidopterist societies.

In addition to the Natural Heritage sites, numerous other Areas of Special Interest abound across all properties. These areas include other historical sites, areas of cultural or spiritual importance, caves, graveyards, special plant communities and interesting geological formations.

All Natural Heritage Sites and Areas of Special Interest are photographed, documented, and recorded on a database. Each site has an appropriate site-specific management plan. Annual reviews of the management plans and controlled access ensures that these sites will be preserved for the enjoyment of future generations.

QUALITY SYSTEMS

York has the South African Timber Auditing Services (SATAS) certification for all its structural timber products. The Nicholson & Mullin mill has an ISO certified quality management system, while the other three sawmills have SATAS-approved in-house quality management systems. The Plywood plant is certified to the Certification Europe (CE) Standard, as well as with SATAS for the SANS 929 Plywood and Composite Board specification.

The plywood plant also operates an in-house quality management system which is managed by the production staff on production process controls and audited by the York Quality Control department daily, including lab tests.

York is a member of the SA Bureau of Standards Technical Committee, which deals with national timber specification issues. It is also a member of the SA Wood Preservers Association (SAWPA) which deals with the interests around timber preservative treatment at the mills.

The proof grading programme for finger-jointed structural timber at Sabie mill is expected to commence shortly as soon as the SANS specification is finalised. This will serve as a method to upgrade timber with *bona fide* finger-joint defects to the S5 grade, which will assist to improve the timber grade mix output.

Furthermore, York has significantly improved its product image by setting a Group standard for parcel appearance in terms of aspects such as stencil spraying of company name, logo, dimensions, and grade; as well as uniform parcel strapping, on all regularised structural material products. This standard is also audited regularly by the QC team and the process has raised the competitive level between the plants.

York has South African Timber Auditing Services (SATAS) certification for all its processed structural products. This entails regular system audits and product inspections according to set standards and permit conditions.

During the period, ISO 9001 which is in place at Nicholson & Mullin, was developed for the Sabie Mill and will be implemented once the reviews are complete. Development for the Plywood ISO 9001 system has commenced and implementation will be done in the near future.

An implementation schedule has been developed to have the rest of the sites, Driekop Mill, Jessievale Mill and the Forestry Division, on the ISO 9001 system within the next 12 to 18 months. Also during the period, the certifier was changed from DQS to SGS in a move toward a single certification body.

The Plywood plant is certified to the Certification Europe (CE) standard by the British Standards Institute (BSI). The certification is audited annually by SATAS on behalf of BSI. The CE certification system will be incorporated into the ISO 9001 system during development in order to maintain a single system for all certifications.

Forestry Stewardship Council (FSC) certification is also maintained at all the processing sites and at Forestry. The processing sites are certified for Chain of Custody (COC) certification and Forestry is certified for the Forest Management (FM) and Controlled Wood (CW) certifications. The FSC systems are incorporated into the ISO 9001 system so that the site only maintains a single system for all certifications. FSC certification is audited annually by SGS certification body.

York also has the 'Clinic Sister' computer system implemented at all the site clinics. This system is used to monitor all health aspects of York's employees, as well as dependents and the local community.

Once ISO 9001 is successfully implemented at all York sites, development will commence for the ISO 14001 Environmental Management System and the OHSAS 18001 Health and Safety management system for the group. All certifications are being done with a view for a single certification, which covers all systems, with a single certification body.

SAFETY

One of the main aims of York is to ensure that a safe working environment is created and maintained for all its employees 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 as well as safety standards. The NOSA 5-Star System is being used at all of York's processing sites.

The Forestry Division contractors are using the NOSA 3-Star System.

York Timbers has not experienced any fatalities at any of its Operations over the reporting period.

The period an employee is booked off by a medical professional is a good indicator on severity of injuries sustained and a reflection on the effectiveness of systems in place at York's business units. On average 70% of injured employees were not booked off for periods longer than three consecutive days.

Safety committee meetings are held at all business units on a monthly basis, which enable management and employee representatives to revise the current Safety system in place and make recommendations on hazards identified by the SHE Representatives in their respective work areas. The SHE committee further has the duty to follow-up on previous recommendations made and ensures it's effectively implemented.

Toolbox talks are held on a weekly basis whereby the SHE Representative and Union representatives have the opportunity to inform and remind employees of their role in terms of safety in the workplace.

HEALTH

York provides occupational and primary health services through its clinics at all mills. All clinics have a visiting occupational health medical practitioner. The clinics consult on average 20 to 30 primary healthcare patients per day. Injuries on duty are also treated at the clinics. Medication is also dispensed from the clinics as they are all licensed in accordance with the Occupational Health and Safety Act, No. 84 of 1993.

The clinics co-operate with nearby hospitals and the Mpumalanga Department of Health. At some of the more remote villages, such as Jessievale, York clinics are also accessed by the members of the community.

Communication with stakeholders

Communication to the public and shareholders embodies the principles of balanced reporting, understandability, openness and substance over form. Positive and negative aspects of both financial and non-financial information are provided.

York is committed to communicating updated financial information on a regular basis to shareholders, investment communities and the public. Detailed interim and annual results are issued in the form of written reports and trading statements in national newspapers and updates on SENS when required.

York recognises the need for full, equal and timeous disclosure to all stakeholders as prescribed by the JSE Listings Requirements and the Board has considers the continued dialogue with institutional and other investors to be a very important activity in York's development.

Insurance

York maintains comprehensive insurance cover against plantation fire, unavoidable loss, business interruption and loss of profits, etc. 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 risk 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 Group uses specialist insurance intermediaries to consider all insurable risks and recommend any risk mitigation activities that York can undertake. These include annual operational risk surveys conducted in consultation with York's principal underwriter.

DETAILS OF MATERIAL PROPERTIES ACQUIRED

The properties detailed below were acquired in July 2007 as part of the acquisition of GFP and SAP, the details of which are set out in Annexure 6:

PORTIONS 1 & 2 OF THE FARM AMSTERDAM 183 IT
 REMAINING EXTENT & PTN. 2 OF THE FARM ARTHURS SEAT 220 IT
 REMAINING EXTENT & PORTIONS 2 & 3 OF THE FARM AVONDALE 208 IT
 PORTION 1 OF THE FARM BILLYSVLEI 96 IT
 REMAINING EXTENT OF THE FARM BLAIRMORE 237 IT
 PORTIONS 1 & 2 OF THE FARM CLARENCE 204 IT
 PORTION 2 OF THE FARM DASPOORT 205 IT
 REMAINING EXTENT OF THE FARM DOORNHOEK 23 IT
 PORTION 10 OF THE FARM ELANDSFONTEIN 34 IT
 PORTION 2 OF THE FARM ELANDSPRUIT 184 IT
 PORTIONS 1 & 2 OF THE FARM CLARENCE 204 IT
 REMAINING EXTENT & PORTION 2 OF THE FARM GOEDEHOOP 182 IT
 PORTIONS 1, 3 & 4 OF THE FARM HEERENVEEN 27 IT
 REMAINING EXTENT & PORTIONS 1 & 2 OF THE FARM ISIVIMBA 236 IT
 REMAINING EXTENT & PORTIONS 1, 2, 5, 6 & 8 OF THE FARM JAGTLUST 30 IT
 REM. EXTENT & PORTIONS 1 & 2 OF THE FARM KLEINBUFFELSPRUIT 31 IT
 REMAINING EXTENT & PORTION 2 OF THE FARM KLEINTHEESPRUIT 28 IT
 PORTIONS 2 & 4 OF THE FARM MEADOWBANK 219 IT
 PORTIONS 1 & 2 OF THE FARM CLARENCE 204 IT
 PORTION 1 OF THE FARM MIDDELDRIFT 201 IT
 PORTION 4 OF THE FARM MILLIKIN 203 IT
 THE FARM PITTVILLE 197 IT
 REM. EXTENT & PORTIONS 2, 3, 5, 6, 7 & 8 OF THE FARM ROTHESAY 234 IT
 PORTION 2 OF THE FARM SPIOENKOP 73 IT
 REMAINING EXTENT & PORTION 1 OF THE FARM THE BROOK 196 IT
 PORTIONS 1 & 2 OF THE FARM THE GEM 231 IT
 THE FARM UITKYK 67 IT
 PORTIONS 2, 3, 4 & 5 OF THE FARM VLAKFONTEIN 69 IT
 PORTIONS 3 & 4 OF THE FARM WARBURTON 72 IT
 THE FARM WELTEVREDEN 68 IT
 PORTIONS 1 & 2 OF THE FARM WYNTOUN 206 IT
 PORTION 2 OF THE FARM ZONSTRAAL 194 IT
 PORTIONS 1 & 2 OF THE FARM BLYFSTAANHOOGTE 209 JT
 PORTION 1 OF THE FARM DOORNHOEK 236 JT
 THE FARM ELANDSDRIFT 220 JT
 PORTIONS 1 & 2 OF THE FARM GELUK 232 JT

PORTIONS 2, 3, 4, 101 & 111 OF THE FARM GROOTFONTEIN 196 JT
REMAINING EXTENT & PORTION 1 OF THE FARM HENDRIKSDAL 216 JT
THE FARM HOLNEK 238 JT
REMAINING EXTENT & PORTION 1 OF THE FARM IN-DE-DIEPTE 164 JT
THE FARM KLIPBANKSPRUIT 237 JT
THE FARM KLIPGAT 217 JT
THE FARM KLIPKRAAL 170 JT
PORTIONS 1 & 2 OF THE FARM KRUGERSHOOP 240 JT
THE FARM LONGRIDGE 215 JT
THE FARM MAKOBULAAN 208 JT
THE FARM OLIFANTSGERAAMTE 198 JT
PORTIONS 2, 12, 14 & 18 OF THE FARM RHENOSTERHOEK 213 JT
REMAINING EXTENT & PORTIONS 1, 3 & 4 OF THE FARM ROOYWAL 239 JT
PORTION 2 OF THE FARM SABIESHOEK 200 JT
THE FARM SHEBE 219 JT
THE FARM VERTROOSTING 218 JT
REMAINING EXTENT & PORTIONS 2 & 3 OF THE FARM WATERVAL 233 JT
PORTION 3 OF THE FARM WATERVAL 168 JT
THE FARM BENDIGO HEIGHTS 559 KT
THE FARM DRIEKOP 546 KT
REMAINING EXTENT & PORTION 6 OF THE FARM GRASKOP 564 KT
REM. EXTENT & PORTIONS 1 & 4 OF THE FARM GROOTFONTEIN 562 KT
PORTIONS 1 & 2 OF THE FARM LONDON 496 KT
