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INTEGRATED ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

YORK TIMBERS

YORK IS PLEASED TO PRESENT ITS 2017 INTEGRATED ANNUAL REPORT, OUR PRINCIPAL COMMUNICATION TO OUR STAKEHOLDERS.

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About this integrated annual report

This report is compiled in accordance with:

- International Financial Reporting Standards (IFRS);
- Companies Act of South Africa, 71 of 2008 (Companies Act);
- JSE Limited Listings Requirements (JSE Listings Requirements);
- King IV Report on Corporate Governance for South Africa, 2016 (King IV); and
- The International Integrated Reporting Framework (<IR> Framework).

In the section *About York*, we introduce the Company, presenting information about York, its financial performance, business activities and how it uses the various capitals as inputs to produce outputs and achieve outcomes. It shows how York's strategy is influenced by the material issues it deals with, the needs of our stakeholders and the risks and opportunities presented by our operating environment. It also shows how progress is measured.

The *Chairman's report* completes the strategic picture. The *Chief Executive Officer's review* outlines our historical performance against our strategy and explains York's future outlook and approach.

We show how we create value over time in each of the *capitals* and unpack the material issues further. We also aim to show readers how technology has both modernised York and presents exciting challenges for the future.

The *Corporate governance* section is presented in line with King IV.

MATERIALITY

We determined which issues could influence the decisions, actions and performance of the Group. All material matters have been included and management is not aware of any information that was unavailable or any legal prohibitions to the publication of any information.

FORWARD-LOOKING STATEMENTS

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

This report is not intended to be relied upon as advice to investors, potential investors or funders and does not take into account the investment objectives, financial situation or needs of any investor. All investors should consider such factors in consultation with a professional adviser of their choosing when deciding if an investment is appropriate. We undertake no obligation to update or revise these forward-looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events. Inevitably, some assumptions will not materialise and unanticipated events and circumstances may affect the ultimate financial results.

Projections are inherently subject to substantial and numerous uncertainties and to a wide variety of significant business, economic and competitive risks and the assumptions underlying the projections may be inaccurate in any material respect.

Therefore, the actual results achieved may vary significantly from the forecasts and the variations may be material.

RESPONSIBILITY FOR THIS INTEGRATED ANNUAL REPORT

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

The Board is ultimately responsible for ensuring the integrity of the integrated annual report, assisted by the Audit Committee and further supported by management, which convened and contracted the relevant skills and experience to undertake the reporting process and provided management oversight.

The Board, after applying its collective mind to the preparation and presentation of the report, concluded that it was presented in accordance with the <IR> Framework and approved it for publication on 22 September 2017.

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

shsieh@york.co.za

ASSURANCE

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

The Audit Committee had oversight of the preparation of the integrated annual report and recommended it for Board approval.

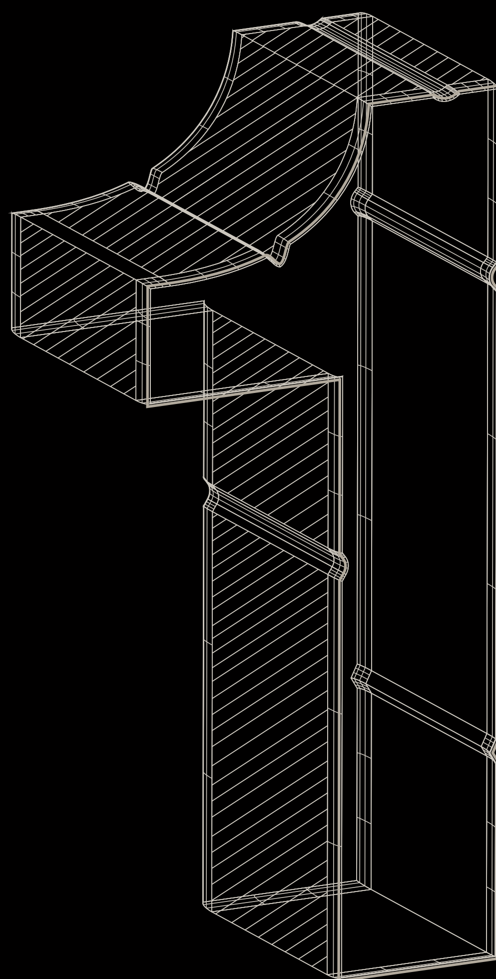
YOUR GUIDE

These icons serve as a guide for further information:

@ This icon denotes information that can be found on our website: www.york.co.za

This icon accompanies page number references elsewhere in this integrated annual report

VALUE CREATION THROUGH OPTIMISATION



York Timber Holdings Limited is an integrated forestry company listed on the JSE since 1946 in the Forestry and Paper Index sector.

WHO WE ARE

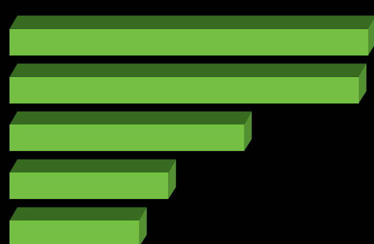
York Timber Holdings Limited (York, York Timbers or the Company) is listed on the JSE in the Forestry and Paper Index sector under the share code YRK. York was incorporated in 1916 and was first listed in 1946.

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

York has the largest market share of the South African timber and plywood market. This is a result of York's sustainable biological assets, technologically advanced forestry operations and close attention to customer needs.

SHAREHOLDING

Refer to shareholders' analysis on page 170.



28,89% — Empowerment

28,73% — Development agencies

18,00% — Other

13,88% — Mutual funds

10,51% — Private companies

REVENUE — R1 833 million

TOTAL ASSET VALUE — R5 082 million

NUMBER OF PEOPLE EMPLOYED (includes employees and contractors) — 5 253

OPERATIONAL FOOTPRINT

York has extensive forests – 55 589ha planted with pine, 2 047ha with eucalyptus and 2 834ha is temporarily unplanted – providing raw material to its processing facilities. This is supplemented from external sources. The distribution network can reach the entire Southern African market.

119 300 000ha
surface area in South Africa

646 759ha
planted with pine

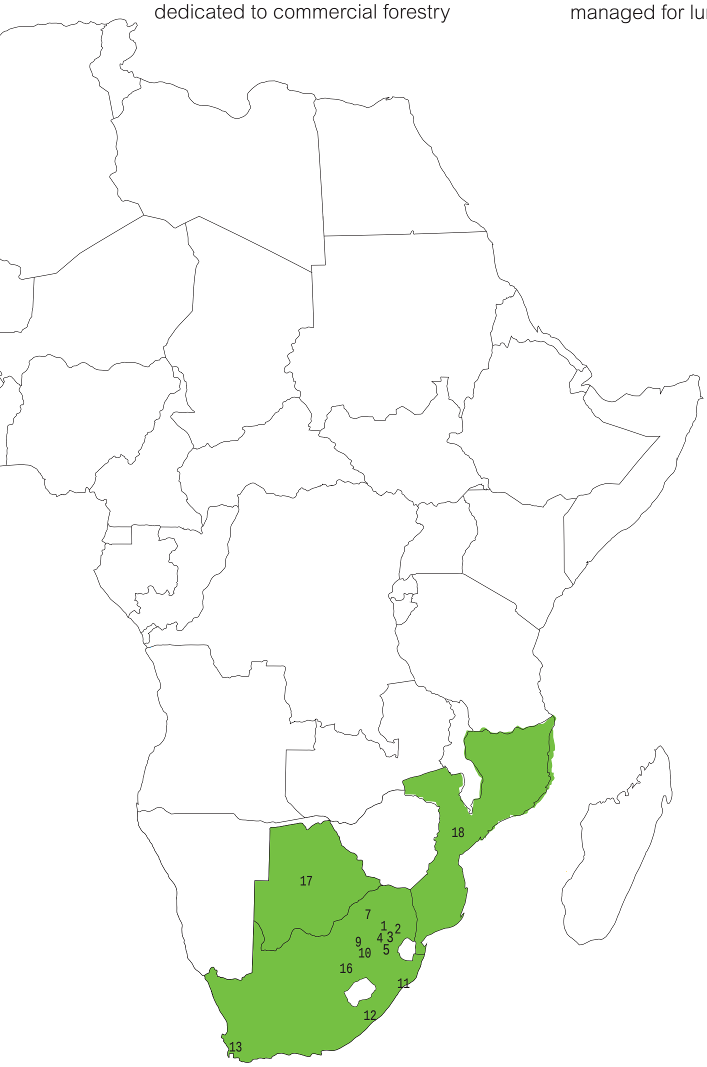
1 268 443ha
dedicated to commercial forestry

454 190ha
managed for lumber production

Sustainable raw material supply underpins the investment in processing facilities.

Sabie and Jessievale sawmills are ideally situated next to timber supply from York as well as from external sources.

Distribution network is well positioned to service the Southern African market.



SOUTH AFRICA

Mpumalanga

1 **Driekop**
Sawmill

2 **Nicholson & Mullin**
Sawmill and treatment plant

3 **Sabie**
Sawmill and treatment plant

4 **Plywood**
Plywood manufacturer

5 **Jessievale**
Sawmill and treatment plant

6 **Malelane***
Warehouse facility

Limpopo

7 **Polokwane**
Warehouse and distribution facility

8 **Thohoyandou***
Warehouse facility

Gauteng

9 **Pretoria**
Warehouse and distribution facility

10 **Roodekop, Johannesburg**
Warehouse, distribution and value-added products facility

KwaZulu-Natal

11 **Durban**
Sales office and warehouse

Eastern Cape

12 **Port Elizabeth**
Sales office and warehouse

Western Cape

13 **Epping, Cape Town**
Warehouse, distribution and treatment facility

Northern Cape

14 **Upington***
Warehouse facility

North West

15 **Mahikeng***
Warehouse facility

Free State

16 **Bloemfontein**
Warehouse and distribution facility

BOTSWANA

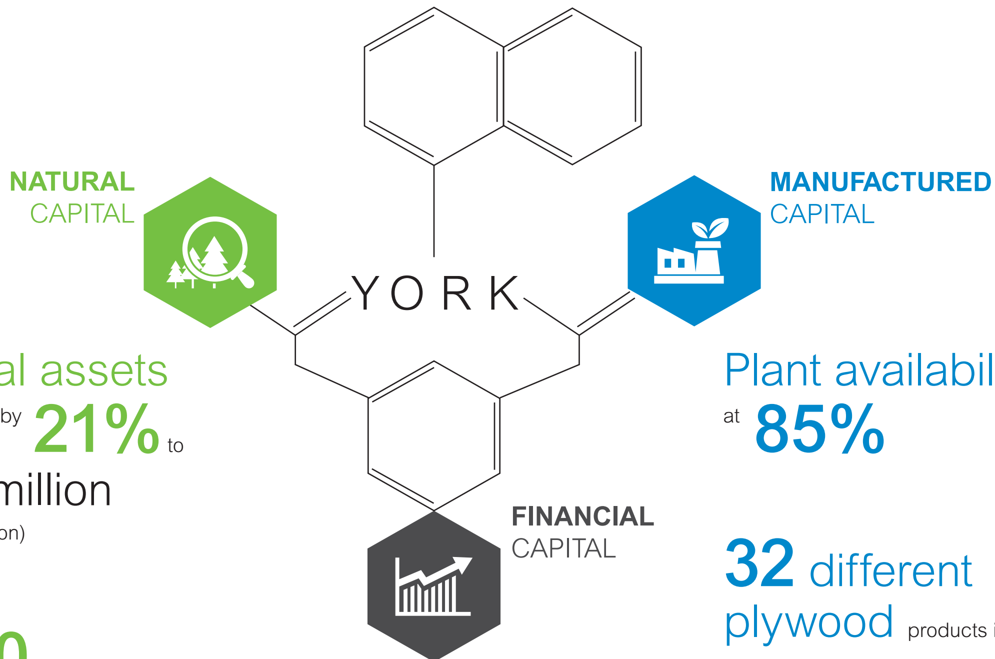
17 **Gaborone***
Warehouse facility

MOZAMBIQUE

18 **Maputo***
Warehouse facility

** In progress*

Financial and non-financial highlights 2017



Biological assets

increased in value by **21%** to

R2 828 million

(2016: R2 334 million)

60 470

planted hectares

of Forest Stewardship Council certified plantations

Plant availability

at **85%**

32 different plywood

products introduced

Intake

increased by **3%**

Revenue

increased by **3%** to

R1 833 million

(2016: R1 771 million)

Earnings per share

increased by **59%** to

116 cents per share

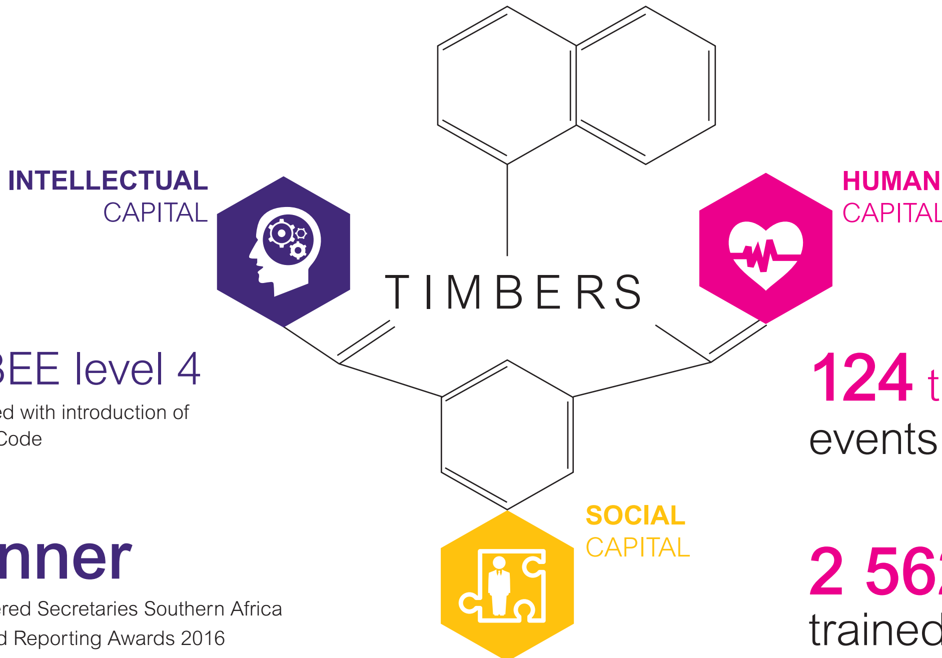
(2016: 73 cents per share)

EBITDA per share

increased by **5%** to

78 cents per share

(2016: 75 cents per share)



BBBEE level 4

maintained with introduction of Forestry Code

Winner

of Chartered Secretaries Southern Africa Integrated Reporting Awards 2016 in the Fledgling/Alt-X category for the second consecutive year

Certifications from CE, TP and IPPC

European Conformity, Timber Products Inspection, International Plant Protection Convention

R15 million

CSI spend

R8 million

enterprise and supplier development contribution

14 403

primary health patients seen

124 training events

2 562 individuals trained

R11 million

employee training and development contribution

Investment case

When investing in biological assets, such as those owned by York, the following key value drivers should be considered:

- A thorough understanding of the characteristics associated with each selected **growth site** is of the utmost importance. This includes detail information relating to the soil (type and depth, drainage, nutrient availability, water holding capacity, landscape, steepness) and climatic conditions (mean annual precipitation and temperature);
- The **correct specie or hybrid** to plant at each site should be chosen in order to maximise the site characteristics for optimal yield;
- In considering the correct specie or hybrid for each site, an important factor to consider will be the intended **target market** to ensure the best properties required by the market are catered for and maximum returns are generated;
- Once these principles have been established, the **rotation age** becomes a key driver of cash flows and determines the investment cycles; and
- The sustainable nature of this investment, its environmental credentials and its carbon sequestration capability, appeals to the conscientious investor and has a long-term profile.

All plantations are exposed to various risk factors, as defined elsewhere in this integrated annual report – all of which are closely monitored and carefully managed on a continuous basis.

ABBREVIATIONS USED IN TABLES

TPH	Number of trees per hectare removed if harvested at the indicated age
DBH	Means tree diameter at breast height of 1,3m above ground
BA	Basal area; an indication of site utilisation; maximises at about $45m^3/ha$
MAI	Mean annual increment; volume in m^3/ha added annually through growth

YORK INVESTMENT RATIONALE

Rotation age refers to a plantation being in rotation. This means that in the case of a 20-year rotation, the whole plantation must be planted up at 20 years, where after the annual removal of trees equals the incremental growth and continual replanting of harvested areas. This process can be continued indefinitely without endangering future yields.

The first rotation cycle delivers only modest returns following greenfield plantation establishment and the initial investment is partially recouped. It is only when the plantation can be harvested after year 20 that the investment will be realised, with exceptional returns being realised from the second rotation cycle onwards. Further improvements are seen from the third and fourth rotation cycles, when an investment in a biological asset class will yield superior returns compared to many other asset classes, such as mining, where the underlying asset is continuously being depleted compared to the perpetually sustainable nature of a biological asset.

This is the specific investment rationale for York, whose plantations are now entering the second to fourth rotation cycles. With the biological assets are reaching maturity, York now has the propensity to invest in major industrial projects to unlock the value being created in its plantations. This constitutes the rationale for York's investment in the Plywood Expansion Project as well as the planned Biomass Power Plant and sawmill consolidation and upgrade plans.

YIELD AND REGIME

Comparison of the growth performance between York's Highveld old and new regimes

New regimes – Site quality 1

									Product classification in terms of diameter spread per log class						
Age in years	Operation	TPH	Height m	DBH cm	BA m^2/ha	Volume m^3/ha	MAI $m^3/ha/yr$	Utilisable Vol %	Total m^3	Pulp	H-class	A-class	B-class	C-class	D-class
6		1 200	15	15	22	152	25	87	132	44	25	60	4	–	–
6,5	Thin	399	16	14	6	47	7	82	38	14	7	17	0	–	–
7	Remaining	800	17	17	19	147	21	89	131	27	23	63	18	–	–
8,5	Thin	399	16	14	6	47	5	125	59	11	7	29	11	–	–
9	Remaining	500	21	21	17	164	18	94	154	14	16	52	69	2	–
11,5	Thin	150	25	22	5	62	5	93	57	5	5	18	27	2	–
12	Remaining	350	26	26	19	218	18	96	208	10	10	41	94	52	1
20	Fell	350	36	35	34	526	26	97	513	9	6	38	126	210	124
Cumulative volume per hectare over 20 year rotation						682	34	98	667	6%	4%	15%	25%	32%	19%

Old regimes – Best sites

Age in years	Operation	TPH	Height m	DBH cm	BA m²/ha	Volume m³/ha	MAI m³/ha/yr	Utilisable Vol %	Total m³	Pulp	H-class	A-class	B-class	C-class	D-class
									Product classification in terms of diameter spread per log class						
6		1 000	13	15	18	104	15	86	89	31	12	43	2	–	–
10,5	Thin	346	20	18	8	75	6	90	68	14	6	34	14	–	–
11	Remaining	650	20	21	22	197	26	93	184	20	18	65	80	2	–
15,5	Thin	270	26	23	11	125	8	93	117	8	10	33	59	7	–
16	Remaining	380	26	27	21	247	29	96	237	12	11	44	104	64	2
25	Fell	380	34	34	34	500	28	97	486	10	7	42	133	203	92
Cumulative volume per hectare over 25 year rotation						701	28	96	671	5%	3%	16%	31%	31%	14%

This table shows the impact the regime change had:

New regimes – Site quality 4

Age in years	Operation	TPH	Height m	DBH cm	BA m²/ha	Volume m³/ha	MAI m³/ha/yr	Utilisable Vol %	Total m³	Pulp	H-class	A-class	B-class	C-class	D-class
									Product classification in terms of diameter spread per log class						
6		1 200	6	12	14	38	6	81	31	23	8	–	–	–	–
9	Thin	398	8	12	4	16	2	79	13	9	4	–	–	–	–
9	Remaining	800	8	14	13	48	5	85	41	11	19	11	–	–	–
20	Fell	800	14	20	24	150	8	94	140	19	17	60	44	–	–
Cumulative volume per hectare over 20 year rotation						166	8	92	153	18%	13%	39%	29%	0%	0%

Old regimes – Worst sites

Age in years	Operation	TPH	Height m	DBH cm	BA m²/ha	Volume m³/ha	MAI m³/ha/yr	Utilisable Vol %	Total m³	Pulp	H-class	A-class	B-class	C-class	D-class
									Product classification in terms of diameter spread per log class						
6		1 000	6	13	13	34	6	84	29	19	10	–	–	–	–
11	Thin	346	9	13	5	21	2	86	18	6	7	4	–	–	–
11	Remaining	650	9	16	13	56	5	96	54	14	16	23	1	–	–
16	Thin	270	12	17	6	33	2	89	29	7	5	16	2	–	–
16	Remaining	380	12	20	12	64	4	94	60	8	9	22	21	–	–
25	Fell	380	16	24	17	121	5	98	118	8	9	26	64	11	–
Cumulative volume per hectare over 25 year rotation						174	7	95	165	13%	13%	28%	40%	7%	0%

These tables illustrate the impact of the new regimes when compared to the previous regimes (details below). The new regimes are based on a site quality (SQ) and there are four new regimes compared to only one applied in the past. The initial TPH at age 6 in the tables differ from the regime prescription due to allowance for tree mortality within the first six years. It is clear that earlier thinnings give the remaining trees more space and time for growth and lead to a richer mix of final products when compartments are clearfelled. Note also that final volume comparison is based on 20 years for the new regimes compared to 25 years for the old regimes.

The new regime's SQ1 (best) is compared to the growth characteristics of the old regimes over similar sites. The new SQ4 (worst) is also compared to equivalent old regime sites.

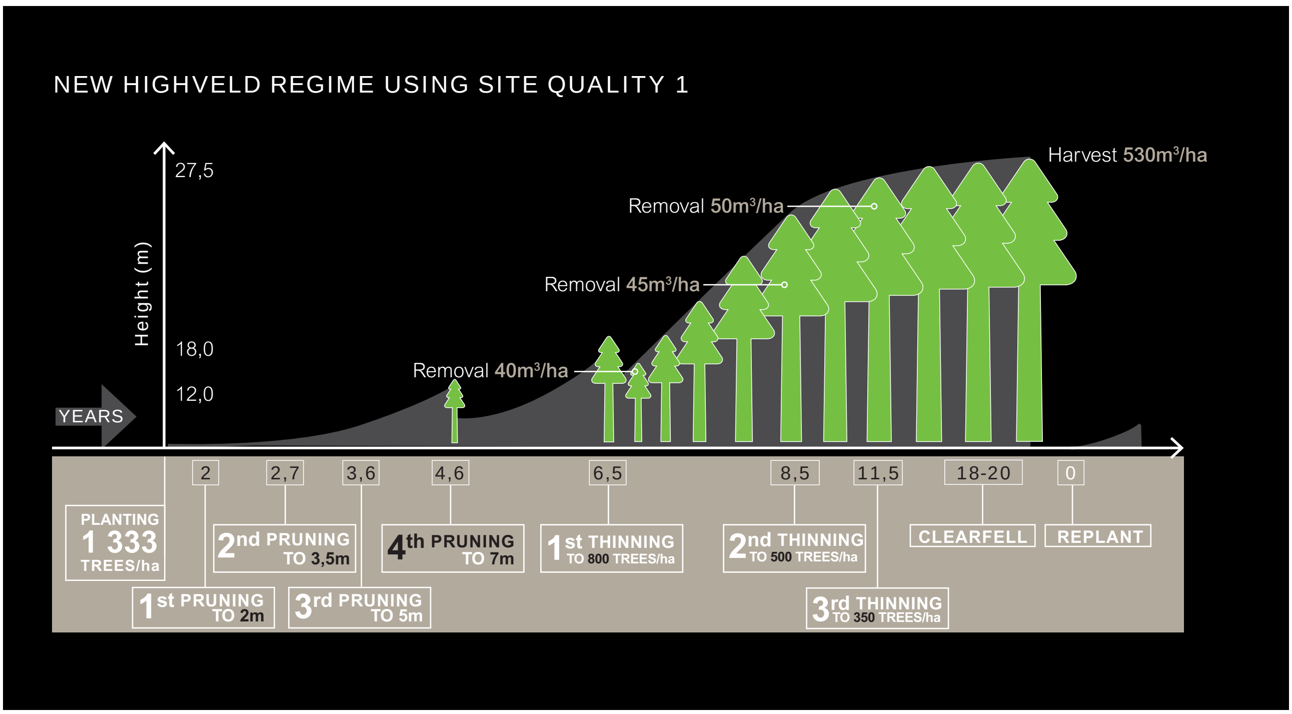
In the past, all sites, irrespective of growth potential were treated similarly and the regime applied was developed around the average site. The outcome of this approach was that both the best and poorest sites were far from optimally utilised.

The new regimes are based on site potential, which is defined by the term site index (SI). A site quality is defined by a site index range, which is a measure of dominant tree height at age 20. York's potential site indices, as calculated at compartment level through detailed site investigations, are the driving force behind optimised site-specie matching and regime allocation. The gains that this brings to York are clearly illustrated in the above volume table.

Comparison of York's Highveld region's new versus old regime

This table shows the impact of the regime change

Site quality	Site Index Range defined by dominate tree height	Number of trees per ha planted	1st pruning 2m high (years)	2nd pruning 3,5m high (years)	3rd pruning 5m high (years)	4th pruning 7m high (years)	1st thinning (trees remaining) (years)	2nd thinning (trees remaining) (years)	3rd thinning (trees remaining) (years)	Clearfell age 20 (not older than) (years)
SQ 1	32 – 36	1 333	2,2	3	4	5	800 @ 6,5	500 @ 8,5	350 @ 11,5	22 – 24
SQ 2	28 – 32	1 333	2,5	3,5	4,5	6	800 @ 7,5	500 @ 9,5		21 – 23
SQ 3	24 – 28	1 333	2,5	4	5	6,5	800 @ 7,5	500 @ 10,5		22 – 24
SQ 4	19 – 24	1 333	3	4,2	5,5		800 @ 8,5			20 – 22
Previous	19 – 36	1 111	1,5m @ 3,0	3,5m @ 5,0	5,5m @ 7,0		650 @ 10,5	380 @ 15,5		25 – 27



It is interesting to note that the average tree height and DBH at age 20 for the best sites vary significantly and this leads to 166m³ per hectare volume gain or a 25% mean annual increment increase. In the poorer sites, the difference is much less at 60m³ per hectare, but by eliminating an unproductive thinning, overall costs are reduced.

Through thinning earlier and more frequently as in SQ1, competition between trees for natural resources is eased and leads to an improvement in wood quality as tree growth remains consistent. When thinning infrequently or too late, trees are placed under stress, which results in reduced growth. A thinning at a late stage will lead to sudden increased growth (mostly diameter increment) that causes irregular growth ring widths and therefore poorer inherent wood quality.

By manipulating the available growing space for trees, it is possible to influence not only the growth rate, but also the basic shape and wood properties of trees. When trees are under light competition, height growth is enhanced because of the need to secure free access to sunlight. Free growing trees, on the other hand, are not under competition and place growth emphasis on branch development, together with diameter growth to support the larger branches.

Yield predictions are driven by York's forestry database. New growth trials have been established to study the growth of new pine hybrids and growth models and equations are adapted accordingly. Continuous forest inventories and regular data surveys are in place to give credence to database accuracy.

BIOLOGICAL ASSET VALUATION EXPLAINED

All of the aforementioned ultimately drives the biological asset valuation:

Cost

- **Establishment:** The starting point to establish a compartment is site preparation, which has a big impact on the survival rate of a compartment. This includes activities such as burning slash from the previously established compartment and pre-plant spraying to reduce weeds that will compete against the newly planted trees. After the site preparation is done, the planting period starts. One of the most important elements in optimisation is to ensure planting is done in line with the prescribed site-specie matching. In the first two years after planting, survival counts are performed to monitor the remaining stems per hectare. During the establishment phase, weed control remains the main focus.
- **Maintenance:** This is the period after a compartment has been established and up to clearfell age. Main activities during this phase are weed control, pruning, enumeration and thinnings. Thinnings ultimately yield volume and revenue and involve taking out the weakest trees and reducing competition between the dominant trees that are in the compartment. Enumeration is a high-precision operation. It is a process to collect data that is used to track the progress of a tree's growth. This input is used to adjust the volume yield estimation. York has recently insourced this function to ensure that it has full control over the quality of the work delivered by the enumeration teams.
- **Clearfelling:** The activity of taking all planted trees from a compartment and converting them into utilisable products for the Processing division. This activity plays a critical role in optimising the tree lengths from the relevant compartment. Losses due to harvesting should be minimal. In an attempt to gain full control over this activity, York has invested in mechanised harvesting equipment. The investment reduced costs, gave full control over tree length optimisation and has given York flexibility in its harvesting operations. These systems are now fully operational and the benefits have exceeded expectations.

The above activities result in costs which are included in the biological asset valuation calculation. York therefore benchmarks itself on a regular basis against other industry players to ensure that its costs are under control and in line with the industry. It constantly looks for opportunities to mechanise its operations as this will result in cost savings, consistency of operations, flexibility and ultimately better quality products.

Revenues

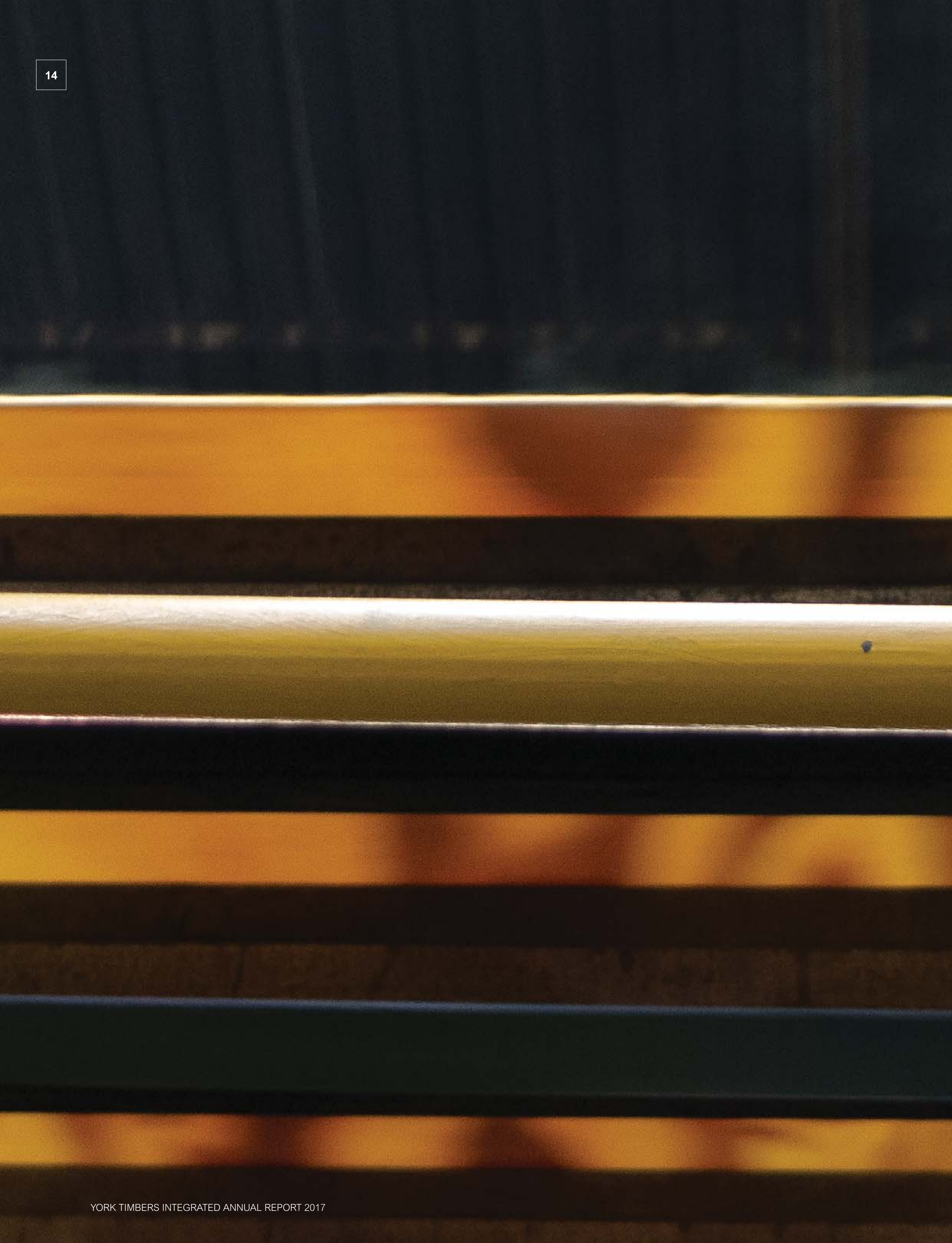
After harvesting is completed, the volume yielded should be translated into revenues. York therefore developed a fair and transparent pricing mechanism that is consistently applied year-on-year. This is referred to as the log paying capability calculation and is used to determine the transfer price between the Forestry and Processing divisions in York. It is also used as a benchmark when York purchases logs externally.

Approach

The biological asset valuation is based on planted compartments only. The volume yield that is expected is determined through a complex yield modelling system. Similar growth models are used by other forestry entities in the industry. The enumeration inputs are reported back to the growth model to predict more precise yields that are expected for each compartment. The expected volumes provided by Microforest (the yield modelling system) are further reduced in the model by **18%** to account for potential losses due to:

- Tree form deviations;
- Breakages during harvesting operations;
- Animal damage that will impact the utilisable volume;
- Pest and diseases;
- Fire damage;
- Stumps remaining in-field;
- Theft;
- Lightning; and
- Removal of resin pockets and other defects.

The valuation assumes there is no replanting after clearfell and is therefore for a finite period. The cash flows for the finite period are determined by including all the costs and revenues as explained above in the year that they are expected to realise (as per the prescribed regimes). All costs and revenues are adjusted by the expected inflation rate. The expected cash flows are discounted to a present value by using a market participant weighted average cost of capital. The market participant discount rate is determined with reference to a long-term bond rate and adjusted for gearing and betas of international and local companies within the same industry as well as other risk factors.



SEVEN-YEAR FINANCIAL REVIEW

York has consistently produced strong results over the last seven years.

		CAGR % 2011 to 2017	Audited 2017	% change	Audited 2016	Audited 2015	Audited 2014	Audited 2013	Audited 2012	Audited 2011
Group revenue	R'000	11,4	**1 832 805**	3	1 771 049	1 543 149	1 323 976	1 131 994	1 112 843	959 143
Gross profit	R'000	2,8	**497 502**	(1)	500 566	404 415	377 945	410 298	421 519	420 912
Gross profit margin	*%*		***27,1%***	*(4)*	*28*	*26*	*29*	*36*	*38*	*44*
Operating profit	R'000	(1,1)	**151 369**	(17)	182 933	144 021	116 811	161 365	166 068	161 897
Operating margin	*%*		***8,3%***	*(20)*	*10*	*9*	*9*	*14*	*15*	*17*
EBITDA	R'000	3,9	**246 101**	3	242 758	199 390	156 262	187 153	194 726	195 060
EBITDA to revenue	*%*	*(6,7)*	***13,4%***	*(1)*	*13,7*	*12,9*	*11,8*	*16,5*	*17,5*	*20*
Net profit before finance costs	R'000	23,9	**599 038**	54	390 032	196 272	123 531	192 834	303 395	165 676
Finance costs	R'000	(2,1)	**88 595**	56	56 632	58 385	56 440	54 672	87 308	100 370
Cash flow from operations	R'000	(1,6)	**169 979**	(40)	284 963	182 574	151 461	106 486	197 088	187 239
Biological assets	R'000	6,5	**2 828 518**	21,2	2 334 327	2 140 067	2 103 092	2 100 870	2 070 222	1 936 398
Interest-bearing borrowings	R'000	6,8	**912 302**	2	894 145	743 360	562 616	597 173	558 400	614 225
Investment in property, plant and equipment	R'000	41,9	**154 258**	(46)	283 241	203 288	66 169	51 958	36 340	18 887
Net working capital	R'000	13,8	**245 991**	51	162 685	219 485	213 182	180 446	119 372	113 460
Basic earnings	R'000	45,7	**367 286**	54	238 212	101 468	50 994	106 864	137 818	38 317
Weighted average number of shares	number	(0,7)	**317 209**	(2)	325 286	331 032	331 241	331 241	331 241	331 241
Earnings per share	cents	46,8	**116**	58,61	73	31	15	32	42	12
Core earnings per share	cents	8,4	**17**	(46)	31	19	15	30	30	14
EBITDA per share	cents	4,7	**78**	5	74	60	47	57	59	59
Headline earnings per share	cents	39,9	**116**	59	73	29	14	33	42	16
Net asset value per share	cents	7,5	**943**	17	809	731	703	688	655	612
Tangible net asset value per share	cents	9,7	**765**	20	635	559	531	516	484	440
Underlying TNAV	cents	8,9	**1 007**	21	834	739	708	692	657	602
Return on equity	%	36,6	**12,3%**	36	9,0	4,2	2,2	4,7	6,4	1,9
Total cost	R'000	13,2	**1 681 436**	6	1 588 116	1 399 128	1 207 165	970 629	946 775	797 246
External log purchases	R'000	42,9	**269 982**	13	238 351	210 886	182 086	146 305	122 203	31 671
Cost excluding log purchases	R'000	10,7	**1 411 454**	5	1 349 765	1 188 242	1 025 079	824 324	824 572	765 575
Cost as % of revenue	%	(0,6)	**77,0%**	1	76,2	77,0	77,4	72,8	74,1	79,8

MAPPING YORK'S BUSINESS

York's vision is to become the leading integrated timber processor in Southern Africa, proficiently delivering products and services of the highest quality.

In order to achieve this vision, we constantly enhance our business model to create value from the capitals that we employ in the most efficient way.

NATURAL CAPITAL

The nursery develops the plants for the forests, which are grown, maintained and harvested. This affects:

- Investors
- Community
- Forestry South Africa
- Department of Environmental Affairs
- South African Reserve Bank

MANUFACTURED CAPITAL

York has four sawmills, remanufacturing plant, timber treatment facilities and one plywood plant which are operated to ensure the optimum usage of the harvested timber products. It intends adding a biomass or co-generation plant. This affects:

- Investors
- Customers
- Suppliers
- Staff
- Department of Agriculture and Rural Development and Land Administration

INTELLECTUAL CAPITAL

In order to ensure that its forests are safe, healthy and harvested sustainably and efficiently, York continually strives to improve its methods in line with technological advancements to ultimately improve the yield from its trees. This interests:

- Investors
- Staff
- Universities
- Research institutions (local and international)
- Training colleges

HUMAN CAPITAL

York can only succeed by attracting, developing and retaining a wide variety of skills. It employs 5 253 staff, including an ever-increasing number of young, bright minds focused on technology. The stakeholders are:

- Staff
- SETA
- Department of Labour

SOCIAL CAPITAL

York's operations are inextricably linked to the community where it is located and it actively nurtures the environment and the people around it, impacting:

- Staff
- Community
- Media
- Department of Trade and Industry
- Department of Land Affairs

FINANCIAL CAPITAL

York is listed on the JSE and is responsible for the effective utilisation of and return on shareholder funds, which are complemented by prudent borrowings. This interests:

- Investors
- Financial institutions
- Government
- JSE
- CIPC

1

NURSERY

The nursery develops high-yielding tree species, including hybrids, to allow optimal site-specie matching.

Seedlings and cuttings are dispatched to plantations after five to eight months.

2

FORESTS

York's sustainable forests are maintained according to industry-leading silviculture practices. Typically, 1 100 to 1 333 trees are planted per hectare and pruned after three, five and seven years. The least performing trees are removed (thinning) at ages 8 to 10 and 10 to 15, prior to harvesting.

3

PROCESSING FACILITIES

York has four sawmills, remanufacturing plant, timber treatment facilities and one plywood plant.

EXTERNAL LOG PURCHASES

The shortfall in supply from own plantations is sourced from various sustainable external sources.

4A

BIOMASS/ CO-GENERATION PLANT

Prunings, thinnings, bark and pulp recycled to generate energy for own use and resale.

4B

WAREHOUSE AND DISTRIBUTION FACILITIES

13 distribution warehouses are able to meet customer needs.

5

CUSTOMER BASE

Customers are supplied directly from the mill or via the warehouses. They include:

- Truss plants
- Corporate and independent retailers
- Remanufacturers
- Furniture manufacturers
- Construction contractors

χ = LOGISTICS

The thread that brings each of the components together.

YORK BUSINESS MODEL =

$$\frac{1}{\chi} + \frac{2}{\chi} + \frac{3}{\chi} + \left(\frac{4A}{\chi} + \frac{4B}{\chi}\right) + \frac{5}{\chi}$$

OUTCOME

WHAT THE EFFECT IS

- Meeting customer needs
- Sustainable, healthy forests
- Optimal utilisation of raw material

Refer to pages 46 to 59 for the material issues regarding York's natural capital.

- Reduced dependency on power utility
- Reduced air pollution

Refer to pages 62 to 67 for the material issues regarding York's manufactured capital.

- Improved methods and systems

Refer to pages 70 to 77 for the material issues regarding York's intellectual capital.

- Enhanced skills levels
- Fulfilled staff
- Healthy community

Refer to pages 80 to 83 for the material issues regarding York's human capital.

- Reduced poverty and unemployment in local communities
- Employee and community wellness

Refer to pages 86 to 89 for the material issues regarding York's social capital.

- Increased wealth of shareholders
- Improved infrastructure

Refer to pages 92 to 95 for the material issues regarding York's financial capital.

CREATING VALUE FOR A BETTER FUTURE

We create value by using the capitals in response to the material issues, risks and opportunities we encounter and the requirements of our various stakeholders.

STRATEGIC GOALS WHAT WE WANT TO DO	MATERIAL ISSUES WHAT WE NEED TO DO	RISKS AND OPPORTUNITIES WE EXPECT TO ENCOUNTER
NATURAL CAPITAL		
Protect and **grow** the **biological asset** to extract optimal use on a **sustainable basis**	• Resource utilisation • Suitable planting material • Continual forestry supply chain optimisation	• **Risk** – Threat of fire, pests and diseases as well as damage-causing animals • **Opportunities** – Self-insurance fund fully funded for fire – Collaborative industry response – Expand forestry landholding
MANUFACTURED CAPITAL		
Expand and **utilise facilities optimally,** both in **function** and in **location**	• Diversification of solid wood processing products. • Optimal utilisation of technology and machine capacities • Upkeep of plant maintenance	• **Risks** – External log procurement, SAFCOL marketing policy – Possible cancellation of the renewable energy programme • **Opportunities** – Three-year rolling log supply agreements and transparent pricing mechanism – Mutual respect and collaboration in industry matters – Consolidate operations with appropriate technology – Revise processing strategy and performance targets
INTELLECTUAL CAPITAL		
Deliver the **best products** as **efficiently** as possible	• Product development, including value-added wood products to increase product offering • Focus on service levels through initiatives, versatility and adaptive to market developments • Enhance decision-making abilities	• **Risks** – Spreadsheet thinking – Lacking problem-solving skills • **Opportunities** – Interactive business environment – Refine the art of making sound decisions based on proper understanding of the underlying issues
HUMAN CAPITAL		
Attract, **develop** and **stimulate** the **right minds**	• Creating a professional and stimulating business culture	• **Risk** – Staff is targeted for recruitment • **Opportunity** – Competitive remuneration policy and career path development
SOCIAL CAPITAL		
Mindful of the greater community affected by our operations	• Developing a sustainable community-based model	• **Risk** – Fulfil the role of Government • **Opportunity** – Active engagement with local and provincial governing bodies to improve commitment to service delivery
FINANCIAL CAPITAL		
Deliver a **sustainable return** to shareholders	• Total shareholder return • Earnings before interest, tax, depreciation and amortisation • Tangible net asset value	• **Risks** – Economic growth rate less than 1% in GDP for South Africa – Undervaluation of York by the market • **Opportunity** – Enter alternative export markets, and efficient use of capital to improve EBITDA-generating ability

For more information on the Group's stakeholder engagement, refer to pages 20 to 30.

For a review of the Group's performance against these key performance indicators for the past two years, refer to page 43. The lead page of each of the capital sections contains the KPIs for the past four years and the targets for 2019, as reported in 2016.

STRATEGIC RESPONSE WHAT WE DID	**OUTPUT** WHAT WE PRODUCED	**KEY PERFORMANCE INDICATORS (KPIs)** HOW WE MEASURE THE RESULTS
• York did climatical, lithology and site-specie matching studies • Develop new hybrid species suitable to York • Enhanced LogTrace and mapping information, invest in capital intensive mechanical operations to reduce overall costs	• Land use rate of 95% • Increase in volume yield and tree length • Limited stock losses, optimal utilisation of raw material by fibre processing plants and be a cost competitive leader in logistics	• Mean annual increment increased by ca. 10% • Higher survival rate of planting material at 90% • Value extraction per log above industry norm and overall supply chain efficiency target at 75% (from planting to end product to customers for logs)
• Improved value recovery. Value margin improved from 43,4% to 43,2% (sawmills), 43,3% to 40,7% (plywood) • Established an export market • Volume recovered above industry norm, plant intake in line with theoretical capacities • Investment in upgrading of equipment to improve efficiency • Improved preventative maintenance procedures	• Produce high-value plywood products with different grades • Intake increased by 3% and production volumes by 3,5% • Defects were limited to 5% at plywood plant • Plant availability range between 75% to 85% achieved	• Value margin target of 45% and safety margins of 15%, with Overall Equipment Efficiency of 75%
• Invest in remanufacturing capabilities • Wood property studies and wood product applications (ongoing R&D studies) • Data management and communications infrastructure upgrade	• Introduced new engineered wood products to SA market • BBBEE, CE, FSC, TP and IPPC • Digitisation of operations and more effective decision-making	• Client surveys, product testing and acceptance verification from industry bodies • Reflect and review
• Encourage interactive-intellectual debate • Mutual respect and understanding • Higher level of ethics and strong sense of governance	• Clean external audit and continuous independent internal audit assessment • Peer assessment review of performance across functionalities of the organisation	• Work-life balance • York Academy coupled with York Training Passport • Coaching and mentoring • Career enhancement, salary increase and incentive payments
• York Rally, York Enduro, Qhubeka, assistance for Municipalities, uplifting of learners • Clinics in the Highveld and Escarpment • Support local communities with skills transfer	• Delivered on the triple bottom line of social, environmental and financial value • York maintains a close relationship with its stakeholders	• Community social well-being • Healthy and supportive workforce • Collaborative environment of better understanding of each other's challenges
• Continue with share buyback • Cost-optimisation and entering of new markets • Improve return on assets	• Spent R41,7 million on share buyback. Will request shareholder approval to continue • EBITDA increasing year-on-year • Focus on the quality of earnings • Diverse revenue streams • Consider strategic alignments and growth opportunities	• Growth in revenue • Improved profitability • Effective gearing target at 35% (2017: 20%) • Current ratio target 2:1 (2017: 1.82:1) • Market capitalisation reflecting the value of York • Merger and/or acquisitions

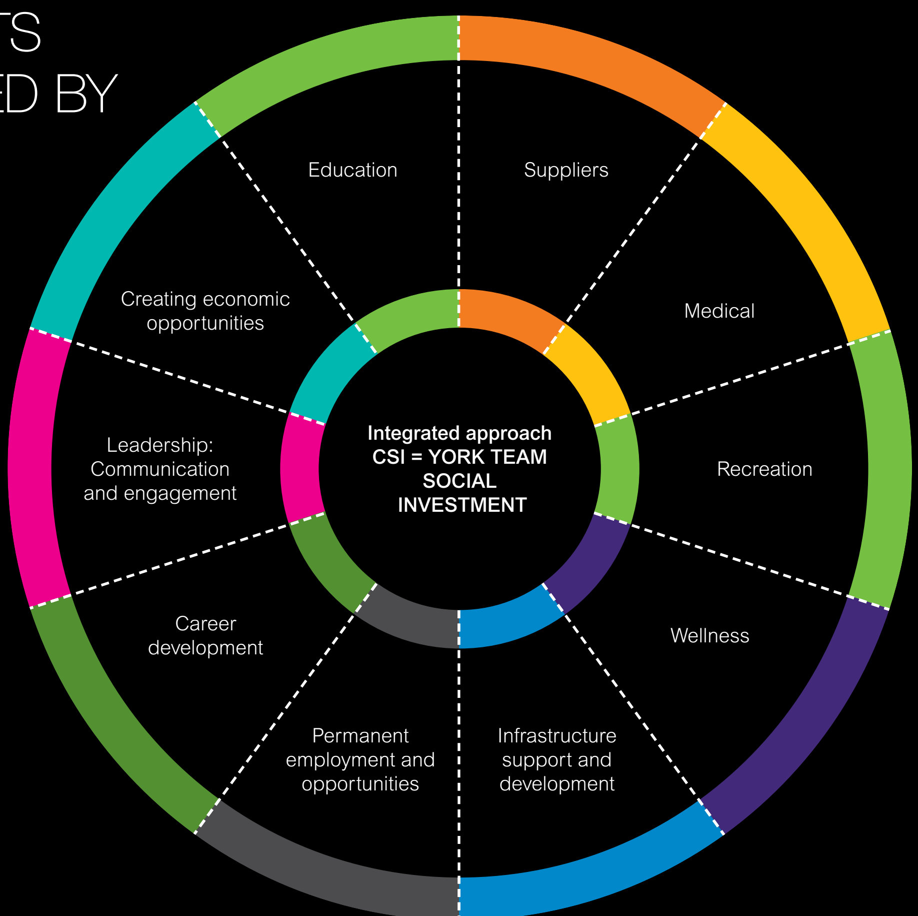
STAKEHOLDER ENGAGEMENT

York acknowledges the critical role and importance of stakeholder groups, such as trade unions, industry organisations, statutory bodies, financial institutions, service providers, media and the communities in which the Company operates. York engages in open and transparent, mutually beneficial relationships.

Qualitative performance indicators have been developed for each primary stakeholder group and are reviewed by the Social and Ethics Committee to determine the outcome of the engagement. These measures are reviewed on an ongoing basis.

York understands that the success of the Company is dependent on the York community within and the external community at large, inclusive of broader stakeholders. The creation of symbiotic and empowering relationships that create employment and ownership opportunities is entrenched within the unique integrated approach to corporate social investment.

BENEFITS CREATED BY YORK



The key pillars of York's high-performance community engagement are aimed at multiplying the benefits available to the whole community through action-driven partnerships.

AUTHENTIC OUTCOMES-BASED PARTNERSHIPS

Business success linked to community success York Team Social Investment
Job creation, talent development

SUPPLIER DEVELOPMENT

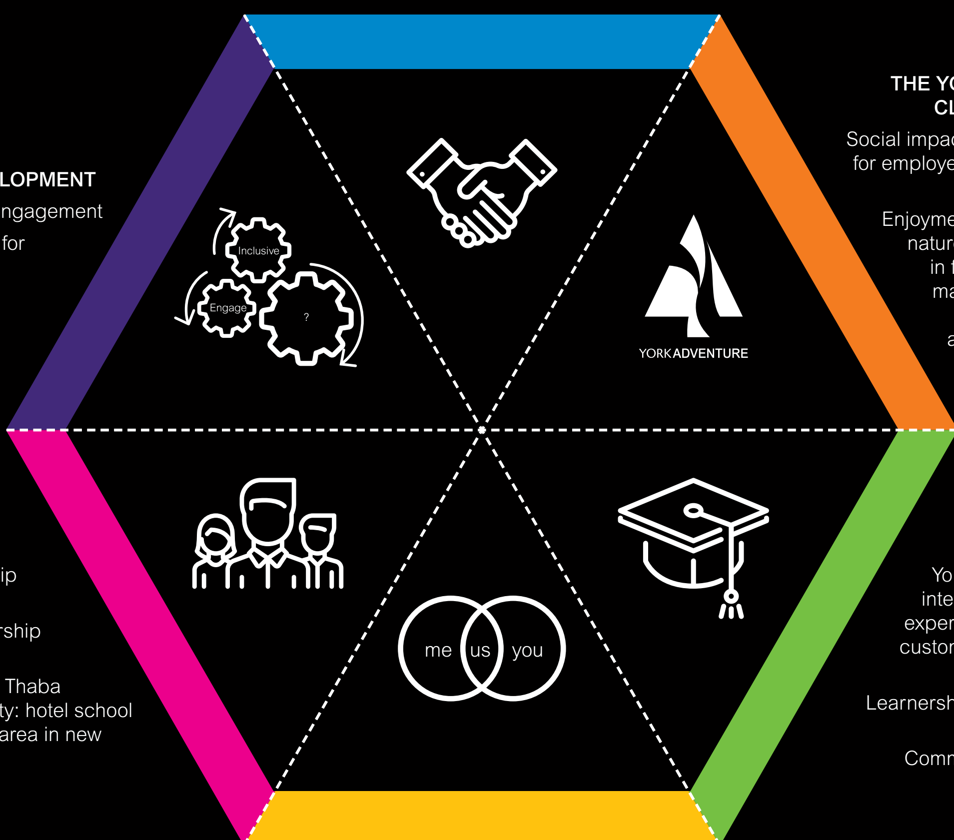
BBBEE Supplier engagement

Supplier leverage for contributions

THE YORK ADVENTURE CLUB AND EVENTS

Social impact: An outdoor club for employees and community members

Enjoyment of the beauty of nature and participation in fun outdoor events, maintaining an active healthy lifestyle and participating in company life



LEADERSHIP

A committed and qualified leadership team

Community leadership platforms

Tourism leader for Thaba Chweu Municipality: hotel school and marketing of area in new channels

YORK TRAINING ACADEMY

York-specific training, internal subject matter, experts and high-calibre customised development experience

Learnerships and placement internships

Community engagement

SYMBIOTIC RELATIONSHIPS

Peaceful dwelling on York land by communities
Currently approximately 7 000 people

THE TEAM EQUATION: DELIVERING SUCCESS

Jomo Mnisi, Chief Director of the Department of Economic Development, Environment and Tourism, addressing spectators at the York Rally

ACTIVE ENGAGEMENT WITH COMMUNITY STAKEHOLDERS TO BE COMMITTED TO SERVICE DELIVERY

South Africa is experiencing increasing protests expressing dissatisfaction with various public and private establishments. Regardless of the motivation behind the protests, York recognises that society faces challenges daily.

York's active community engagement has continued, including deepening stakeholder relations and promoting connectivity, by mediating between parties as well as facilitating solutions and action-driven community projects. York believes in action-oriented partnerships with all stakeholders, to address social challenges and create social cohesion for the benefit of the entire community. Information about York and details relevant to community stakeholders are available on the Company's website.

YORK COMMUNICATES EXTENSIVELY WITH A WIDE RANGE OF STAKEHOLDERS

Shareholders and investors

On a weekly basis the CEO or CFO engage with current shareholders and prospective investors. This happens via face-to-face visits, conference calls or correspondence. Results are presented annually to current and prospective investors and shareholders by the CEO soon after both the half-year and full-year results are released. This includes presentations in both Johannesburg and Cape Town and presentations to key shareholders. The CEO also meets directly with current and potential investors at the annual RMB Morgan Stanley Off-piste conference and presents the Company, its performance and strategy to all conference goers. All Company related matters, are regulated by the JSE, are communicated through SENS announcements. Shareholders vote on key important issues pertaining to the Company at the annual general meeting which is held after financial year-end.

Academic and research institutions

York engages with different institutions on different platforms. These institutions act as a platform for the Company to promote its brand and create a sense of excitement amongst students about the industry as a whole as well as to attract talent to York. A primary objective is to create awareness and interest in Forestry and Wood Science as a career. This is achieved through the hosting of students for practical learning experiences, attending career fairs hosted by secondary and tertiary institutions and partnering with these institutions to ensure graduates are informed, ready and equipped for the first step in their careers. These initiatives provide the Company the opportunity to identify high-potential or talented individuals that can add value to the Company in their different fields of study. It strengthens the talent pipeline, especially for those critical positions where a tertiary qualification is required.

York is a member and serves on the control or advisory boards or committees of the following research institutes and industry organisations:

Forest Molecular Group	Under the leadership of Professor Zander Myburg at the University of Pretoria, the group is driving the understanding of the pine and eucalypt genome.
Tree Protection Co-operative Programme	Led by Professor Michael Wingfield at the University of Pretoria, this is a world-leading institute studying tree disease and the management thereof.
Institute of Commercial Forestry Research (ICFR)	Forest Industry-funded research institute based at the University of KwaZulu-Natal, Pietermaritzburg.
Camcore Programme	Based at North Carolina University. Pine genetic material is collected for conservation and tree breeding. The programme has been expanded to include selected eucalypts.
Forestry South Africa (FSA)	An industry organisation that co-ordinates matters within the industry and between the industry, government organisations and institutions. Please see below for further information on York's engagement with FSA.

York is a member of numerous focused industry working groups:

FSA	Forestry Baboon Working Group Timber Industry Pesticide Working Group The Forestry South African Environmental Management Committee
University of Stellenbosch	New Sawlog Management Regimes based on wood properties Forest Industry Productivity Database
ICFR	Pine Growth and Yield Group
FABI	Fusarium Pathogen Screening Working Group
FABI/ICFR	Sirex Wasp Control Programme

York also works with world-class research institutions to ensure that our business practices are continuously improving and are scientifically sound and environmentally sustainable:

Stellenbosch University
York is participating with Stellenbosch University in forestry and wood science research.

University of Pretoria
We participate in civil engineering research, including structural form, timber as a structural building material, loads and forces.

University of Cape Town
We collaborate in behaviour ecology and conservation biology research.

University of British Columbia
A renowned academic institution participating in Forestry and Wood Science research. York has a PhD application in process with the university.

GOVERNMENT

Consistent and robust engagement with Government enables York to be proactive in considering community development projects and working together for social improvement, including poverty alleviation and economic transformation projects.

York works closely with the Department of Public Enterprises and the Department of Economic Development and Tourism to promote greater patterns of inclusion as well as greater involvement of the majority of our community in activities in the real economy, so they can become real industrialists as well as owners of manufacturing businesses.

This is evidenced in the Industrial Techno Park planned for Sabie, where York will be an anchor tenant, as well as in the establishment of the Sabie Eco Park. Both of these projects involve a wide range of local stakeholders, with York and Government playing significant roles.

UNIONS AND LABOUR

Union and labour relations remained stable and cordial during the year under review. The Chemical Energy Paper Printing Wood and Allied Workers Union (CEPPWAWU) is still the majority union, representing 54,2% of York's wage-earning employees.

Inter-union rivalry continued, with minority unions attempting to poach members from the recognised union. This was, however, well managed by all parties and did not have a negative effect on the business.

No strikes or other industrial action occurred and the management-union relationship is healthy and positive. There is consensus on the need to strengthen the business for the benefit of all.

Mill shop steward meetings are held monthly per site and a combined shop steward meeting is held quarterly, where all sites are represented to discuss matters of mutual interest. Ad hoc meetings are arranged whenever the need arises.

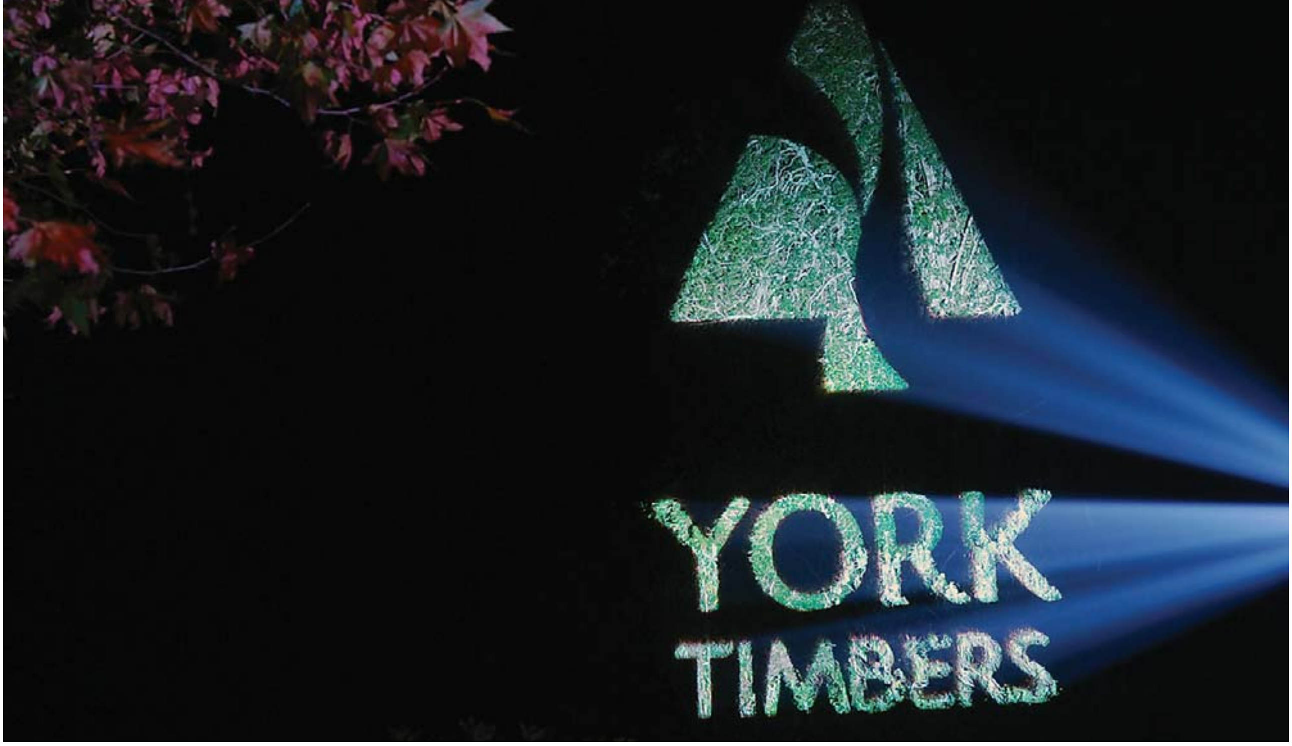
Extensive consultations take place with the union before any dismissals or staff actions for operational reasons are implemented. The legally prescribed process is followed. Employees are encouraged to make use of shop stewards to represent them at disciplinary enquiries.

York values its employees and places high significance on ensuring that they are treated fairly and justly.

Maintaining a healthy relationship with the union and shop stewards, as well as having proper and functional communication channels, play a vital part in ensuring that grievances are attended to timeously. It also ensures that industrial action is limited to the absolute minimum. The Company's track record over the years bears witness to this.

The Company supports its employees' right to freedom of association and views the unions as valuable stakeholders.

York's staff at the Qhubeka bicycle handover ceremony



ENVIRONMENTAL, REGULATORY AND CERTIFICATION BODIES

Forestry Stewardship Council (FSC)

The goal of the FSC is to promote environmentally responsible, socially beneficial and economically viable management of the world's forests. There are ten internationally accepted principles and criteria for Forest Management that are applied to evaluate forestry management for certification. In addition, there is a Chain of Custody certification programme, as well as the Controlled Wood programme, both of which track the traceability of timber sources and ensure product integrity to the consumer. The requirements of the various certification programmes have been incorporated into York's daily operational environment.

FSC certification provides the Company and its stakeholders with the assurance that its management is of a world-class standard, and highlights the areas where improvements are required. Most importantly, it provides our customers with the assurance that our products are produced responsibly in terms of environmental, social and economic aspects and considerations. This gives our stakeholders and shareholders the assurance that the Company is managed in a responsible manner.

All of York's land is FSC certified. Approximately two-thirds of the land is afforested with pine species. Much of the remaining land is conservation area that is equally important for the natural ecological component as well as benefits to the neighbouring communities. To maintain its certification status, York needs to demonstrate that it has an effective Environmental Management System and is able to show improvements in areas where it may be found non-compliant.

The FSC accredits various certification organisations who, in turn, verify FSC certificate holder compliance to their requirements. SGS Group Management SA, formerly Société Générale de Surveillance, French for General Society of Surveillance (SGS), is the certifying body that certifies York's operations. Consultation is a key philosophy in FSC values. Consequently, there is extensive consultation between the FSC, SGS and each individual certificate holder. This is mainly in the form of electronic communications, webinars and presentations at industry forums. York is required to consult regularly with local communities on the off-site impacts of its operations. This includes the positive impact in the socio-economic environment. At each annual forest management audit, SGS contacts York's stakeholders for their comments and inputs on its ongoing certification.

INDUSTRY BODIES

Environmental Management Committee (EMC) of FSA

EMC is a sub-committee under FSA, the national forestry industry representative body. FSA members participate in the EMC, which meets three times a year. The role of the EMC is to:

- Promote environmental standards in forest operations and amongst members of FSA;
- Provide a platform for FSA members to share and discuss environmental management within the plantation forestry industry;
- Co-ordinate the development of environmental guidelines that relate to forestry in South Africa;
- Inform the FSA executive of environmental and associated risks facing the industry in South Africa;
- Create awareness of, and promote the implementation of relevant environmental legislative developments, environmental research results and new technologies;
- Assess, prioritise and make recommendations on environmental funding applications submitted to FSA;
- Provide a platform to co-ordinate FSA partnership work on environmental issues, for example: SANBI Grassland Programme, WRC projects, Working for Water;
- Provide a conduit for communication to flow from and to other committees, sub-committees and working groups to FSA. Other committees include: Timber Industry Pesticide Working Group, Damage Causing Animal Working Group and the National Standards Setting Working Group;
- Provide recommendations to FSA on publicity and promotion with respect to environmental management; and
- Keep abreast of and provide information on technical developments around FSC and other certification schemes.

In achieving its growth objectives, York does not rank the requirements of one stakeholder above that of any other, but aims to live up to all its constituents' needs equally and at the same time.

Timber Industry Pesticide Working Group (TIPWG)

TIPWG is a sub-committee of the FSA, which provides technical support and recommendations to FSA, EMC and the forestry industry at large. The four main roles of TIPWG are to provide:

- Technical support;
- A forum for industry-scale collaboration;
- Facilitation towards/of compliance; and
- Operating guidelines.

Various stakeholders representing conservation, pesticide suppliers, FSC, research bodies and regulatory authorities are also members of TIPWG and actively engage on matters of mutual interest. This forum is very constructive and credible due to the high levels of consultation and mutual understanding that have been achieved in such open interaction. TIPWG meets formally two to three times a year, but members communicate electronically on current matters.

BABOON DAMAGE INTEREST GROUP (BDIG) AND FORESTRY BABOON WORKING GROUP (FBWG)

Finding practical solutions to the growing baboon population and the risk they pose to the agricultural sector is a very high priority for the forestry industry. York continuously strives to find scientific solutions based on ethical grounds to contain and manage this challenge. In so doing, York is collaborating with all major stakeholders. Research is governed and managed through the BDIG and FBWG, who constantly improve the baboon management protocols to which York adheres.

SPECIAL INTEREST GROUPS

York interacts with various special interest groups from time to time on matters of mutual interest and mostly in the conservation arena.

Griffon Poison Centre

This support group provides information and emergency assistance. Griffon has an extensive database on pesticides and offers a 24-hour support line in case of medical emergencies. York has regular electronic interaction, as well as formal interactions two to three times a year at TIPWG meetings.

Blue Swallow Working Group

The Blue Swallow Working Group is a project managed by the Endangered Wildlife Trust, which is aimed at protecting and monitoring the endangered blue swallow. This is a migratory bird found only in montane grasslands, that nests in natural or artificial holes in the ground such as aardvark burrows or mine adits. It has become endangered due to habitat transformation. Therefore careful and wise conservation of our grasslands is critical to its survival. The Blue Swallow Working Group undertakes population and nest assessments from time to time.

Threatened Grasslands Programme

This programme is managed under the auspices of the South African National Biodiversity Institute (SANBI), a wing of the Department of Environmental Affairs. The grassland biome of South Africa is one of the most valuable biomes, but also the most threatened biome due to habitat transformation to another land use, or destruction by activities like mining. One of the key objectives of this programme is to expand the grasslands under formal protection, particularly in the private sector.

Periodic meetings and information sessions are held to gather information, share progress of the Group and identify threats and opportunities in the protection of grasslands. York has significant areas of grassland that are being maintained in excellent condition. This project is vitally important due to the high biodiversity in the grasslands, but also for its potential to generate high-quality water for downstream users. This is an important benefit of forestry to its stakeholder community, particularly in these drought-stricken times.

Blyde Restoration Working Group

This group aims to facilitate collective action through the Natural Resource Management Programmes initiated by the Department of Environmental Affairs, Department of Agriculture, Forestry and Fisheries, SANParks and other stakeholders to implement large-scale and sustainable ecosystem restoration in the Blyde River catchment area. The upper Blyde and the Klaserie River sub-catchments are a high-priority biodiversity and water resource area in the Olifants River catchment and within the Mpumalanga province. The Olifants catchment is extensive, but much degraded due to large-scale industrial water pollution, soil erosion, water scarcity and large impoverished communities. The upper Blyde River, which flows through York for more than 13 kilometres, is a very important source of high quality and high volume of water flowing into the Olifants River, restoring its flow and diluting pollutants. However, this value is being threatened by the invasion of alien plant species and ecosystem degradation throughout the catchment. Consequently, the restoration of degraded ecosystems is an important management need in this area in order to establish a resilient and healthy catchment.

Fortunately, the upper Blyde catchment under York's plantations is very well managed and its conservation and alien plant eradication programmes are a flagship in the entire catchment, providing the other stakeholders with an opportunity to learn from our successes and knowledge. The upper Blyde River is home to a number of endemic species, including a minnow fish that is not found anywhere else in the world.

Water management

The catchment management agency, Inkomati-Usuthu Catchment Management Agency (IUCMA), responsible for the water management of the areas where York's sawmills are located, is closely involved in the decisions made by the mills in terms of water management. All water uses by York require a licence. The licence application process is facilitated by the IUCMA, who provide feedback in terms of best practice guidelines and required improvement. Reporting to the IUCMA is done according to the requirements stipulated in the issued licence.

Air quality management

Air emission licences are required for a number of York's sawmill operations. The air quality officer of either the Ehlanzeni District Municipality or the Gert Sibande District Municipality facilitates the applications and highlights improvement opportunities and requirements. Reports to the air quality officer are prepared in accordance with the requirements of the licences.

COMMERCIAL INDUSTRY FORUMS

BMI Forum

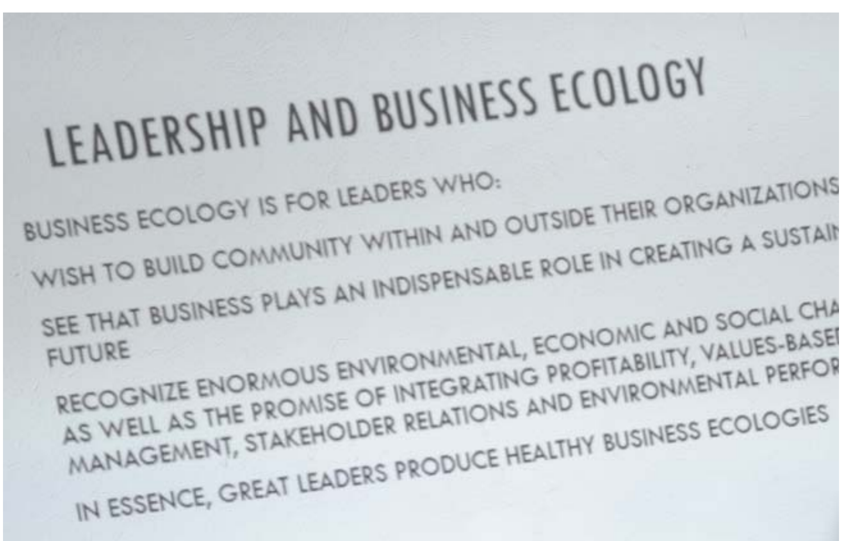
The BMI Building Research Strategy Consulting Unit (BMI-BRSCU) conducts research into the building industry and scenarios for South Africa's residential and commercial property and related sectors. York engages with this forum on a monthly and quarterly basis.

Crickmay

Crickmay benchmarks approximately 70% (based on production) of the formal softwood sawmills in South Africa. The tool used to benchmark the sawmills, the Intermill Comparison, is produced on a quarterly basis and compares the participating mills' key costs and sales information on a Rand per cubic metre basis, against the most profitable mills. This helps mills identify areas of opportunity. The comparison is also done annually on an international basis.

Crickmay produces a monthly publication, the Lumber Index, primarily for the sawmilling industry, that provides information to assist sawmills in obtaining prices commensurate with the quality of the lumber being produced. It also provides market information to local end users to assist them in acquiring timber at fair and affordable prices. York meets with Crickmay monthly and quarterly.

York continuously communicates with its customers and regularly hosts site visits for existing and potential customers from new markets.

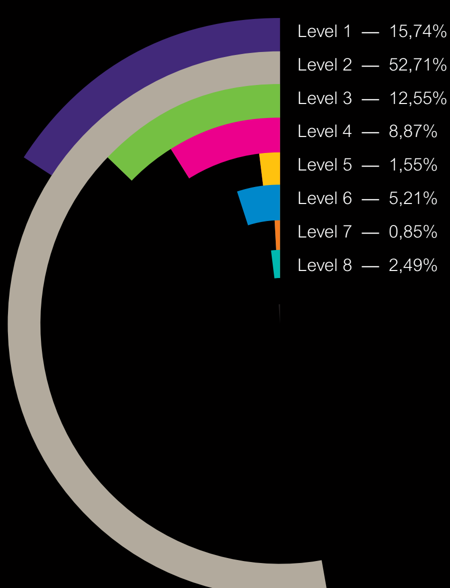


York continues to seek new opportunities that can contribute to the local economy and the development of the Sabie community

York's equipment suppliers at York's 100-year celebration

From left to right: Veijo Mäki-Hoimela (Woodma Engineering), Timo Tikka (Raute), Antti Laulainen (Group VP, Raute) and Pieter van Zyl

Suppliers undergo a stringent qualification process before they are enrolled on York's preferred supplier list.



The graph above is an illustration of supplier BBBEE status level in relation to York's annual spend.

CUSTOMERS

York customers are invited to the York Rally every year, where they can attend the event as well as site visits to gain insight into the entire manufacturing process. Customers can tour the nursery to see how seeds are harvested and the production plant to see how York's products are manufactured.

York is adapting its communications to meet customer expectations and is reviewing some interface processes and practices in order to build a vibrant and healthy relationship with customers.

SUPPLIER RELATIONSHIPS

Supplier relationship management is of vital importance to York's value chain. York's procurement strategy is to source and trade in the most competitive supplier market, ensuring that products and services are of the highest quality, at the right price, at the right time and placed in the correct quantity.

In order to achieve this, York has entered into strategic preferential procurement partnerships with key suppliers that have vested interests in the future growth and development of York. The core of these relationships is the understanding that the profitability and sustainability of the supplier's business lies in the success of York.

Experienced and qualified buyers at each business unit interact with suppliers on a daily basis to ensure that operational demands are satisfied. Annual supplier spend includes the services of suppliers in the various expansion

Long-service awards recipients with Pieter van Zyl

Above:
Gladys Ntuli – 25 years

Above middle:
Calvin Thete – 30 years

Top right:
Richard Matsabe – 35 years

Right:
Mokgolagale Mompane – 40 years

projects that the Group has undertaken. Goods and services are procured from local as well as international suppliers.

Robust internal policies, controls and procedures ensure that good corporate governance is in place. The Group invites suppliers to participate in a number of annual tenders. These tenders are awarded in accordance with pre-defined criteria and procedures, ensuring that the supplier with the most competitive offering is chosen.

The Group recently concluded a fuel supply agreement with one of the largest fuel suppliers in South Africa. The infrastructure included will be new, above-ground tanks at all business units with new pumps. The fuel distributor will deliver approximately 3,2 million litres of diesel to the Group in the next year.

The main criterion when qualifying a supplier, aside from the key criterion that a supplier does not cause any production and process interruption, is that the supplier is a BBBEE status level contributor in terms of the Code of Good Practice on Black Economic Empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, 53 of 2003.

BBBEE is one of the most highly regulated aspects of the South African business landscape today. The most recent amendments have businesses returning to the scorecard drawing board. There is a renewed focus to ensure that York partners with suppliers that are categorised within the new preferential procurement targets that came into effect as of April 2017.

Through enterprise development, York provides free accommodation to the staff of forestry contractors. The accommodation is provided in the villages that are available in the York plantations. Office premises are also offered to the contractors at below market rates. Repairs and maintenance costs of the accommodation and office premises are borne by York at no cost to the contractor.

EMPLOYEES

The advantage of York's flexible management style is that it allows for fluid interaction while its basis remains a structured approach to governance. The absence of silos between divisions increases the dynamism of the working environment and increases alignment between teams. They can think differently, be unconventional and offer ideas that may not necessarily be in their sphere of work. This makes everyone feel heard and appreciated. This inclusive and transparent style has filtered into York's methodology for community engagement as people are appreciated and respected for their contribution and not for their job title. Our employees are York's most important stakeholder and the Company continues to nurture skills and develop approaches that support this hardworking environment.

SPORT AND RECREATIONAL BODIES

The York Adventure Club's membership has increased nearly tenfold during the last year. The club, with the various events hosted by York, has given the Company the opportunity to increase the leisure and wellness footprint even further. A number of clubs and activities have started up and participation in these is growing month by month. These include:

Aikido

Aikido classes are conducted twice weekly by Shizentai Aikido, under Sensei Craig Borman, a Fifth Dan Sensei affiliated to Aikiai Hombu Dojo in Japan.

Classes are held for groups of 20 to 60 community members in the various villages surrounding Sabie at no cost to participants. These have proved to be extremely popular and provide many people with exposure to a martial art form that they would otherwise not have encountered.

CrossFit

CrossFit classes are available twice a week to all York employees as well as the greater community. This offering facilitates the improved health and wellness of those interested in these demanding classes.

Fly-fishing

Sabie is well known as an alternative good trout fishing destination. Negotiations are in the final phase to commence with fly-fishing workshops at Ligna Lodge, which will be open to all. The intention is to empower, train and embed responsible utilisation of natural resources in a sustainable manner, whilst still benefiting the community.

Qhubeka Bike Club

2017 saw the establishment of the Qhubeka Bike Club for all Qhubeka bicycle owners. Regular leisure rides are arranged, as well as training and bicycle maintenance workshops. This raises further awareness of the benefit of having a bicycle for both fitness and recreational purposes.

Squash

With the completion of the renovations to the York squash courts at the Sabie Country Club, membership numbers rose dramatically from within York as well as the surrounding community. York hosted the Lowveld Masters Tournament and the catering for the day was made available to the local community to raise funds.

Swimming

A number of successful gala events were hosted in the last year. This allowed York to provide the catering services at these events available to the local schools in Sabie and surrounds, allowing them to raise much-needed funds for the improvement of student facilities. The Mashishing Swimming Club makes use of the facility as they do not have a facility of this standard in their town.

Yoga

Yoga classes are held twice a week and are open to all who wish to participate. Participation has been excellent and these classes are popular with York employees and the community.

Trail running

The York Adventure Club offers trail running, under the auspices of the York Adventure Running Club, comprising running and hiking over trails. Trail running differs from road running and track running in that it generally takes place on hiking trails, often in mountainous terrain, where there can be much steeper ascents and descents, presenting an enjoyable challenge to both novices as well as experienced runners alike.

York Enduro Mountain Bike Rally

The York Enduro is the perfect platform for raising awareness amongst our corporate partners in support of the Qhubeka Bike Initiative for our employees across all business units. To date, this has enabled York to distribute in excess of 800 Qhubeka bicycles to our employees, saving them countless hours in travelling time and the cost of public transport, as well as providing a fitness and recreation opportunity for all involved.

THE YORK DNA

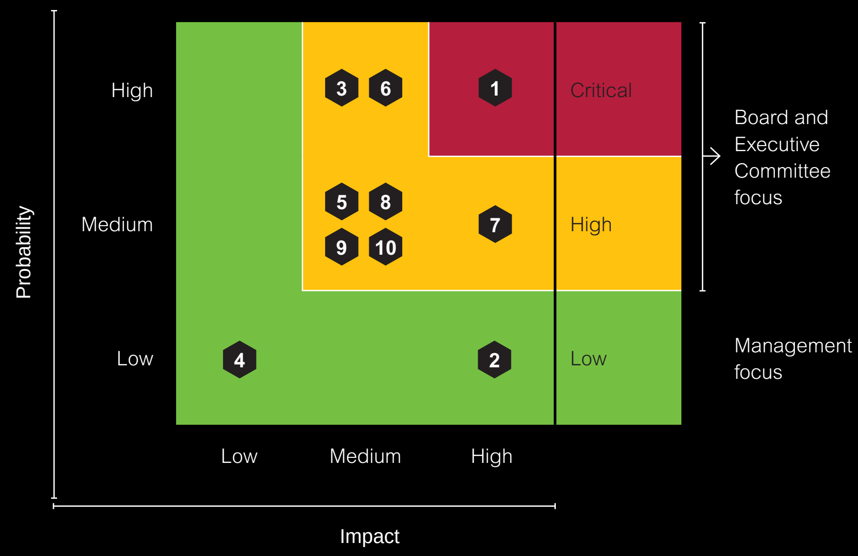

Broad social responsibility
High-performance
Social action
Job creation
Poverty alleviation
Aligned
Establish and build professional trust relationships
Seek partnerships
Company integrated with community
Respectful and honourable
Good governance and record keeping
Local and provincial value contribution
Key node projects
Transparency

TOP TEN RISKS

The top ten risks York faces, together with the probability of these events occurring and the impact thereof (high, medium and low), are listed here. The mitigating strategies, together with opportunities arising and the KPIs, are listed alongside.

The Board and management team continuously review the top corporate risks to ensure an appropriate understanding of our operating environment.

The **residual risks** facing York are reflected on this heat map:



The numbers on the heat map correspond to the table alongside.

York continually assesses its major risks and responses thereto.

High Medium Low

	Key risks and description	Probability	Impact	Mitigating strategies and opportunities arising	KPIs	Capitals affected
1	**KOMATILAND FORESTS (KLF)* MARKETING POLICY** • KLF limits log supply to external parties, increasing log prices • KLF's logs are the highest priced in the country • KLF intends to invest in processing capability based on its artificially created "low demand for logs", which will further diminish log supply • KLF is not willing to provide long-term log supply agreements to its long-standing customers			• York continues to engage with KLF for transparent pricing and three-year, renewable log supply agreements • Should no amicable solution be reached, York will act to protect its rights • Mutual respect and collaboration on industry matters • Alternative log supply solutions are being actively pursued • Exploring opportunities for expansion of forestry landholdings • Consolidation of operations by implementing new technology • Regime changes will increase sustainable volumes from York's own plantations	• Sustainability of biological asset • Maintain value and safety margins for sawmills • Profitability – EBITDA/ revenue • Net cash from operating activities • Return on capital employed • Purchase of property, plant and equipment • Control cost of logistics	
2	**YORK'S MARKETING STRATEGY** • GDP growth now less than 1% • Delay in housing and infrastructure projects by Government • Change in buyer behaviour			• Developing alternative export markets • Expanding customer base and focus on an increase in overall product margins • Present when the customer makes decisions • Improved customer service and responsiveness • Quicker turnaround on decision-making and floor space utilisation of customers • Supply superior quality products • Upgrading processing facilities to offer a wider product range	• Purchase of property, plant and equipment • New products launched • Profitability – EBITDA/ revenue • Net cash from operating activities	
3	**PESTS AND DISEASES IN PLANTATIONS** • Insects and damage-causing animals • Diseases in pine plantations			• Research projects in conjunction with various universities • Development of Forestry Health Index to identify areas in need of special attention • Development of disease-resistant hybrid species • Working with Forestry South Africa and University of Cape Town to develop sustainable solutions for the control of damage-causing animals	• Value of biological asset • Profitability – EBITDA/ revenue • Total cost excluding external log purchases • Net cash from operating activities	

** Komatiland Forests SOC Limited is a wholly owned subsidiary of South African Forestry Company SOC Limited (SAFCOL).*

Risks and opportunities continued

	Key risks and description	Probability	Impact	Mitigating strategies and opportunities arising	KPIs	Capitals affected
4	**TECHNOLOGY DISADVANTAGE** • Ageing processing technology with limited process information feedback • Lack of information systems integration preventing quick decision-making			• Upgrading processing technology to the right programmable logic controller (PLC) platforms and software packages • IT systems review to identify best-fit ERP solution for improved information access to enable better decision-making	• Purchase of property, plant and equipment • Profitability – EBITDA/ revenue • Value margin • Safety margin • Overall equipment efficiency	
5	**FIRES** • Plantation fire – risk of fire and magnitude of loss is the highest in younger age class plantations • Fuel load in plantations adds to higher fire risk			• Self-insurance fund fully funded • Collaborative industry response • Focused programme for reduction of fuel load in plantations • Identification of high-risk areas, early detection and rapid initial attack • Under canopy burning in appropriate high-risk areas • York is a member of various fire protection associations • Enhanced aerial resource coverage • Enhanced digital detection with wider coverage resulting in reduced manual lookouts • Continued investment in fire suppression equipment and technology • Implementation of Integrated Fire Management Plan per estate, based on high-risk areas and fuel load	• Value of biological asset • Profitability – EBITDA/ revenue • Total cost excluding external log purchases • Net cash from operating activities • Self-insurance fund value	
6	**BIOMASS POWER PLANT PROJECT** *Potential cancellation of REIPPPP* • Government has not signed any new contracts under the REIPPPP for more than a year • Programme and its continuation currently under review • Political interference in electricity supply strategy of Eskom			• Revised processing strategy and performance targets • Pursue other projects with the potential to optimise biomass utilisation • Exploring alternative model to participate in energy sector	• Purchase of property, plant and equipment • Diversified product mix – lumber:plywood: biomass • Gearing • Value of biological asset	

High Medium Low

	Key risks and description	Probability	Impact	Mitigating strategies and opportunities arising	KPIs	Capitals affected
7	**COMMUNITY** *York required to fulfil the role of Government in serving the community* • Poor basic service delivery of municipalities leading to public unrest • Increased politicisation of municipal officers, abusing their positions for political gain	Medium	High	• Active engagement with local and provincial governing bodies on service delivery • York has a functional healthy relationship with unions and staff • York's management team communicates and engages directly with the community, unions and staff • Assisting local municipality in service delivery and repairing infrastructure • Various community upliftment projects • Community forums ensure better understanding and communication between stakeholders	• Number of visits to York clinics – Primary healthcare – Counselling • CSI spend on community programmes • Total cost excluding external log purchases	
8	**HUMAN CAPITAL** • Retaining and recruitment of critical skills • York staff is targeted for recruitment	Medium	Medium	• Competitive remuneration policy and career path development • Active recruitment to ensure hired skills are a fit with York's values	• Staff turnover • People trained • Training programmes spend	
9	**SPREADSHEET THINKING** • Reliance on theoretical and spreadsheet-driven solutions can often result in not realising the holistic impact of the decision made based on desktop study	Medium	Medium	• Interactive business environment • Access to all available and relevant information	• Reflect and review	
10	**LACK OF PROBLEM-SOLVING SKILLS** • Limited capability for optimal problem solving	Medium	Medium	• Focused training programmes • Coaching and mentoring of staff • Advisory Board of experts	• People trained	

ANOTHER YEAR OF GROWTH FOR YORK

York has produced another pleasing set of results, with growth in revenue, profit and underlying assets.

This continues the sound foundation over the past six years and bears testimony to the focus on cost-efficiency in all operations, together with significant expansions in capacity and improved technology.

- Revenue increased by 3% over the previous year
- Net profit after tax increased by 54%
- Headline earnings at R369 million is 55% up on 2016
- Biological assets appreciated by 21% to R2 828 million
- Underlying tangible net asset value of 1 007 cents per share represents an increase of 21%

York's financial highlights for the past year are shown on pages 8 and 9, with a seven-year financial review on page 15.

SOUTH AFRICAN ECONOMY UNDER PRESSURE AND YORK RESPONDS

Despite a gradually improving global growth outlook, stronger global commodity prices and an improvement in local weather conditions, domestic growth remains under pressure. This has also had a contracting effect on consumer confidence. The Rand remains volatile amid political uncertainty and socio-economic protests.

York has responded to the recessionary economic environment by continuing to keep costs in line and thereby continuing to deliver good financial performance. This is coupled with a strong focus on customer service, ensuring that customers receive the best products, at the right time and at competitive pricing,

York is increasing its use of state-of-the-art technology in production and harvesting to support its intense focus on financial strength and customer satisfaction. This is reflected in the substantial investment in increased capacity. York also makes significant investments in research and development of disease-resistant species and analysis of varying soil conditions across its plantations to enhance optimum growth of the sustainable biological asset.

Sales in the export market continue to grow, capitalising on better growth in other emerging economies.

Although there have been numerous bid delays, York remains committed to its strategy of expanding its revenue base by exploring biomass electricity opportunities through its participation in the REIPPPP or on an alternative platform.

Dr Jim Myers
Chairman

STRONG MANAGEMENT AND SKILLS DEVELOPMENT

The Board remains very appreciative of the good work and dedication shown by the high-quality senior management team. We are also confident that York's extensive Human Resource initiatives will continue to address balanced employee skills development and ensure that it has focused, qualified and motivated employees to meet its strategic goals.

See more information about York's training programmes on pages 30 and 82.

The close working relationship between directors and management will ensure that the interests of shareholders and all other stakeholders are reflected in the strategic objectives of the Company.

SOCIAL DEVELOPMENT

York continues to provide a safe working environment for all its employees and contractors.

It also places strong emphasis on community development and contributions through directed programmes. York acknowledges that its forests and operations touch the livelihoods of a large number of people and therefore engages with the communities in which it operates.

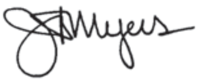
See more information about York's corporate social investment on pages 86 to 89.

OUTLOOK

The Company continues its focus on opportunities for growth that will benefit all stakeholders. The biological assets are showing good growth and are expected to improve even further as new, well-matched species are added to York's healthy sustainable forests. The increased capacity of the Plywood Expansion Project has now been commissioned and further technological improvements and expansions are already in progress to support the growth strategy. York has the intellectual, human and financial resources to deliver on this strategy and enhance its standing as a responsible corporate citizen.

APPRECIATION

I thank my fellow directors for their active participation in setting York's strategy. I am grateful for the dedication and hard work of the Chief Executive Officer, Pieter van Zyl, and his senior management team. They continue to grow and embrace technology in delivering on the Company's strategy. We also extend our heartfelt appreciation to all York's employees for their extra effort.



Dr Jim Myers
Chairman

22 September 2017

SOLID PERFORMANCE IN TOUGH CONDITIONS

YORK DELIVERED A SOLID PERFORMANCE IN 2017 IN TRYING MACRO-ECONOMIC CIRCUMSTANCES:

Revenue grew by 3%

Locally, sales volumes in most product categories were down due to the absence of economic growth and lack of confidence in the construction sector. York's market share increased in the subdued local lumber and plywood markets. York has successfully entered new international markets, where demand remains strong. The East and West African regions have shown positive growth.

EBITDA is up 3%

The Wholesale strategy has reduced distribution costs and given York the ability to respond quickly to customer buying patterns. The full benefit of the Plywood Expansion Project is not yet being realised. As York becomes more efficient in distributing products for the export market, costs will be reduced.

Net profit increased by 54%

This was driven by a 21% growth in the value of the biological assets. This includes an adjustment for York's improved rotation age cycle of its plantations, brought about by applying precision forestry practices and improved genetic planting material. There is an increase in the calculated headroom of goodwill, resulting in no risk of impairment. The biological assets' value is a fair reflection of its current market value.

Earnings per share up 59%

As York continues its share buyback programme, earnings were spread over a lower number of shares, hence outpacing the growth in net profit. The Board of Directors believes that York's share price does not reflect the underlying value of the Company and will request approval to continue its share buyback programme. Core earnings per share is, however, down due to increases in depreciation and interest paid.

Return on equity improved from 9% to 12%

This was achieved through fair value adjustments from maintaining a healthy biological asset, reducing long-term cost of funding and interest received on positive cash flow achieved throughout the year.

Net asset value per share is up 17%

York invested a further R154 million in its processing capabilities and R59 million in standing trees.

Cash generated from operations remains positive at R170 million

At year-end, York had R159 million in cash and sufficient cash reserves to fund the increase in working capital.

York's financial highlights for the year are reflected on pages 8 and 9.

Pieter van Zyl
Chief Executive Officer

FOCUS AREAS DURING THE YEAR

Focus area	How these matters were addressed	Future value creation (capital affected)
REIPPPP (Renewable Energy Independent Power Producer Procurement Programme)	The postponement of the programme has hindered York's growth strategy. Since York submitted its REIPPPP bid in 2015, there have been two postponements to extend the bid. Government seems to lack urgency to conclude the bid and its intentions remain unclear. York agreed to extend its bid to 30 September 2017. Irrespective of the outcome, biomass remains a viable option for York and we are exploring alternative options to participate in the energy market.	
Plywood plant and other processing facilities	The Plywood Expansion Project was commissioned as planned. As production increased, press failures were encountered. Two of the three presses were classified as redundant due to metal fatigue. York responded by replacing them with a new, higher-capacity press. This press will be commissioned in February 2018. This press was not part of the initial Plywood Expansion Project and will enable the plant to produce a wider product range. York partnered with Raute Oyj of Finland as its service and technology provider to maintain plant efficiency. York further improved its sawmilling capabilities with investments at Sabie, Driekop, Jessievale and Nicholson & Mullin sawmills that improved process flow and plant throughput. The sawmills performed exceptionally well during the past year with high efficiency levels and managed to extract optimal value from their raw materials. The performance of the Remanufacturing division is promising and York will continue to expand this operation. Development and testing of new products is the cornerstone of its success.	
Customer focus	The continuing expansion of wholesale operations is undertaken with a focus on making York's customers successful in very challenging market conditions. See the description of the 'timber promise' on page 41.	
Community	York's growth is not just on its balance sheet – our staff has collectively embraced the challenges our country faces. The plight of our community and the need for service delivery has required York to be an active citizen in its area of operation. This is a strategic building block to ensure York's future sustainability.	
Forestry	York's biological asset improvement is as a result of applying precision forestry practices with site-specie matching to deliver the ideal wood properties for the benefit of customers.	

Focus area	How these matters were addressed	Future value creation (capital affected)

External log supply

During the past year York purchased the highest volume of logs from external sources in history. The supply to processing plants was interrupted in the year due to price disputes and the marketing policy applied by the South African Forestry Company SOC Limited (SAFCOL).

York is endeavouring to resolve the marketing policy and pricing dispute with SAFCOL as we consider the required approximately 17% price increase as unreasonable.

Forestry results were negatively impacted by this impasse, with higher than anticipated logistics costs as logs were transported over longer than expected distances to keep plants supplied and operational.

Alternative raw material supplies are available to York and are being secured.

York pays the highest log prices in South Africa and is of the opinion that the marketing policy of KLF does not reflect a fair and transparent process.

	York pays higher log prices than the industry			
	Industry	KwaZulu-Natal	Cape	Mpumalanga
Log classes	% per m³ higher	% per m³ higher	% per m³ higher	% per m³ higher
a	16	7	47	15
b1	33	47	75	29
b2	16	20	35	13
c1	30	45	66	25
c2	12	12	15	10
d1	26	61	53	23
d2	12	18	17	11
Average	**21**	**30**	**44**	**18**

** The above table does not reflect the 2017 price increases of approximately 17%.*

York had positive engagements with Government and trusts that meaningful solutions will be found to address the various concerns.

African expansion

Various investment opportunities in East Africa are being considered for access to afforested, plantable land as well as a growing, receptive market for York's products.

PROGRESS AGAINST YORK'S STRATEGIC INITIATIVES

In the 2016 integrated annual report, York crystallised its medium-term targets (inclusive of the Biomass Power Plant Project) for achievement within three years. The results of the past year made some inroads towards achieving these goals:

- *Positive cash generation and growth in EBITDA*
- *York continued with its share buyback to support* total shareholder return. (The share price does not reflect the value of the Company).
- *Sustainable asset management practices and growth in net asset value*
- *Strategic alignment of the Company to be competitive and operate on a sustainable basis.*

Medium-term targets will be revised if there is no further progress in the REIPPPP by 30 September 2017.

TIMBER PROMISE

Consumers are committing to greater use of timber for housing, furniture, doors, frames, decking and other innovative purposes. Through their willingness and desire to adopt wood for its aesthetic value and wider applications, the industry can respond by delivering on these needs.

Timber has substantial benefits for users as it is a sustainable resource, carbon positive, sustains rural development and is structurally and architecturally appealing. York continues to invest in scientific research to better understand the advantages that wood properties possess. The benefits of wood properties have not yet been fully exploited and this provides exciting opportunities for enthusiasts to unlock these benefits.

Expanding needs and the wider base of customers from diverse sectors in housing, tourism upgrades, adventure tourism, furniture manufacturing and engineering will in turn drive greater demand that will lead to significant job creation, skills development and stimulation of the timber industry.

That is the timber promise.

FUTURE OUTLOOK

South Africa's economy is technically in a recession, with low consumer confidence and spending, particularly in the building and construction sector. This downturn has been worsened by Government's inability to deliver and execute its projects. York will therefore scale down its operations in line with demand and expand into new markets with higher value product in niche, rather than volume markets.

The insourcing of mechanical harvesting and transport has proven to be very successful and York will continue introducing further appropriate technologies and equipment upgrades. Traditional costs associated with outdated forestry practices are being replaced with better utilisation of capital equipment, fuel load reduction, improvement in tree breeding and enhancing the genetic selection for better planting material that will respond more effectively to growth sites.

Sustainable raw material supply is key to the success of York's growth strategy. South Africa has limited permissible area available to expand its forestry footprint. York is therefore exploring options in expanding its forestry operations outside of South Africa.

The plywood operation is set to deliver the expected results and is currently achieving the defined and required operational specifications. The commissioning of the higher-capacity press will allow York to further increase volume output and produce a wider product range aimed at the export market.

It is unfortunate that there has been no announcement for the preferred bidder of the REIPPPP submitted under the expedited 4b window.

York is exploring alternative options to participate in the energy market as this remains a very viable revenue stream.

York is expanding its warehouses, with the aim of making York's customers successful in challenging market conditions.

THANK YOU

I would like to thank everyone at York for their hard work in the past year. A special thank you goes to the Board of Directors for their mature guidance of York's strategy and the management team for their extra effort. We have shown that not only trees grow at York, but our people as well.

Pieter van Zyl
Chief Executive Officer

22 September 2017

York's summarised strategy will be focusing on the following nine key areas to improve quality of earnings and diversification of revenue.

		Pillar 1	Pillar 2	Pillar 3	Pillar 4	Pillar 5	Pillar 6	Pillar 7	Pillar 8	Pillar 9
	Three year forecast	**Lumber**	**Plywood**	**Forestry**	**Remanufacturing**	**Wholesale**	**Energy**	**Logistics**	**Acquisitions**	**Property investments**
2016	R1,77 billion revenue contribution	50%	20%	5%	1%	25%	–	–	–	–
2017	R1,83 billion revenue contribution	52%	16%	3%	2%	26%	–	1%	–	–
	Approach	**Consolidate and upgrade**	**Deliver and produce new value-added products**	**Increase plantation area, yield per/ha wood properties, R&D**	**Improve profitability by value adding**	**Expand and make customers successful**	**REIPPPP likely not happening**	**Acquire more equipment instead of hiring from third parties**	**Strategic**	**Strategic**
EBITDA multiplier	2016	1,1	2,9	1,4	18,0	1,0	153,0	–	–	–
	2017	0,8	3,4	1,3	10,0	0,4	144,0	–	–	–
2019 target	**R2,5 billion revenue contribution**	**41%**	**19%**	**3%**	**2%**	**21%**	**14%**	**–**	**–**	**–**
	Timeline	**Target met**	**6 months**	**2 years**	**1 year**	**Target met**	**$2\frac{1}{2}$ years from announcement**	**1 year**	**5 to 10 years**	**5 to 10 years**

Key performance indicators

for the year ended 30 June 2017

Capitals	Key performance indicators	Value	2019	Actual 2017	% change	Actual 2016
NATURAL	Value of biological asset	R'million	2 594	**2 829**	21	2 334
	Total landholding	hectares	93 988	**93 988**	–	93 988
	Total forestry area planted	hectares	57 950	**57 636**	1	57 194
	Conservancy areas	hectares	33 518	**33 518**	–	33 518
	TUP	hectares	2 520	**2 834**	(13)	3 276
MANUFACTURED	Purchase of property, plant and equipment	R'million	1 750	**154**	(46)	283
	Value margin sawmills	%	45	**43**	–	43
	Value margin plywood plant	%	48	**41**	(6)	43
	Safety margin sawmills	%	20	**17**	(14)	19
	Safety margin plywood plant	%	30	**34**	26	27
	Market share					
	– Lumber	%	26	**24**	3	23
	– Plywood	%	80	**65**	–	65
	Electricity consumption	MWh	50 561	**56 945**	12	50 804
INTELLECTUAL	New products launched	R'million	50	**44**	8	41
	LogTrace Management System	R'million	1	**1**	(43)	2
	FSC certification		Yes	**Yes**		Yes
	Diversified product mix Lumber:plywood:biomass	%	65:20:15	**81:19:0**	–	82:18:0
	Project Evolve annualised contribution benefits	R'million	9,0	**9,0**	(3)	9,3
HUMAN	Staff turnover	%	2,0	**0,8**	(77)	3,5
	People trained	number	4 285	**2 562**	(17)	3 083
	Safety – lost time injury frequency rate	factor	1,5	**1,6**	(5)	1,7
	Clinic visits	number	17 105	**16 716**	(0,2)	16 754
	– primary healthcare		14 825	**14 403**	–	14 416
	– counselling		2 280	**2 313**	(1)	2 338
SOCIAL	CSI spend on community programmes	R'million	16	**16**	46	11
	Training programmes spending	R'million	14	**11**	76	6
	BBBEE rating	Level	4	**4**		4
FINANCIAL	Total assets	R'million	6 571	**5 082**	11	4 561
	Profitability – EBITDA/revenue	%	22,0	**13**	(2)	14
	Gearing	%	60	**20**	5	19
	Total cost excluding external log purchases	%	75	**77**	1	76
	Net cash from operating activities	R'million	550	**89**	(61)	225
	Market capitalisation	R'million	4 400	**861**	4	828
	EBITDA return on capital employed	%	8	**5**	(8)	6

Refer to pages 18 and 19 for further detail on these KPIs and their significance to value creation at York.

KPIs were defined by considering the metrics used by the Executive Committee and the Board in determining optimal operational and strategic performance for York. KPI measurement is done monthly and reviewed by both management and the Board.

02

NATURAL
CAPITAL

MATERIAL ISSUES

- Resource utilisation
- Suitable planting material
- Continual forestry supply chain optimisation

PROTECT AND GROW THE BIOLOGICAL ASSET TO EXTRACT OPTIMAL USE ON A SUSTAINABLE BASIS

THE IMPORTANCE OF THE KEY PERFORMANCE INDICATORS

- The value of biological asset is a substantial part of York's assets and the efficient management thereof represents the future success and sustainability of the Company. It is influenced by tree growth, health, yields and replanting.
- York's ability to plant forests is dependent on its total landholding.
- Total forestry area planted indicates the extent of land that is planted with trees.
- Conservation areas represent all areas not available for planting and include indigenous forests, areas around water streams, fire breaks, roads and infrastructure.
- Total unplanted area (TUP) refers to York land that has been harvested and that will be replanted during the planting season with species specifically matched to the growth site.

KEY PERFORMANCE INDICATORS

		2014	2015	2016	% change	2017	% CAGR	2019 target*
Value of biological asset	R'million	2 103	2 140	2 334	21	**2 829**	10	2 594
Total landholding	hectares	93 988	93 988	93 988	–	**93 988**	–	93 988
Total forestry area planted	hectares	57 731	57 042	57 194	1	**57 636**	–	57 950
Conservancy areas	hectares	33 518	33 518	33 518	–	**33 518**	–	33 518
TUP	hectares	2 739	3 428	3 276	(13)	**2 834**	1	2 520

** As reported in 2016 and not revised pending the outcome of York's REIPPPP bid.*

Refer to pages 18 and 19 for further detail on these KPIs and their significance to value creation at York.

RESOURCE UTILISATION

The greatest challenge for any tree improvement programme is to continuously produce genotypes with the desired characteristics for current and future markets. These genotypes also need to have the potential to adapt to the changing climate. Breeders have several resources at their disposal in order to achieve these goals.

GENETIC RESOURCES AND TREE BREEDING

For a breeding programme to be adaptable and sustainable, it must contain not only a wide variety of species, but also sufficient genetic variation within the species for further improvements in traits to be made. Until recently, the majority of York's plantations were established with *Pinus patula*, a pine species native to Mexico. York is fortunate to have a very strong genetic base of this species, with first, second and third generation selections in its trials and seed orchards. In South Africa, this species performs best at altitudes between 1 500m and 1 900m and mean annual temperatures (MATs) between 13,5°C and 15,3°C. *Pinus patula* is tolerant to sub-freezing winter temperatures, but shows little drought tolerance. It generally grows well on mist belt sites that receive between 1 000mm and 2 000mm rain annually.

Pinus patula is, however, highly susceptible to the pitch canker fungus, *Fusarium circinatum*. This fungus causes disease and mortality in the nursery, as well as in the field post-establishment. Research has shown that there are *P. patula* families that show tolerance to *F. circinatum*, but the species as a whole remains susceptible. This pathogen initiated the search for alternative genotypes, particularly hybrids.

The natural range of *Pinus tecunumanii* stretches from Mexico to Nicaragua and is made up of populations that occur in areas above 1 500m (high elevation ecotype) and below 1 500m (low elevation ecotype). As a species, *P. tecunumanii* is more tolerant to *F. circinatum*. It also grows better than *P. patula* in areas with MATs higher that the optimum for *P. patula*. Its wood properties are equivalent to those of *P. patula*.

York's forestry areas are mainly divided into two types of areas, namely the Escarpment and the Highveld. The range in the most important site factors for each are shown in the table below.

Range in MAT, altitude and mean annual precipitation on York's Escarpment and Highveld sites.

	Escarpment	Highveld
Mean annual temperature (°C)	14,1 – 18,1	14,2 – 16,3
Altitude (metres above sea level)	1 029 – 2 110	1 439 – 1 814
Mean annual precipitation (mm/annum)	769 –1 711	765 – 925

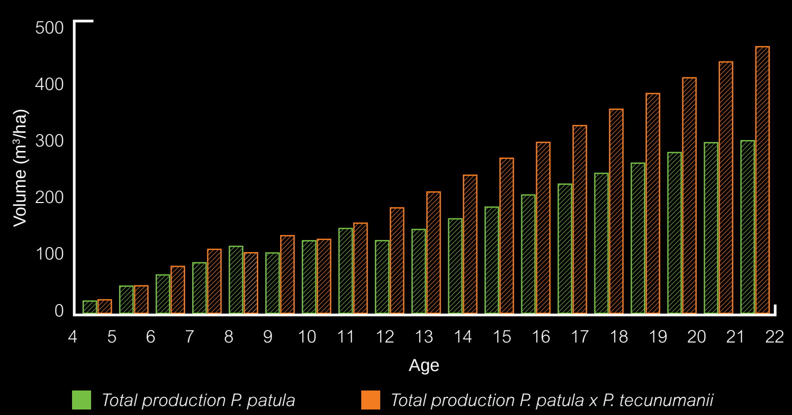
The pitch canker fungus, *Fusarium circinatum*

Credit: Izelle Greyling

In general, climate change is causing an increase in temperatures and a decrease in rainfall. Both of these factors have significantly reduced the area where *P. patula* can perform optimally. Given this phenomenon, only about 11% of York's Escarpment plantations are suited to growing *P. patula*. It is mainly for this reason that York has been developing alternative genotypes or hybrids that will be better suited to the future climate in this region. Many Highveld sites are still suited to *P. patula*, where it is still being planted extensively.

A hybrid is a cross between two different species. Hybrids have the potential to exhibit performance in a trait that is superior to both parent species (hybrid vigour) and to produce individuals that combine the desired traits of both species (complementarity). *P. patula* has been crossed with more tropical pines native to Central and South America, such as *P. tecunumanii* and *P. oocarpa*. Trial results have shown that the resultant hybrids outperform *P. patula* on most sites for growth. In addition, they exhibit better survival due to their improved tolerance to *F. circinatum*, and improvement in drought tolerance. This reduces establishment costs in the field and results in better stand uniformity. The increased genetic variation in the hybrid also makes it more adaptable to the wide range of sites on York's landholdings. The figure below shows the expected improvement in growth of the most important hybrid, *P. patula x P. tecunumanii*, over *P. patula* on commercial stands.

THE EXPECTED GROWTH GAIN FROM MODERN PINE HYBRIDS COMPARED TO PURE PINE SPECIES



Over the last few years, a considerable amount of effort has gone into sourcing new genetic material, mainly of *P. patula*, *P. tecunumanii* and *P. oocarpa* from Central and South America, through York's collaboration with Camcore (Central America and Mexico Coniferous Resources Cooperative). This cooperative organises and guides members from various countries in the following projects and activities:

- Gene conservation;
- Tree improvement;
- Species characterisation; and
- Enabling technologies.

The additional families and provenances sourced are being established in seed orchards on York's landholdings and will serve as seed and pollen sources for the hybridisation programme.

INFORMATION AND TECHNOLOGY

Trials

Data from trials and information on how to best utilise genetic resources is vital to any breeding programme.

Hybrid trials

York's focus has been on testing various hybrid combinations and trials were established on various site types. There are now 18 hybrid trials testing various hybrid combinations across York's landholdings. Traits that are measured include volume, stem form and branching characteristics. These can be correlated to wood strength properties, which are very important for sawmilling and processing applications and are measured with the TreeSonic and Resistograph tools. In the next year, Camcore will also be assisting York with wood property studies on various hybrids in one of these trials.

Frost trials

P. patula is best suited to cool sites and can tolerate strong frosts. It is now being crossed with more tropical species to produce hybrids with improved growth and tolerance to the fungal disease *F. circinatum*. These tropical species are less cold tolerant and it is therefore important to understand the performance of various species and hybrid families in terms of frost tolerance. If specific families or family groups (provenances) within species are found to be cold tolerant, they should produce relatively cold tolerant offspring when hybridised with *P. patula* while still contributing to the improved growth of the hybrid. From field and artificial freezing studies conducted on *P. oocarpa*, some cold tolerant provenances were identified. These can be used as pollen parents to produce hybrid families that are more cold tolerant than the mean of the population. Tests have also been conducted on *P. patula x P. tecunumanii* hybrid families to identify those more suited to sites that experience regular frosts. Two frost trials testing the performance of all York's commercial species were established on sites with high frost potential. Survival and temperature data from these trials will provide information on the temperature minimums that can be tolerated by the different species. It is hoped that this will allow York to increase the planting range of the most productive hybrids, particularly *P. patula x P. tecunumanii* (LE) and *P. patula x P. oocarpa*.

Disease screening trials

In addition to field trials, York is also screening various *P. patula* and *P. patula x P. tecunumanii* families for tolerance to *F. circinatum* through collaborations with the Forest and Agricultural Biotechnology Institute (FABI) and the Tree Protection Cooperative Programme (TPCP). Although *P. patula* as a species is susceptible, trial results have shown that some families are significantly more tolerant than others. Several of these families have been established in an orchard where controlled pollinations will be done to produce full-sib *P. patula* as well as hybrid families with improved tolerance to *F. circinatum*.

Dothistroma septosporum is a fungal disease that causes premature loss of needles and may result in the death of susceptible conifer species. It is typically a problem in areas experiencing long periods of high rainfall and humidity, such as Colombia in South America, where there have been recent outbreaks. *P. tecunumanii* (LE) and, to a lesser extent, *P. tecunumanii* (HE) are susceptible to this disease. As these species are important in the hybrid programme, it is necessary to understand whether York's *P. patula x P. tecunumanii* hybrids are also susceptible. *P. patula* is tolerant to the disease and there have not been any reports of disease on *P. patula x P. tecunumanii* hybrids. In a pro-active effort to understand York's risks, a project was initiated whereby seed of some of the *P. patula x P. tecunumanii* families was sent to Colombia for establishment of field trials to test for susceptibility.

FABI and TPCP also provide field support services when pest or disease problems are observed. York works with them on a continuous basis and submits samples to their diagnostic clinics to help identify problems and threats in the field and nursery.

One such tool is genetic fingerprinting. This involves extracting DNA from tissue samples of trees and generating a genetic profile, or fingerprint, for the particular individual.

Molecular technology

The development of molecular technology is rapidly increasing the number and quality of tools breeders have at their disposal to understand the genetic make-up of species and individuals, as well as the processes involved in the expression of traits.

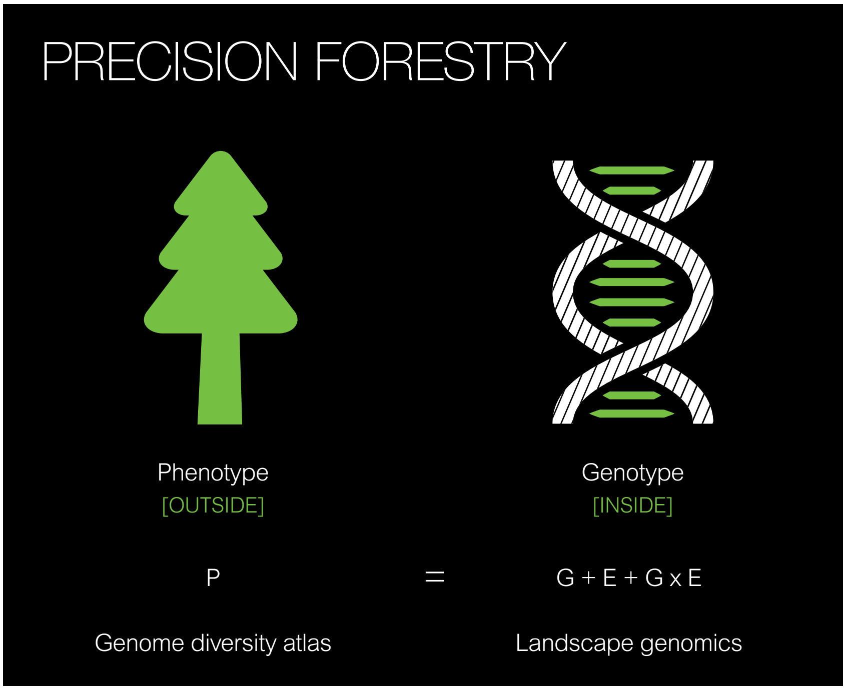
Through York's collaboration with the Forest Molecular Genetics (FMG) group at the University of Pretoria, it has been fingerprinting several of York's *P. patula* selections in York's orchards on a routine basis to build up a database of fingerprints. This tool can be used for quality control, to confirm identity and accuracy of family allocations in York's orchards, to confirm parentage and hybridity in York's hybrid families.

The FMG group has initiated the Genomic Diversity Atlas (GDA) project that aims to develop a national molecular breeding and gene conservation resource for pines and eucalypts. Samples representing various families and provenances of each species of interest have been genotyped in order to generate genomic diversity reference sets for species of interest. This will be an invaluable tool for:

- Gene conservation;
- Genetic diversity management;
- Identification of genotypes resistant to biotic and abiotic stresses;
- Site-genotype matching;
- Molecular breeding; and
- Quality control.

York has been participating in this important and exciting project and information generated has already been used to aid in species discrimination of samples that have been submitted.

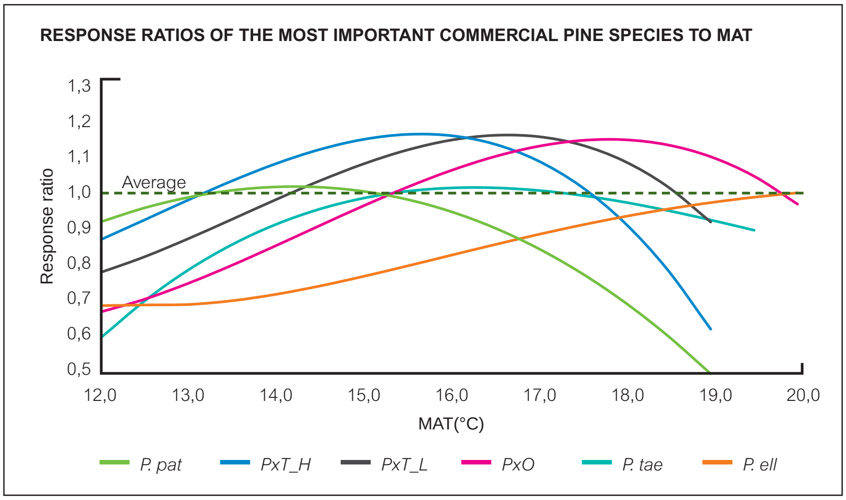
A future output of the GDA project will involve the combination of genomic information and remote sensing. This is known as the new field of landscape genomics and will further support correct site-genotype matching and reduce risks due to biotic and abiotic stresses.



SUITABLE PLANTING MATERIAL

SITE-SPECIE MATCHING

Knowledge of site characteristics, together with survival and growth information gained from trials, will aid in matching the germplasm to the correct sites. York has for a number of years been collaborating with Fractal Forests to develop a forest site database containing information on all the key drivers of tree growth such as Mean Annual Temperature (MAT), effective precipitation, altitude, soil type, geology and frost potential). MAT is still considered the most important factor determining the performance of a species or hybrid. From data collected thus far, York has been able to determine the temperatures at which its main commercial species perform either optimally or sub-optimally.



The dotted line at 1.0 in the figure above represents the historical maximum site yield potential. Genotypes above this line are superior to earlier generation material at the relevant MAT and genotypes below the line are inferior or off-site at the relevant MAT. *(Source: Martin Herbert, Fractal Forests)*.

The optimal growing conditions for each commercial species are being defined and updated as information from trials becomes available. Site-specie matching will be a continuous process and will ultimately help York achieve precision forestry, where a specific species is matched to its ideal site and optimally managed for maximum productivity.

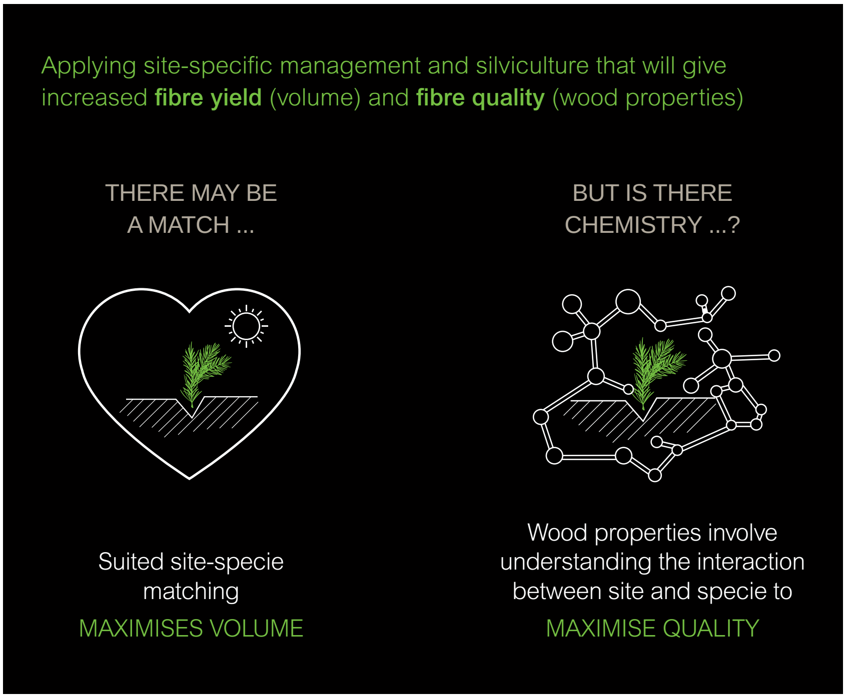
Given climate change, York's breeding strategy will need to take into consideration the changes in temperature and rainfall that are predicted and ensure the availability of a wide range of adaptable genotypes.

The improved growth of the commercial hybrids has also necessitated changes in silviculture regimes. Pruning, thinning and rotation ages have been reduced, thereby increasing timber volumes available for harvest on an annual basis.

Volume (a function of tree height and diameter at breast height (DBH)) has traditionally been the most important trait used to measure stand productivity. Height (or tree length) has an important role in sawmill recovery and is therefore becoming an important criterion when selecting tree species.

DBH FORMULA

$$\overline{dbh} = \sqrt{\frac{d_{n1}^2 + d_2^2 + \ldots + d_n^2}{n}} = \sqrt{\frac{1}{n_i}\sum_{=1}^{a} d_1^2}$$



GENETIC VARIATION IN HYBRIDS AND BREEDING FOR TIMBER PROPERTIES

When crossing two different species to produce a hybrid, the resultant offspring have far more genetic variation than the individual parents. This results in more variation in the expression of various traits, such as growth characteristics and wood properties. These quantitative traits are under additive genetic control, meaning that several different genes contribute in small additive increments to the expression of the trait. This is in contrast to traits that have a simpler mode of inheritance, such as disease resistance. The expression of these quantitative traits is also affected by various site conditions such as altitude, temperature, rainfall, soil type, soil depth and slope. Selecting for quantitative traits is challenging when using traditional breeding methods.

The molecular tools that have recently become available to breeders will simplify and speed up the breeding process. The combination of this molecular information and phenotypic information (actual measurements, such as volume and wood properties) makes it possible for geneticists to link the expression of certain traits to genes. Once these genes have been identified, tissue material from a very young plant can be genotyped to determine how a particular trait will be expressed at an older age. Breeders can therefore start selecting plants at a young age for specific applications.

These molecular tools have been available to eucalyptus breeders for some time as the genome (full genetic make-up) of eucalypts is much smaller (640 million base pairs) than the pine genome (**22 billion base pairs**). Evolutionarily speaking, pines are also a far older species than eucalypts. It has therefore taken longer to develop these tools for pine breeders, but they will certainly play an important role in the future success of York's breeding programme.

It is of utmost importance that breeders have information on the climatic, soil and topographic conditions of the sites for which they are developing germplasm.

CONTINUAL FORESTRY SUPPLY CHAIN OPTIMISATION

York is entering an era of redefining its value chain. Having already established a firm grasp on its current operating procedures with the aid of gathered knowledge and systems, it is now possible to move into the inherent properties of our biological assets.

Further extending this value chain depth perception means not only looking at volume-based products, but rather delving into the specific tree attributes that will indicate the best value recovery decision York can make before even harvesting the timber. This dimension is better described as the quality of raw materials and how modelling this as a part of the supply chain will yield increased benefits for the Company.

ENHANCED LOGTRACE AND MAPPING INFORMATION

The Forestry division takes a re-engineering and systems approach towards challenges, allowing it to evolve from the norm delivering significant enhancements

Norm (York's forestry practices versus traditional methodology)

- The South African forestry industry is largely based on an outsourced contractor model for performing silviculture and harvesting activities (including transport).
- Most organisations manage their log stock in batch form (either by making educated guesses or by viewing a stack of timber as a measurable volume entity).

Enhancements

- Site-specie matching is being used in York's silviculture regime practices throughout all its plantations This allows for selection of the ideal seedlings for a specific compartment, pre-modelled on a landscape level, delivering optimal growth and value properties. The study model also incorporated various other features including anticipated rainfall, climate change as well as landscape-related factors such as texture, position and slope steepness.
- York has commenced insourcing parts of its supply chain with the completion of the Mechanised Harvesting project in the Highveld.
- York's LogTrace system has a barcoded tag on each log referencing an array of all its associated information contained in a database (location/position, harvester/team/checker, type/defect, date/age, dimensions).

York has invested significant effort in visiting external partners operating in other industries to gain knowledge in their field of expertise. This has provided exposure to the best operating practices to be applied to York's individual business units, allowing us to further extend our footprint on insourced entities. This also affects the flow of materials as well as providing the feedback mechanisms for information that assist in rapid decision-making. Controlled applications are placed at crucial points in the process to ensure the optimal execution of supply chain activities.

By having these control points, York can measure the distance and/or time between

LogTrace scanner captures the details of the harvested product and the log is marked once it is scanned

CALCULATED VOLUME FORMULA

When the parameters are known, tree volume can be calculated as follows:

$$\text{Volume} = \pi \int \{r(h)\}^2 \, dh$$

$$r(h) = i + (rb - i)e^{p(b-h)} - pi/(p+q)\,[e^{q(h-H)} - e^{q(b-H)+p(b-h)}]$$

where $r(h)$ = tree radius at height h (cm)

rb = radius at breast height (cm)

b = breast height (m) = 1,35

H = total tree height (m)

i, p, q > 0 = parameters to be estimated

network nodes providing insight into stock volumes at any given stage. This will then also show the lead distance/time required for a certain process and/or buffer zone to be completed. This very insightful information is utilised to model York's supply chain holistically and applied to optimise the processing stages. Ultimately this helps in achieving cost savings thereby improving the delivered price of raw materials.

A simplified supply chain model of York's operations starts with the various harvesting locations (which consist of a multitude of internal/external suppliers, districts, plantations and compartments) followed by log transport (also distributed over numerous service providers). Transporters are responsible for conveying the products to the various processing plants located in different regions, each with its unique demand requirement. The entire process is based on available stock specification. These products can be scattered over a number of locations defined as either roadside compartments, intermediate depots/wet decks or mill log yards.

This collective stock also contains the attributable features of each log, as captured in York's LogTrace system, that is both qualitative (e.g. age brackets) and quantitative (e.g. diameter, length and calculated log volume). This information is used as a management tool for planning, providing visibility, extensive reporting capability as well as tracking in order to make quick, efficient and effective operational decisions.

An important aspect to this framework is to provide the capability to manage forestry stock levels optimally. This is particularly important since low log stock volumes means running the risk of not being able to deliver sufficiently to a particular processing plant while too high stock levels lead to losses due to timber becoming too old for saleable use or being exposed to theft.

HOW LOGTRACE CAN INFLUENCE INBOUND LOGISTICS

Using the current stock on hand indicators from LogTrace, together with frequently updated mill log yard numbers, enables York to determine an ideal delivery schedule for all the individual mill sites. Other elements such as possible downtime, fleet capacities, geographical information (lead distances) and separate delivery windows per processing plant are modelled as constraints. The primary objective of this algorithm is to optimise vehicle scheduling in such a way that it resonates effectively with regular production intake thereby creating a just-in-time delivery model. The benefits of this approach will lead to a decrease in buffer and log yard stocks as well as managing the fleet more efficiently, which in turn will have a positive impact on production and cost reduction.

OUTPUT

Limited stock losses, optimal utilisation of raw material by fibre processing plants and being a cost-competitive leader in logistics.

In a scenario of optimal log stock availability within forestry, York can serve its sawmilling network as well as plywood plant effectively by using the LogTrace system for planning the execution of the transport leg aimed at delivering target volumes and correct product mix.

The tool enables extensive management via slicing or filtering a particular field, whereby the rest of the information is then updated to show which inter-dependent fields are connected to the initial change. Below is a sample from the actual Forestry Harvesting Production Slicer.

The monthly in-field stocktake event allows York to verify theoretical, calculated volumes isolated by timeframes and/or specific location. Reconciling variances on an ongoing basis has indicated that York is within a 1% stock gain or loss margin month-to-month. Compared to the +5% to -5% in the previous reporting period, this is a significant achievement since the final stock holding month-by-month averages approximately 78 000m^3. The 4% improvement equates to a value of R1,4 million (when applied to the volume with a mean volume value of R450/m^3). The stock movement value has stabilised as a result of proper stocktake procedures being followed, with the appropriate management in place during a stocktake weekend, orchestrating the entire event to have minimal disruption to harvesting and transport operations.

Value extraction per log is above industry norm and overall supply chain efficiency target is at 75%.

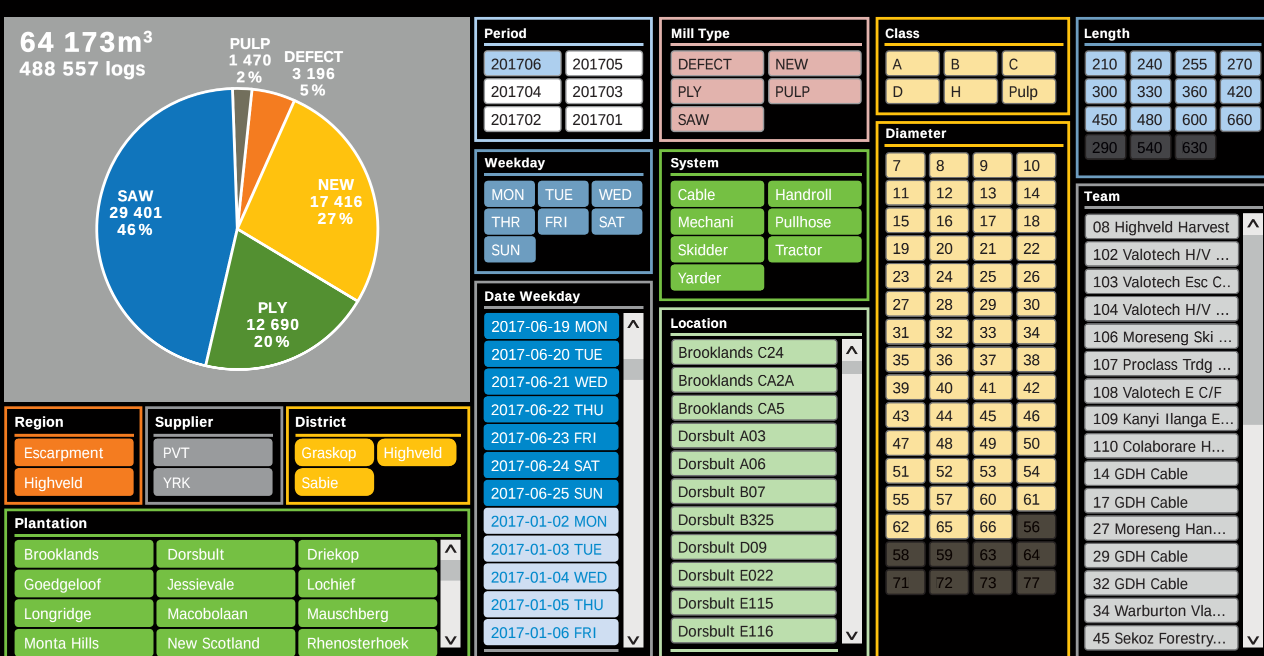
KEY PERFORMANCE INDICATORS

The key performance indicators are segregated between harvesting, stock and transport targets to be met within a certain objective function (timeframe and/or volume product mix). York is continually working towards these targets to satisfy its processing plants and, to a limited degree, some external customer markets as well.

Every destination has a set order for volume and product mix to be delivered (referred to as the site's demand). Moreover, these specific mill sites have an accumulative demand amount and this is, in turn, viewed as the harvesting target to be reached over a certain period of time. The main aim is to meet these budgeted numbers at regular intervals and as efficiently as possible. With regard to stock, a key indicator is to not have excessive gains or losses in forestry volumes.

Any variances (for example regional displacement of loads that needed to be reallocated back in the stock reconciliation) are explainable through the appropriate facts and backed by the reflecting system data.

Below is a sample from the actual Forestry Harvesting Production Slicer:



WOOD IS A DIVERSE MATERIAL

Wood is an organic material which varies not only between individual trees, but also within a single tree. This phenomenon has been observed in log form, wood density, microfibril angle (MFA), annual growth ring width and the amount of moisture inside the tree.

Differences in wood properties have also been observed in the horizontal and vertical directions of tree logs. Within pine plantations, tree growth and wood properties such as wood density, MFA and the amount of moisture inside the tree vary according to tree species, tree age, growing conditions, silviculture practices applied and the genetic make-up of the tree. Therefore wood properties of structural timber products will be impacted by all of these factors.

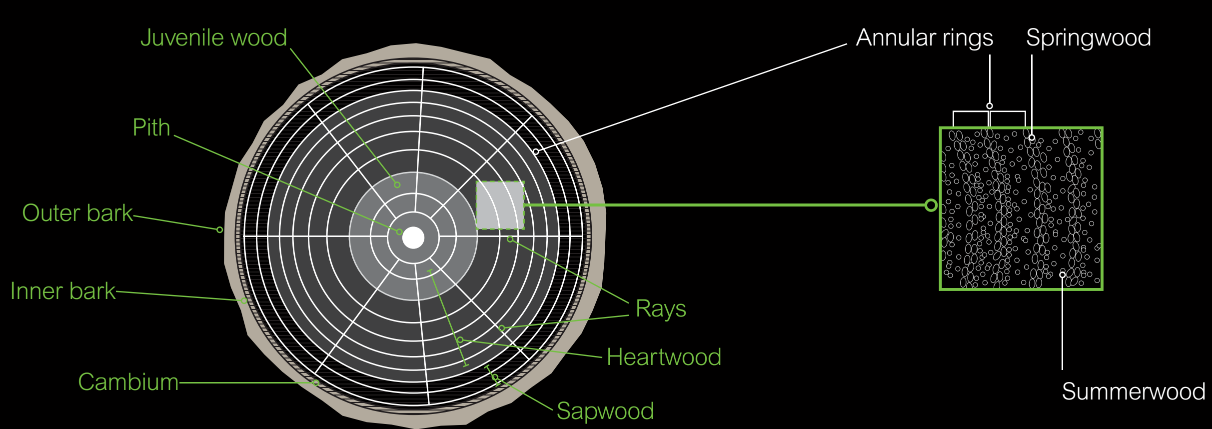
Looking at a horizontal profile of a tree stem, distinctions can be drawn between the different wood portions inside the tree and their functions. The cross-sectional profiles of trees can be divided into active and non-active parts, including the heartwood, sapwood, cambium, inner bark (phloem) and outer bark.

The heartwood stretches from the central point of the tree outwards and encompasses all growth rings which are not actively transporting water to the canopy via this collective wood portion. All cells located in this portion are dead. Some fixed moisture is still stored in the heartwood portion but at far lower levels compared to the rest of the tree. The primary function of the heartwood portion is to support and stabilise the tree structure as a whole. The proportion of heartwood along the tree stem decreases with tree height.

The remaining wood portion is called the sapwood and includes all year rings actively transporting water to the canopy. For this reason the sapwood portion of the tree holds far more water. The sapwood portion varies with seasonality and tree height, with greater moisture located in this wood portion during wet seasons and an increase in sapwood proportions with tree height.

TREE PHYSIOLOGY

CROSS-SECTIONAL PROFILE OF A TREE WITH DISTINCTIVE ANATOMICAL PORTIONS



- **Early wood – summer growth**
  - Lower density
  - Larger MFA
  - Wider lumen
  - Thin cell wall
- **Late wood – winter growth**
  - Higher density
  - Lower MFA
  - Narrow lumen

Within a single year's growth, annual growth ring wood properties can be divided into two components, namely early and late wood. Early wood is formed during spring and summer months, when tree growth is vigorous due to the greater availability of water and sunlight. Fast growth leads to greater transport of water via the tracheid cell lumen. Tracheid cells developed during the fast growth season will have wider lumens and thin cell walls, leading to formation of wood with lower density and greater MFA. Late wood is formed during autumn and winter months when it is cold and dry. Slow growth during these months leads to less water transported via the lumens of tracheid cells. Therefore tracheid cells developed during the slow growth season will have narrow lumens and thick cell walls, leading to formation of wood with greater density. Typically moisture content is greater in early wood compared to late wood due to the wider lumens located in the early wood portion.

The cambium is a circumferential layer located under the bark between the xylem and phloem, where tree growth and/or wood formation takes place. The inner bark (phloem) transports sugars up and down the tree, while the outer bark provides protection to the stem.

Wood quality is largely dependent on the final product use and can be characterised by wood density, MFA, year ring eccentricity or early wood to late wood ratios and knot characteristics.

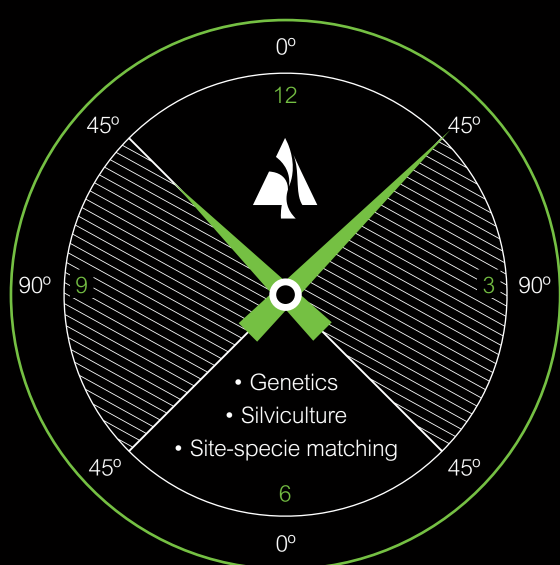
MFA

MFA is the angle of crystalline cellulose spiralling around the lumen in the secondary or S2 cell wall with the longitudinal axis of the tracheids in a helical pattern and gives tracheid cell structural substance. MFA is seen as the most significant wood variable, impacting structural properties such as stiffness, strength, shrinkage and dimensional stability of the wood. The smaller the angle, the greater the structural stability.

Studies suggest that growing conditions, including tree spacing and growth rate, directly impact the MFA during wood formation. In pines, a decrease in mean MFA has been observed from the centre point of the log outwards and an increase

MFA THRESHOLDS OF PINE WOOD PROPERTIES

Using the face of a watch for comparison, we aim to keep the MFAs of wood grown as close to the 6 and 12 hour hand as possible or less than 45°and as close as possible to 0°.



in mean MFA with tree height. The mean MFA of juvenile wood produced during early tree growth close to the centre point of the tree log is also much greater, compared to that of mature wood produced after the first eight to twelve years of tree growth further away from the centre point of the tree log. For this reason, York always ensures that the correct genetic material is used for tree breeding purposes, to mitigate the impacts of improved growth of pine hybrids and the formation of juvenile wood. In addition, York made it a high priority to ensure that the tree breeding programme identifies the correct genetic material to ensure improved wood properties.

WOOD DENSITY

Wood density decreases with tree height and increases from the centre point of the tree outwards. Wood density is an important determinant of wood quality as it impacts the modulus of elasticity (MOE), modulus of rupture (MOR) and visual qualities of wood-based products. MOE can be defined as the elastic moduli along the longitudinal, radial and tangential axis of wood and is usually determined by bending tests. MOR, on the other hand, is a strength measure of a wooden board taking the maximum bearing capacity into account. MOE and MOR are seen as the most important wood quality traits of structural timber. It was found that density by itself can contribute to a 40% prediction confidence in the MOR of standing trees. In addition, the combination of wood density and MFA can predict the MOE of *P. taeda* clearwood samples up to 93% accuracy.

KNOTTY OR DEFECT CORE

The knotty or defect core is the portion of the tree characterised by low timber strength, knots, resin pockets and low uniformity. Well-managed plantation forests undergo regular pruning to limit the knotty or defect core to less than 20cm.

WOOD PROPERTIES OF YORK PINE HYBRIDS

York's tree breeding and hybrid programme continuously targets pine species with the desired wood properties for optimal product quality and value recovery. All of the pine hybrids grown commercially on York's holdings have wood properties similar to or better than the traditionally grown *P. patula* in respect of:

- Wood density (specific gravity);
- MFA;
- Concentric stability of annual growth rings;
- Branch angle and size; and
- Early wood and late wood ratios.

A comprehensive study will be undertaken in the near future to determine the effects of site characteristics and silviculture on various wood properties. The results from this project will help guide future site-genotype matching and optimisation of silviculture practices.

York works closely with internationally accredited research bodies to ensure that fast-growing trees with good wood properties are included in its breeding programme.

WOOD PROPERTIES AND STRUCTURAL TIMBER

Wood properties are strongly impacted by the interaction between the tree's genetic make-up and its growing environment. These include wood density, MFA and knot properties, which impact product recovery in the mills. Conversion defects refer to product defects created during processing of logs in their wet state (wet milling) and will largely be determined by the inherent log properties and fibre orientation in the log when producing product assortments.

Seasoning defects, on the other hand, are a function of how the products produced during wet milling respond to seasoning or kiln drying. During drying, wood shrinks, leading to dimensional changes in wooden boards. This process in strongly impacted by fibre orientation, wood density and MFA.

Wood shrinkage has been observed perpendicular to the fibre grain and occurs when water is removed or lost from the tracheid cell lumen to a level below fibre saturation point. As water leaves the vertically orientated tracheid cell lumens, fibre collapse will occur and microfibrils move closer together and shrinking occurs. Wood shrinkage will only occur when the majority of tracheid cells are in a state below fibre saturation point. In addition, wood shrinkage is impacted by wood density and moisture content. This is mainly due to lower density wood having wider tracheid lumens and thin cell walls, while high density timber has narrow lumens and thick cell walls. Therefore wood shrinkage is greater in wood with greater moisture content and/or lower densities. Shrinkage will also be greater in the low density early wood portions within a single annual growth ring as opposed to late wood with greater densities.

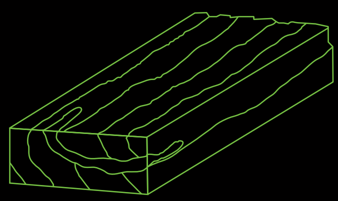
WOOD IS UNIQUE

Wood is unique and highly beneficial for the production of wood-based products and components for construction purposes. Some of the properties would be almost impossible to replicate in any other building materials. Some of these properties include:

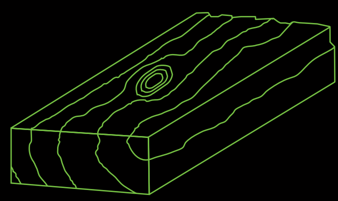
- **Thermal properties:** Wood does not change its form when exposed to heat. Rather, it will lose moisture and gain strength. In addition, it is a very bad conductor of heat. Specific heat values of timber are high. Therefore greater amounts of energy are needed to increase and decrease the temperature per volumetric unit of wood. Wood conduction of heat energy is comparable to stones and concrete and up to three times the amount of heat energy is needed for the heating or cooling compared to steel.
- **Acoustic properties:** Wood is ideal for sound absorption as it prevents echo and noise due to the absorption of sound. Therefore wood is extensively used in concert halls and musical instruments.
- **Electrical properties:** Wood has greater resistance to electrical currency and therefore acts as an exceptional insulator compared to steel. Static electricity, potentially hazardous to human health, is also not stored in wood, making it a healthy material.
- **Mechanical properties:** Wood and laminated wood are used in wide-gap constructions due to their ability to sustain their own weight over long distances. This is due to the light weight of wood, together with exceptional strength properties per unit mass.
- **Aesthetic properties:** Wood is unique in colour and grain appearance. Therefore it is considered as an aesthetic building material. Wood of unique appearances can be used for designated building projects or transformed with coatings and paint.
- **Oxidation properties:** Although wood can be subject to oxidation, it is different to rust. Therefore wood can be used in building projects where steel construction might prove to be problematic due to rust.
- **Working properties:** Wood is highly workable and can easily be repaired when needed, whereas other building materials or components might have to be discarded.
- **Variation:** Up to 5 000 different types of wood exist with variable wood properties, which can be used for specific applications. Therefore the right type of wood can be matched with the customers' specific needs.

CONVERSION DEFECTS

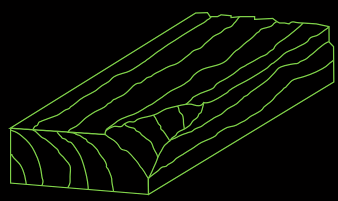
Conversion defects including resin shakes, knots, wane, diagonal-grain, cross-grain and flat-grain.



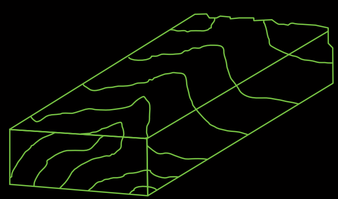
Shake



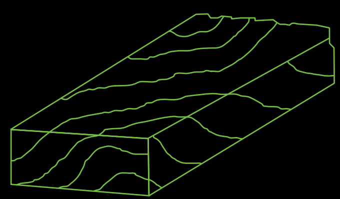
Knot



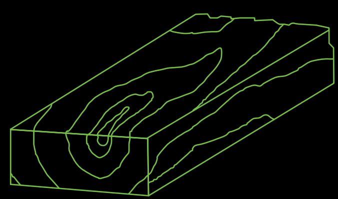
Wane



Diagonal-grain



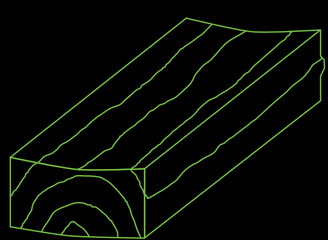
Cross-grain



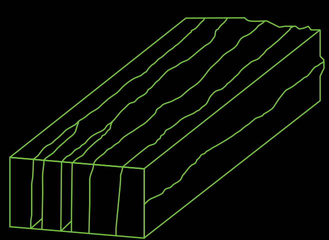
Flat-grain

SEASONING DEFECTS

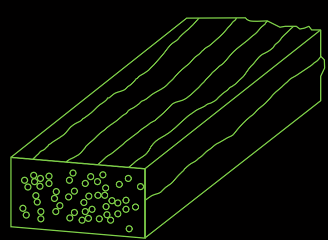
Seasoning defects due to the drying and irregular shrinkage due to wood density, grain angle and MFA variation of boards. Defects include cupping, end-splitting, honeycombing, springing, bowing and twisting.



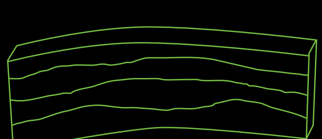
Cupping



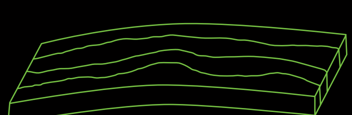
End-splitting



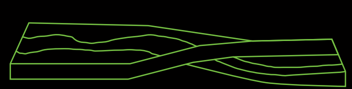
Honeycombing



Springing



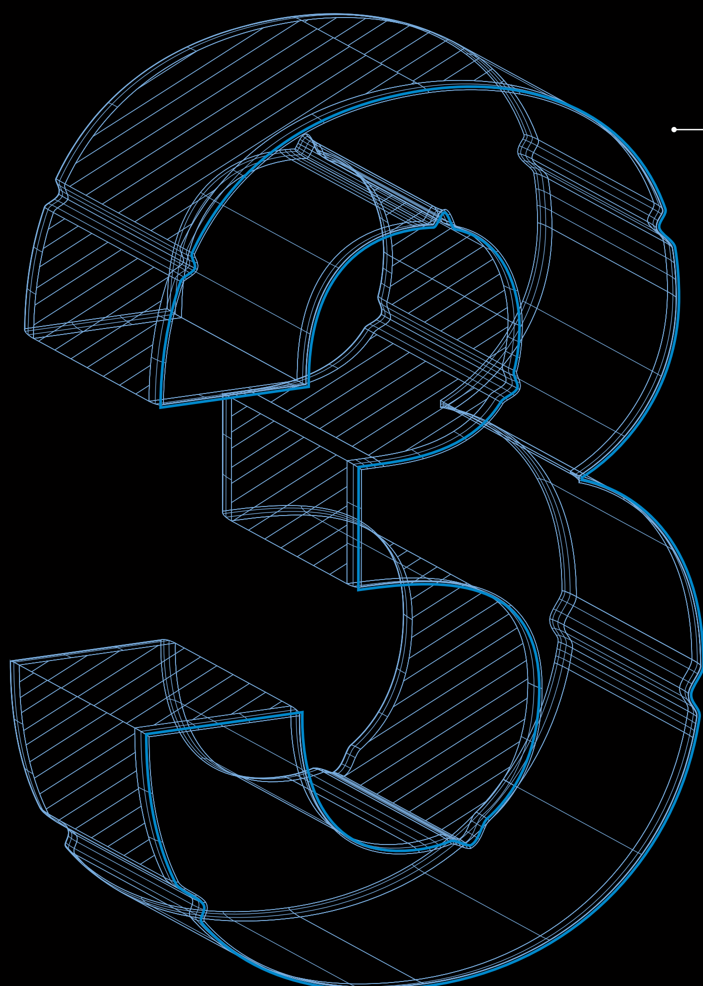
Bowing



Twisting

03

MANUFACTURED
CAPITAL



MATERIAL ISSUES

- Diversification of plywood products
- Optimal utilisation of sawmilling technology
- Upkeep of plant maintenance

EXPAND AND UTILISE FACILITIES OPTIMALLY, BOTH IN FUNCTION AND IN LOCATION

THE IMPORTANCE OF THE KEY PERFORMANCE INDICATORS

- Capital expenditure towards the purchase of property, plant and equipment is a measure of the Company's expansion and growth.
- The value margin measures the extent to which value had been added through the production process. The calculation is based on the log costs together with the variable costs. The value margin is used to determine the break-even volume required to cover fixed costs. This is measured separately for the sawmills and the plywood plant.
- The safety margin is also measured separately for the sawmills and the plywood plant. It is a measure used to quantify the ability of a processing unit to cover its operational costs. It is calculated by dividing volume produced above break-even volume by the break-even volume.
- Growth will be influenced by volumes, measured as market share in both lumber and plywood products.
- Electricity consumption is monitored closely for both efficiency and cost-effectiveness.

KEY PERFORMANCE INDICATORS

		2014	2015	2016	% change	2017	% CAGR	2019 target*
Purchase of property, plant and equipment	R'million	66	203	283	(46)	**154**	33	1 750
Value margin								
– Sawmills	%	42	41	43	–	**43**	1	45
– Plywood plant	%	39	44	43	(6)	**41**	1	48
Safety margin								
– Sawmills	%	11	10	19	(14)	**17**	15	20
– Plywood plant	%	27	41	27	26	**34**	9	30
Market share								
– Lumber	%	21	22	23	3	**24**	5	26
– Plywood	%	70	62	65	–	**65**	(2)	80
Electricity consumption	MWh	49 651	49 062	50 804	12	**56 945**	5	50 561

** As reported in 2016 and not revised pending the outcome of York's REIPPPP bid.*

Refer to pages 18 and 19 for further detail on these KPIs and their significance to value creation at York.

OPTIMAL UTILISATION OF SAWMILLING TECHNOLOGY

Every tree is unique. The shape, size, internal properties and surface properties of a tree are influenced by its genes, climatic conditions, soil conditions, silviculture practices, pests, diseases, competitor plants, height above sea level and topography.

The tree typically grows for a period of 20 years and during this period it adapts to the external environment. For these reasons, the properties of one tree are different to all other trees. The products produced at sawmills have standardised dimensional, quality and strength requirements. The challenge is therefore to produce standard products from trees which are not uniform. The effectiveness of achieving this goal is measured in terms of volume recovery.

Lumber is used for various applications – construction material, furniture, packaging, transport and many more. The market size, pricing and requirements for each application differ from the other. In terms of optimising the value generated from raw material, the goal is to gain the maximum value for the products produced with the minimum amount of raw material while satisfying the market requirements. The effectiveness of achieving this goal is measured in terms of value recovery.

Technology is utilised to transform trees into lumber. In the sawmilling industry, this includes conveyors, scanners, position alignment and orientation manipulation equipment, saws, drying kilns, grading equipment, finger jointing machines and planers. Each technology has strengths and weaknesses in terms of accuracy, speed, reliability, flexibility and wastage generated. The manner in which the different types of technology are used in combination determines the success of achieving the optimal value recovery.

The sawmilling process typically starts with a scanner, which scans each tree log. Sabie, Jessievale and Driekop sawmills make use of this technology. The scanner digitises the log so that specific attributes like volume, small-end diameter, length, sweep, taper and ovality can be identified and used in further optimisations. This information is used to classify each log into standardised categories based on optimal cutting patterns. Each log is stored with other logs with similar features. The logs with similar feature are processed in batches, where a similar cutting pattern is used.

The next process is the primary processing step (wet mill), where each log is again scanned to identify the external properties of the log. This data is then used to determine the optimal processing process for that specific log. Driekop sawmill has two primary processing lines which are also technologically different. This year a new log infeed was designed and installed by York, which will enable it to run different batch types at each line. This means that the optimal value can be generated from each line. Handling equipment is used to rotate, position and align the log to achieve the optimal value recovery from that specific log. During this process the logs are transformed into lumber. Every piece of lumber is scanned and sorted according to its thickness and width into standardised sorting classes.

After this primary processing step the lumber is dried in kilns. The kilns are designed in such a manner that they provide the optimal amount of air flow, humidity and temperature to dry the lumber in the shortest available time while not causing drying defects that will reduce the value of the lumber. The thermal energy utilised in the kilns is provided by steam produced in boilers that use woody biomass as fuel. The fuel is sourced from the by-products produced during the lumber production process and no external fuel is used. This forms an environmentally friendly closed energy cycle. The temperature and pressure of the steam is kept constant in the boilers

York is a company driven by innovation and diversification

with electronic and mechanical control systems to ensure that the optimal amount of energy is produced for the kilns. N&M sawmill also has a heat recovery kiln. This type of kiln uses excess energy from other kilns to dry lumber and further improves the overall thermal efficiency of the plant.

Once the lumber has been dried it is transported to the secondary processing step (dry mill). In the dry mill lumber is sorted (graded) according to the requirements of its final application type. The external and internal properties of each piece of lumber are evaluated and each board is categorised and grouped according to standardised products. Lumber with defects or that is too short for the intended market is transported to a finger jointing machine. At the finger jointing machine each plank is evaluated either by an operator or a scanner that identifies the external (shape, size and colour) and internal properties (knots, grain deviation, moisture content, stiffness, resin, cracks, pith, rot) of that piece of lumber. The defects are marked, where after it is removed. The ends of the planks are profiled and the optimal amount of glue is applied to the profiled section to ensure that the planks are fixed together strongly enough without using too much glue. The planks then enter a press where they are pressed together and cut to size. This process ensures that wood that, under normal circumstances, would not have been suitable for structural purposes is modified into a composite wood product that is at least as strong as a plank with no finger joints. Quality control processes (which are verified by an independent third party) are implemented on a continuous basis to ensure that the glue bond is stronger than the wood on its own. During this year, a new finger jointing machine was installed at Sabie sawmill that enables York to produce more finger jointed lumber. The added benefit of a finger jointing machine is that it enables a sawmill to produce lumber at the exact length the market requires and therefore improves market responsiveness.

The final process is the planer. Every piece of lumber to be used in the construction industry is planed. The cross-sectional dimensions of every board are standardised so that it can easily be used. The process also uses technology to ensure that every board is orientated, positioned and aligned in order to remove the minimum amount of wood from the lumber. Once the lumber has been planed it is again graded according to its external and internal properties, where after it is sorted into different strength classes based on its final application. Finally, the lumber is strapped, marked and transported to the customer.

The whole process is continuously simulated using computer software to ensure that optimal value recovery is achieved while satisfying the market requirements. This process considers the different log categories and the most appropriate cutting patterns that can be used. Based on the log availability and market demand, the cutting patterns are chosen to create the optimal value for the business.

CREATING VALUE THROUGH PLYWOOD MANUFACTURING

The Plywood Expansion Project was commissioned during the year and immediately started making an impact on York's value creation efforts. The project delivered:

LOG YARD UPGRADE

The plywood log yard was previously a gravel area that became muddy in the rainy season and dusty during the dry season. The gravel surface made it difficult for mobile equipment to operate effectively and also resulted in the debarked stock stored on the yard being covered in dirt. As part of the Plywood Expansion Project, the entire log yard was resurfaced with Salphalt®. The upgrade resulted in a smooth log yard surface with good drainage and eliminated the dusty and muddy conditions. The investment ensures that debarked logs remain clean for the conditioning and peeling process.

LOG CONDITIONING CHAMBER

The new conditioning chamber operates a continuous process that moves log batches through the chamber on a wheeled trolley system. It is the first of its kind in South Africa. The chamber replaced the old vat system that made use of steam to condition logs in cement baths for peeling. Logs were moved in and out of the cement baths by an overhead gantry crane. Although the new log conditioning chamber also uses steam to condition the logs, the chamber reaches the required log core temperature far quicker. This time saving results in an increase in throughput and a saving in terms of steam and water utilisation. Since trolleys are now used to move the logs through the chamber, the overhead gantry crane was removed, providing a further safety benefit. The log trolleys are fed through the conditioning chamber automatically by a hydraulic pusher system that ensures better control of the conditioning process and therefore good peeling quality.

LAY-UP LINE

The lay-up line is a semi-automated plywood production line. Previously, glue was applied to veneer manually with glue rollers. This required more glue and resulted in substantial glue wastage. The glue rollers operation was replaced by a semi-automated lay-up line. The line makes use of glue spraying technology that provides lower and efficient glue application rates. The overall benefit of the lay-up line is increased production capacity and lower production cost as less glue is used.

BLISTER DETECTOR

The blister detector was installed to analyse panel bond quality. This technology ensures that York's high-value plywood products meet the quality requirements of the export market.

48 DAYLIGHT PRESS

After commissioning the Plywood Expansion Project and as production increased, press failures were encountered. Two of the three presses were classified as redundant due to metal fatigue. The 48 daylight press was installed to replace these two presses. The pressing technology has integrated thickness control functionality that ensures consistent panel thickness. This improvement in thickness control significantly enhances the quality of the final product. The press also has an auto-feeder compared to the replaced presses that were both fed manually. The net result of this installation is increased capacity and improved panel quality.

VENEER DRYER

The new veneer dryer employs the latest control technology that enhances drying quality and, ultimately, the final product quality. The dryer also added increased drying capacity and thereby allowed the decommissioning and removal of the oldest and smallest dryer. Additional drying capacity has the benefit that the plywood plant can perform at higher capacities when required and do so at optimised cost.

AUTOMATED VENEER GRADING AND STACKING

The veneer grading and stacking line operates as the outfeed of the new veneer dryer. The line can sort and stack veneer sheets automatically, a task which previously had to be done manually. The automated grading and stacking line ensures that different grades of veneer are consistently batched correctly for further plywood product manufacturing. This ultimately results in consistent quality of the final plywood products. The visual defect analyser (VDA) scanner, which is part of the automated grading line, determines the grade of the veneer. The data from the VDA scanner is used for production planning to ensure that the highest value products are made from the available veneer, thereby contributing to the plant's overall value recovery.

BOILERS INSTALLATION

Two new dedicated boilers were installed, providing additional steam capacity. The new boilers are equipped with better control technology that enables improved steam supply to the production process. A fuel feeding walking floor and conveyor was also installed, allowing the boilers to control the amount of fuel they receive based on production requirements.

The plywood products in various grades manufactured by York are certified by three different certification bodies:

South African Technical Auditing Services (SATAS) is a South African-based body that ensures compliance with the South African plywood standard SANS 929 and relevant building regulation requirements. SATAS certification ensures compliance with local market requirements regarding strength, durability and appearance depending on the intended application.

Conformité Europóene (CE), French for European Conformity. This is a performance-based specification and a requirement for all structural material that is exported to European markets, ensuring that products manufactured locally are on par with international competitors regarding performance.

AUDITED BY TP®

Timber Products Inspection Inc. (TP) is an American auditing and certification body and is responsible for auditing York's compliance to the American standard PS 1-09. This ensures that York's panels conform to US requirements for exterior use.

In addition to certification to various standards, York can also apply the following marks to its products:

International Plant Protection Convention (IPPC) developed the ISPM-15 standard for wood packaging in international business. York's plywood products conform to the requirements set out in the ISPM 15 regulations, ensuring that the timber is heat-treated and can be exported across borders.

Forest Stewardship Council (FSC) is an international non-profit organisation to which York voluntarily subscribes. The FSC promotes environmentally appropriate, socially beneficial and economically viable management of the world's forests.

UPKEEP OF PLANT MAINTENANCE

With the rapid mechanisation and linkage of all the processes within the supply chain, focusing on continued supply and limiting safeguarding buffers within the chain in order to optimise available space and reduce multiple handling, opens up room for the weakest link effect. Any unplanned component failure could bring the complete line to standstill. Therefore plant reliability is of utmost importance in maintaining the target overall equipment effectiveness.

IMPROVED PREVENTATIVE MAINTENANCE PROCEDURES

In order for York to follow a proactive preventative maintenance philosophy, it is required to identify critical equipment and components that can have a negative consequence in the event of failure. The Company follows a simplified risk-based inspection and maintenance plan with a rationale to establish an effective preventive, condition and risk-based inspection programme with a formalised technical basis. This contributes to York's goals of improved personnel safety, optimal equipment reliability and plant availability, statutory compliance, maximised plant life and optimal operational costs.

Risk-based inspection (RBI) is an analysis methodology and process that, unlike condition-based inspection, requires qualitative or quantitative assessment of the probability of failure (PoF) and the consequence of failure (CoF) associated with each identified equipment item in a particular process unit.

The process is divided into the following phases:

1. Identification of critical equipment and main components and assessing the level of risk associated with it

- A risk matrix template was developed that allows the capturing of the critical main components and the risk associated with each component.
- The template is distributed to the mill engineers for completion.
- The completed risk matrix must be reviewed by mill management and other stakeholders to confirm the risks assigned to each critical component.
- Failures that occur regularly are flagged as a risk. This triggers a root cause analysis that leads to a possible design or process change in order to eliminate the risk.

2. Identification of actions or action plans to address either the probability of failure (PoF) and/or the consequence of failure (CoF). This will reduce the overall risk profile for that component

Risk is calculated as follows:

Risk = PoF x CoF

In terms of PoF:

- Establish routine maintenance for each critical component. The frequency will depend on the risk associated with the component. A routine maintenance checklist was developed for each critical component. The maintenance checklist is completed by the assigned technicians and checked by the mill engineer to ensure completeness.
- Condition monitoring, including checking oil samples, vibration analysis and temperature monitoring, was implemented to ensure that critical components keep running during normal conditions.

Effective maintenance is required to achieve York's OEE target of 75%

- Redundant components (products which are no longer manufactured or that are not being serviced by suppliers) or end-of-life components (components that have reached the end of their life span) are replaced.
- Components are standardised on-site and between the different sites to limit the amount of spares required.

In terms of CoF:

- Ensure that the established minimum quantity of critical spares is in stock for critical components to reduce downtime as a result of failure.
- Train technicians to ensure that the necessary skills are available to fix problems.
- Agreements with suppliers to keep expensive critical components in stock at their premises to be readily available or keep consignment stock at the site stores (as is the case with Raute).
- In the case of common components between the different sites, ensure that at least one site keeps the component in stock to ensure availability.
- Establish an action plan for each type of major failure to limit production, safety and environmental impact.

With a plant and overall Company total risk profile, proactive preventative maintenance planning, scheduling and budgeting can be done in order to reduce equipment risk and ultimately improve the overall equipment effectiveness.

The simplified risk-based inspection not only looks at production-associated consequences, but also at health, safety, business and environmental consequences.

AVAILABILITY TRACKING PROCESS

Job cards are issued when a breakdown occurs which captures the duration of the breakdown as well as the duration of the required repair work. This indicates the level of skills available and the planning that went into the repair work. The aim is to reduce the time required for the repair work.

The duration of each breakdown is recorded against the specific piece of equipment that failed. The information is summarised and the total plant availability is calculated. The calculated availability is then compared to the target availability of 85%.

KEY PERFORMANCE INDICATOR

Overall equipment effectiveness (OEE) of 75%

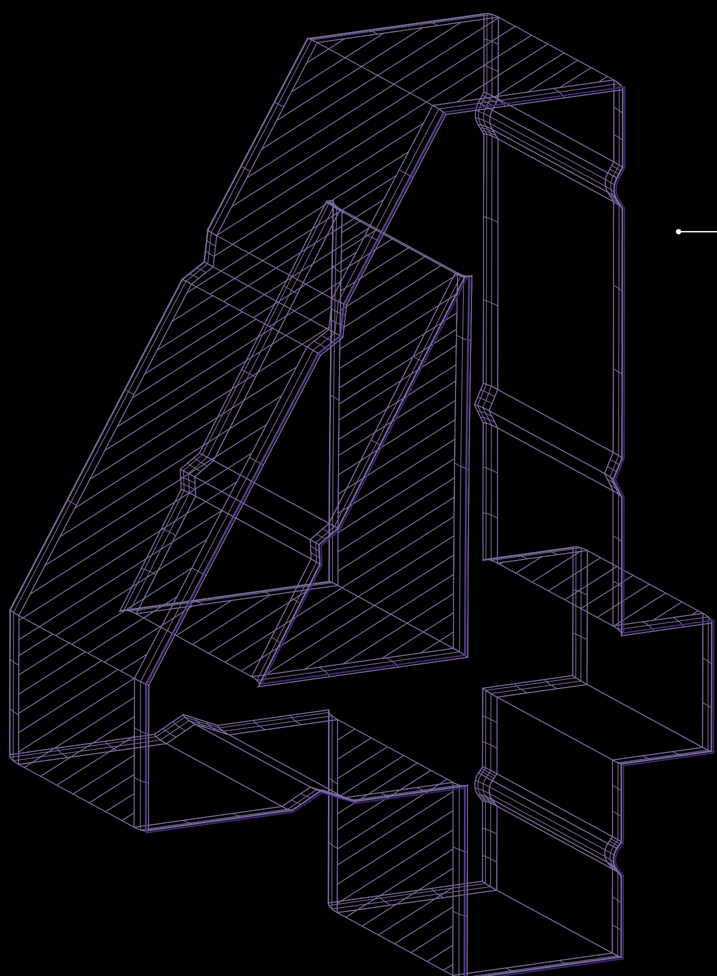
OEE is a standard for measuring overall equipment availability in order to quantify the effectiveness thereof.

OEE = Availability x Performance x Quality

The main aim in a continuous mechanised system is to use all equipment as effectively as possible without neglecting required maintenance. All equipment must be synchronised without excessive buffering and without any bottlenecking. By focusing on the associated risk profile of each piece of equipment and taking the individual equipment effectiveness into consideration, effective maintenance is executed to drive OEE to our target of 75%.

04

INTELLECTUAL
CAPITAL



MATERIAL ISSUES

- Product development, including value-added wood products to increase product offering
- Focus on service levels with initiatives, versatility and adaptive to market developments
- To enhance decision-making abilities

DELIVER THE BEST PRODUCTS AS EFFICIENTLY AS POSSIBLE

THE IMPORTANCE OF THE KEY PERFORMANCE INDICATORS

- The value of new products launched gives an indication of management's ongoing commitment to innovation.
- The LogTrace management system is vital to York's efficiency and internal controls.
- FSC certification indicates that York operates in an environmentally, economically and socially responsible manner.
- The diversified product mix of lumber to plywood fluctuates over time in line with customer requirements and efficiencies.
- The impact of Project Evolve is to create a dynamic platform for York's growth strategy and is measured through its annualised contribution benefits.

KEY PERFORMANCE INDICATORS

		2014	2015	2016	% change	2017	% CAGR	2019 target*
Products launched	R'million	30	36	41	8	**44**	13	50
LogTrace management system	R'million	2	3	2	(43)	**1**	(28)	1
FSC certification		Yes	Yes	Yes		**Yes**		Yes
Diversified product mix – Lumber:plywood:biomass	%	81:19:0	82:18:0	82:18:0		**81:19:0**		65:20:15
Project Evolve annualised contribution benefits	R'million	–	43	9	(3)	**9**	–	9

** As reported in 2016 and not revised pending the outcome of York's REIPPPP bid.*

Refer to pages 18 and 19 for further detail on these KPIs and their significance to value creation at York.

FOCUS ON SERVICE LEVELS

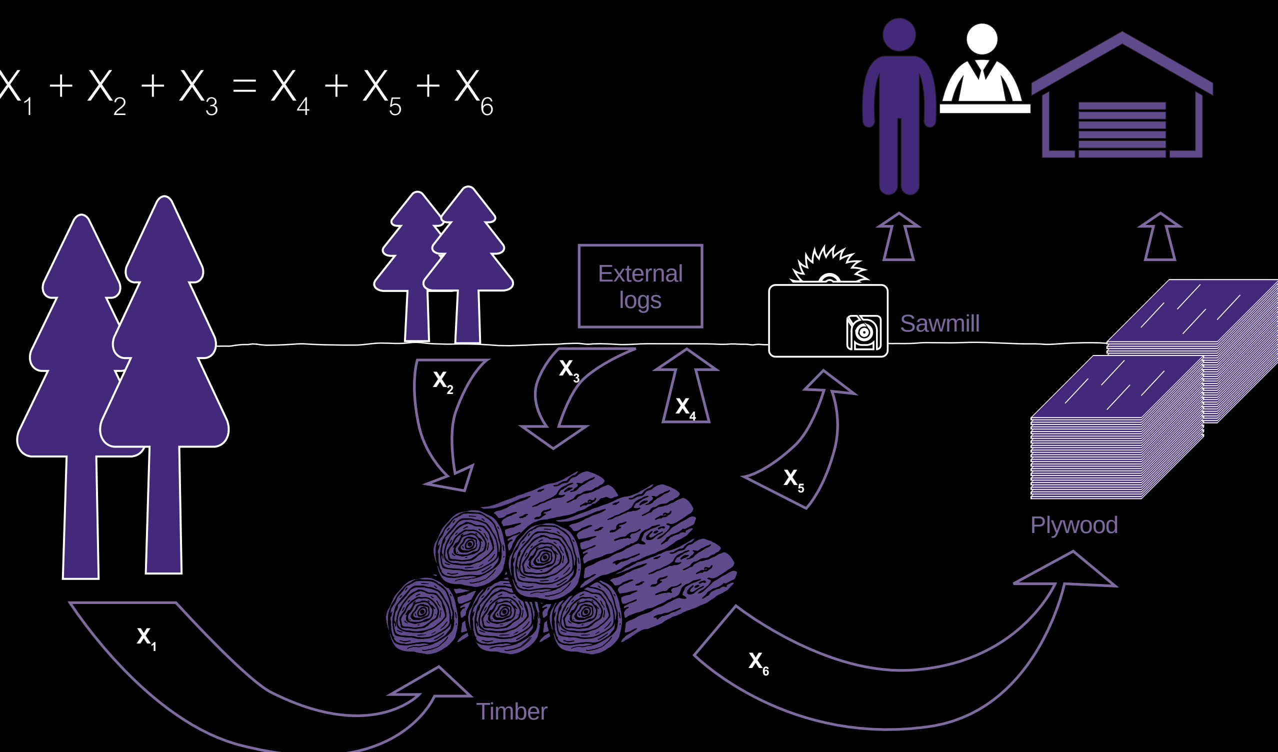
with initiatives, versatility and adaptive to market developments

In the past year, the Wholesale division focused on service levels and meeting market needs by doing the following:

- New warehouses were opened in strategic locations throughout the country to expand York's distribution network and footprint;
- The integrated marketing and sales approach was streamlined by consolidating the bulk sale and wholesale teams. This enhanced productivity and flexibility as team members can sell a specific product range to certain customers;
- The product stockholding was optimised to guarantee quick response times – delivery to customers is target to deliver within 24 to 48 hours from order placement;
- The logistics capability and capacity was improved through the addition of more delivery vehicles at the warehouses;
- The sales staff complement was strengthened in the Western Cape market;
- The in-house remanufacturing facility at Roodekop (Gauteng) also gave the division the capability to react quickly to customer demand and produce what is needed at short notice;
- The product offering is expanded continually and now consists of a wide range of timber products over and above what is sourced from York's own mills and plywood plant; and
- Optimising the Roodekop site through increased covered storage space and centralising the product range for customers to purchase at the cash sales area.

SCHEMATIC ILLUSTRATION OF PRODUCTS FROM PLANTATIONS TO CUSTOMERS

$$X_1 + X_2 + X_3 = X_4 + X_5 + X_6$$



PRODUCT DEVELOPMENT

Development of new products (including value-added wood products) to increase York's product offering

The development of York's Roodekop remanufacturing facility and the expansion of the product offering provides the opportunity to extract maximum value from the sawmills' slower-moving products.

High-value products extracted from these products include mouldings, packaging products, furniture and DIY components. The past year was dedicated to enhancing the delivered product quality along with the research and development (R&D) of a new range of products that will soon be added to York's current product offering.

Three consecutive R&D projects were completed in conjunction with the Department of Forestry and Wood Science at the University of Stellenbosch to expand the product offering:

- The development of a cross-laminated timber national standard for South Africa;
- The destructive testing of laminated purlins and introduction of a grading standard; and
- Manufacture and testing of timber I-beams used in formwork for construction.

CROSS-LAMINATED TIMBER (CLT)

CLT is a timber panel that is made up of three, five or seven timber layers, or lamellas, glued together, with the grain direction of each layer oriented at right angles to one another. CLT panels are manufactured in widths of 0,5m to 3m, lengths up to 18m and thicknesses up to 300mm. The available length of the transport method (truck and trailer) determines the length of the panel that is manufactured.

CLT panels have excellent strength, stiffness and dimensional stability properties and therefore can be employed for long-span and high-storey applications with various configurations in the construction industry. CLT panels can be used inside buildings for floors, walls and ceilings (natural, painted or clad) or outside (preservative treated, painted or clad).

A draft South African national standard was compiled for CLT manufacturing. This standard will be unique, comprising the CLT manufacturing and quality requirements that must be adhered to under South African conditions. It was delivered to the South African Bureau of Standards (SABS) for approval and publication by 2019. The manufacturing of CLT will provide York with the opportunity to develop and establish the South African construction market and contribute to the CLT global market.

York has produced a diverse range of high-value products to supply to markets that have a variety of applications for plywood

LAMINATED PURLINS

Purlins are horizontal structural sections utilised in roof construction. The purlins support the load from the roof and transfer the load to the roof beams. York manufactures 50mm by 76mm purlins (solid or finger jointed) for the structural market. Solid timber purlins are prone to warping in the dryer areas of South Africa due to the variability of the material and the difference in humidity compared to the area where the purlins are produced. Laminated purlins provide a viable alternative as these sections are exceptionally stable in areas of varying humidity. Another benefit is the use of lower-grade industrial grade timber to manufacture the laminated purlins.

A sample of 80 purlins of 1,5m were laminated with polyurethane glue and sent to the University of Stellenbosch for destructive testing to determine the modulus of elasticity (MOE) and modulus of rupture (MOR), needed for structural grading. The results from these tests provided superior strength and stiffness properties compared to that of solid South African pine. The consistent performance of the laminated purlins also provides an option to use these in the manufacturing of timber I-beam flanges.

TIMBER I-BEAMS

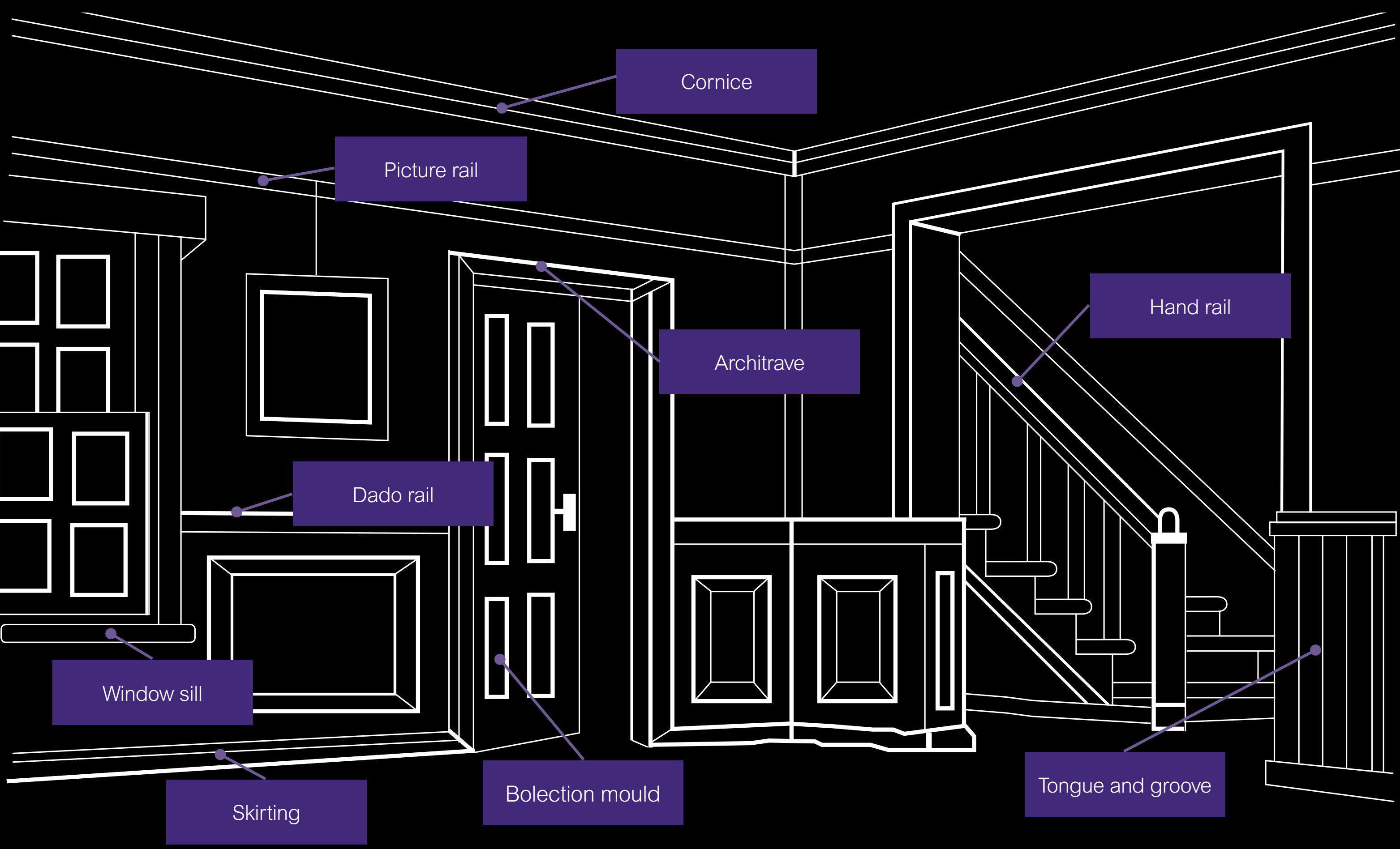
I-beams are used as formwork supports for floor-slabs and wall formwork in concrete construction work. The market for I-beams in South Africa provides an opportunity for York to enter this market with a high-quality product.

A sample of 55 I-beams of 3m were manufactured at Roodekop for destructive testing at the University of Stellenbosch. Preliminary results produced a high mean MOE that provides an excellent basis for the full-scale manufacturing of York I-beams. Product development and testing is ongoing.

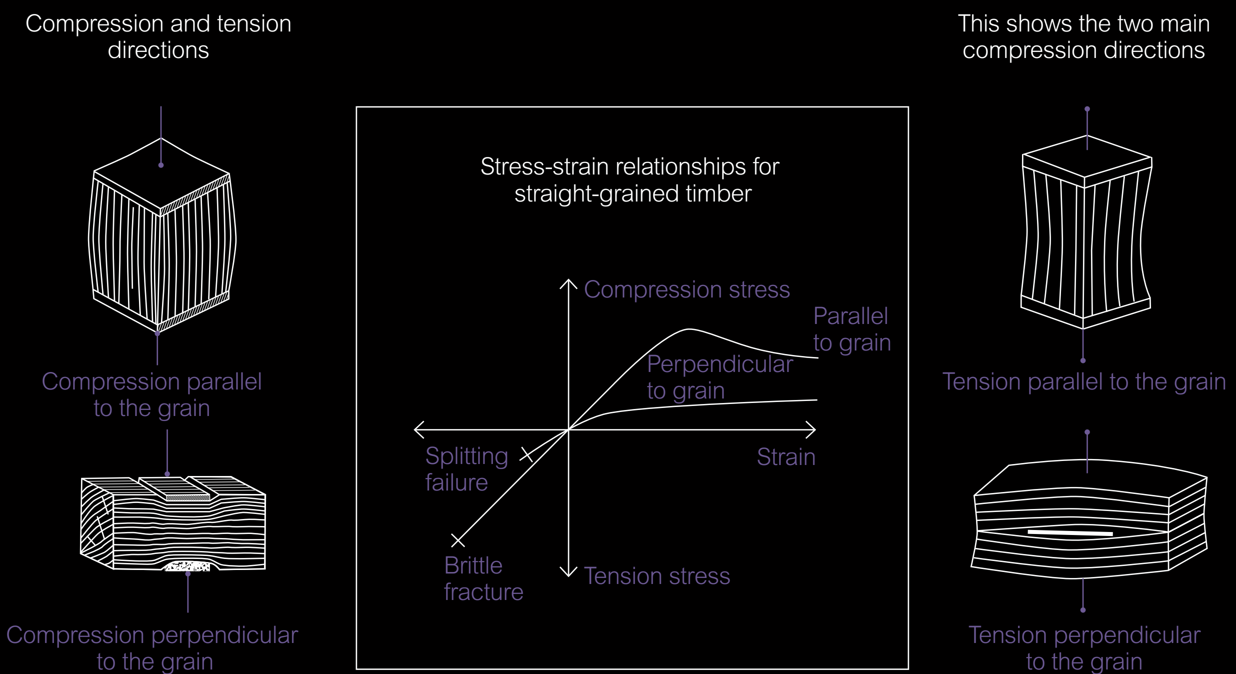
OTHER PRODUCTS

York's product offering will be expanded further with the utilisation of lower-grade plywood to manufacture value-added products such as laminated and nailed dunnage, plywood utility boxes and webs for the manufacture of timber I-beams. This provides York with the ability to extract maximum value from its mill products.

VALUE-ADDED PRODUCTS

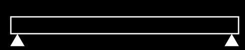


WOOD PROPERTIES

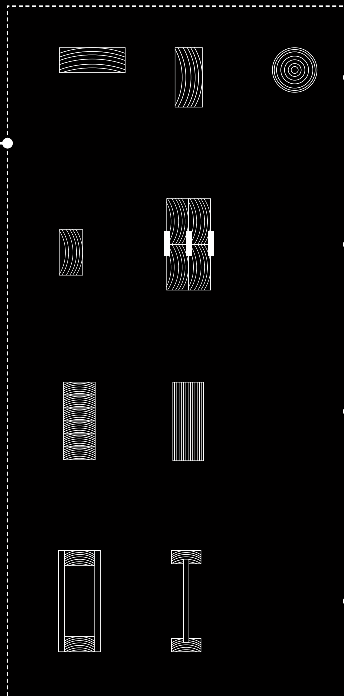


MATERIAL AND SPANS FOR SIMPLE STRUCTURAL FORM

Beams

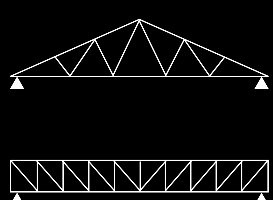


Cross-section



Materials	Likely range spans (m)
Poles	3 – 12
Sawn timber	
– standard size	1 – 6
– nail plate end jointed	4 – 8
– finger jointed	4 – 8
Sawn timber, nail plate laminated	6 – 15
Glue-laminated timber	4 – 25
Laminated veneer lumber	4 – 18
Flange	
– solid timber	4 – 18
– glue-laminated timber	15 – 30
– laminated veneer lumber	15 – 30
Webs	
– plywood	6 – 30

Trusses



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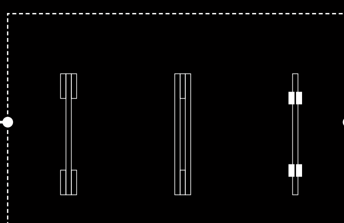
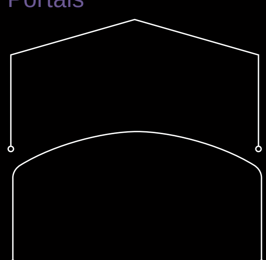


Materials	Likely range spans (m)
Solid timber, laminated timber or laminated veneer lumber (a) and (b) bolt-connected (c) nail plated	6 – 30

Portals



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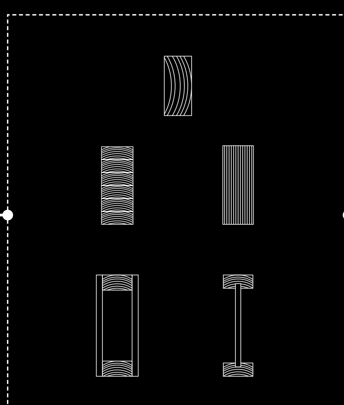
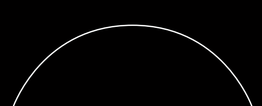
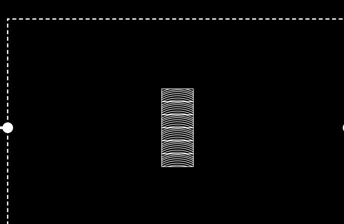


Materials	Likely range spans (m)
Sawn timber	6 – 12
Glue-laminated timber	8 – 40
Laminated veneer lumber	
Flange	8 – 25
– solid timber	
– glue-laminated timber	
– laminated veneer lumber	
Webs	
– plywood, laminated veneer lumber	
– trusses	

Arches



Cross-section



Materials	Likely range spans (m)
Glue-laminated timber	8 – 100
Nail-plated timber	8 – 35

ENHANCE DECISION-MAKING ABILITY

Information technology (IT) has a major influence on the way people interact with each other, do business and how our societies function. The timber industry is not exempt from this phenomenon.

As stated in previous reports, York places great value on having accurate and timely information available to managers to improve the decisions made. The quest to fully integrate all its systems, utilising the available mobile communication channels such as messaging and expanding the mobile work force, is ongoing and ever-expanding.

IT PROGRESS

Over the last two years, York has made a substantial investment in building the infrastructure to facilitate this goal. The Company has completed most of the network upgrades towards the 100Mbps inter-site connectivity goal. Because of the rural environment where it operates, this remains a real challenge. The operations on the Highveld will be the last link to be incorporated onto the 100Mbps backbone in the next year.

York also embarked on upgrading its server architecture. With the explosion of mission-critical applications being implemented in forestry and the processing plants, York is investing in high-availability cluster server architecture. This will allow the Company to process and store all the information in its main server room, with replication to an off-site location. If there is a failure or load balancing is required, services can be moved seamlessly to another node in the cluster, ensuring maximum uptime and high processing capacity. This is specifically driven by the demand on resources given the advances in precision forestry and manufacturing. With the completion of the log tracking and stock control system, users are identifying needs for deeper analysis of the available data.

Precision forestry is the use of digital technology to obtain accurate information about the biological asset to improve the decision-making process, and applying specifically directed operations to individual compartments to improve wood product quality and utilisation, reduce waste and increase profits while maintaining the quality of the environment. The tools used include remote sensors, navigation systems and geographic information systems for tree identification and wood material or property testing and measurement.

York has been using geographical information systems (GIS) for many years. For the past two years, the Company has used advanced algorithms to determine the best species for each site based on the modelled terrain, soil type, precipitation, temperature and other attributes. From these studies, it redefined the operational management actions for each compartment to extract the best growth for the biological asset on the site.

During the year under review, York completed its forestry operations room. The foresters can now monitor production and log stock levels, plan and manage inbound transport as well as use it as a command centre during firefighting. Although most of the York plantations are monitored by digital cameras, there are still a few manually monitored lookout towers. York continues to convert these towers to electronic monitoring stations.

Each system or information source must align with a specific area in the Company's strategy, supporting its strategic objectives and initiatives

FUTURE PROJECTS

In the coming year, York plans to complete the server upgrade. This platform is the building block to accommodate the future data processing and storage requirements of the Company. It will host all simulation and data analysis processing, whether on predicting future biological asset growth, analysing market trends or optimising logistics cost and scheduling.

In its endeavours to move to precision forestry, York invested in drone technology. This will enhance forestry operations planning with more accurate data on the biological asset down to stand level and sometimes even individual tree level. The drones with their sensors will be used to more accurately determine the biological asset volumes and health. Digital photogrammetry is being used during the initial experimenting to determine digital elevation models (DEMs) and digital surface models (DSMs). The DEM is a three-dimensional model of the earth's surface without the tree and the DSM is the three-dimensional model of the surface formed by the tree tops. The difference between the two models is the height of the trees. Integrating other sensors such as multi-spectral, near-infrared and thermal offers the possibility to determine plant health, offering possibilities for highly targeted responses to disease and growth variations. York also plans to introduce light detection and ranging (LIDAR) technology to more accurately determine the biological inventory via ultra-dense 3D point clouds. LIDAR is similar to radar but, instead of using radio waves, it uses laser light for higher accuracy. With digital photogrammetry, the surface of the earth must be photographed without any tree to determine the DEM. With LIDAR, both the DEM and DSM can be determined at the same time.

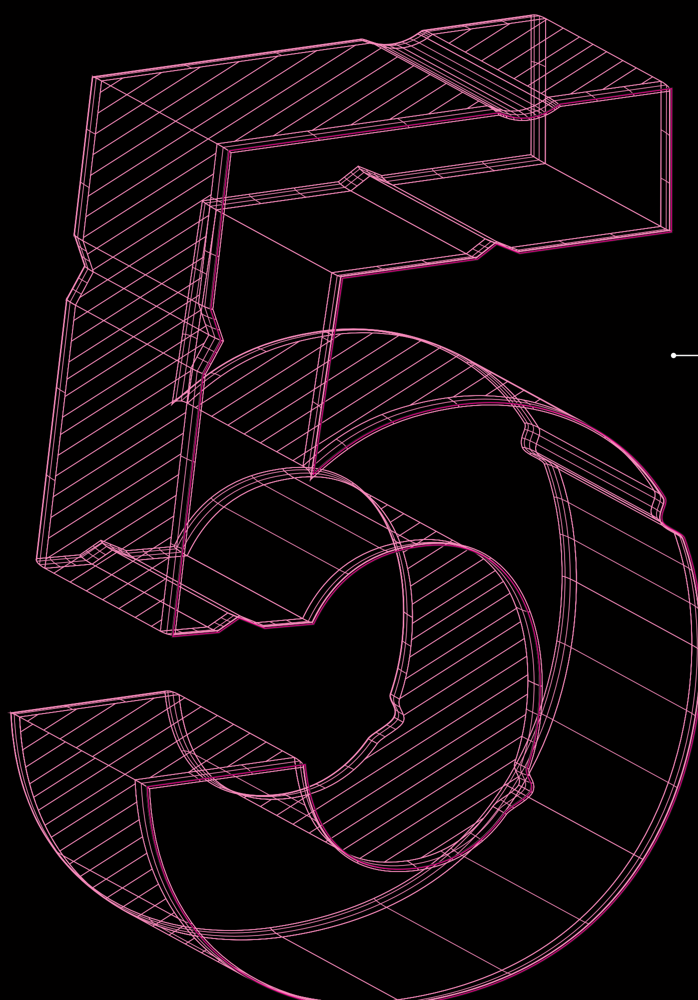
York started a multi-year project to identify individual trees for the appropriate product. It is currently defining the project scope. The goal is to determine the correlation between the tree environment (terrain, slope, precipitation for example) and physical characteristics (ratio between year-rings for example) and the ultimate product that will be manufactured from the log. This data will be gathered in-field, uploaded to the server and analysed to identify the correlations between the different characteristics and factors. This will allow York to direct individual trees towards specific processing facilities to extract optimum value from the tree.

York is always driving towards improving its processing plants' efficiencies and productivity. IT is also employed in this area. Apart from tracking production metrics, maintenance schedules and costs, material is also tracked as it moves through the plant. The production planners are using this information to optimise the production, but this information can also be used to trace back the end product to the compartment information. Being able to trace the tree from seedling to final product will allow York to extract the best value from the tree.

In its drive to extract the best return on assets, York is tracking costs to ever-smaller activities. In order to implement such detailed cost accounting, York has reached the final phase in replacing its current financial system with a totally integrated system across all the business units. The goal is to track the financial inputs per seedling throughout its life cycle to final product.

05

HUMAN
CAPITAL



MATERIAL ISSUES

- Create a professional and stimulating business culture

ATTRACT, DEVELOP AND STIMULATE THE RIGHT MINDS

THE IMPORTANCE OF THE KEY PERFORMANCE INDICATORS

- York's most valuable asset is its people. Staff turnover, or rather the absence thereof, is a clear indication that their needs are met and that they want to grow with the Company.
- People trained indicates the extent to which further development of the workforce has taken place.
- The lost time injury frequency rate is a reliable measure of safety.
- In addition to their training and safety, York also cares about its people's health. The number of people seen at York clinics for both primary healthcare and occupational healthcare reflects the extent thereof. Staff counselling statistics are also tracked.

KEY PERFORMANCE INDICATORS

		2014	2015	2016	% change	2017	% CAGR	2019 target*
Staff turnover	%	6,7	2,6	3,5	(77)	**0,8**	(51)	2
People trained	number	1 719	1 835	3 083	(17)	**2 562**	14	4 285
Safety – lost time injury frequency rate	factor	1,2	1,8	1,7	(5)	**1,6**	10	1,5
Clinics – number of visits at York clinics		16 985	15 568	16 754	–	**16 716**	(1)	17 105
– Primary healthcare		14 242	12 959	14 416	–	**14 403**	–	14 825
– Counselling		2 743	2 609	2 338	(1)	**2 313**	(6)	2 280

** As reported in 2016 and not revised pending the outcome of York's REIPPPP bid.*

Refer to pages 18 and 19 for further detail on these KPIs and their significance to value creation at York.

CREATING A PROFESSIONAL AND STIMULATING BUSINESS CULTURE

The York Training Academy was established to provide progressive training opportunities that will increase and diversify the skill sets and knowledge of York's employees. This advanced approach to training is achieved by extracting the best knowledge from subject matter experts and will result in broadening the scope of talent within the Company. Employees are encouraged to apply their newly acquired knowledge and skills in the workplace.

The utilisation of the York Training Academy resources is continually monitored to ensure optimal capitalisation. The Quality Management System and training processes have been aligned to meet the strategic objectives of the Company.

The Group has training provider accreditation with the Fibre, Processing and Manufacturing SETA as well as the Transport Education Training Authority SETA, and upholds the standards of the South African Qualifications Authority to deliver the highest standards of excellence during training.

PROGRESSIVE DEVELOPMENT

The progressive development of individuals in the Company is evident through initiatives such as bursaries, leadership development programmes and the apprenticeship programme as well as the forestry learnership programme.

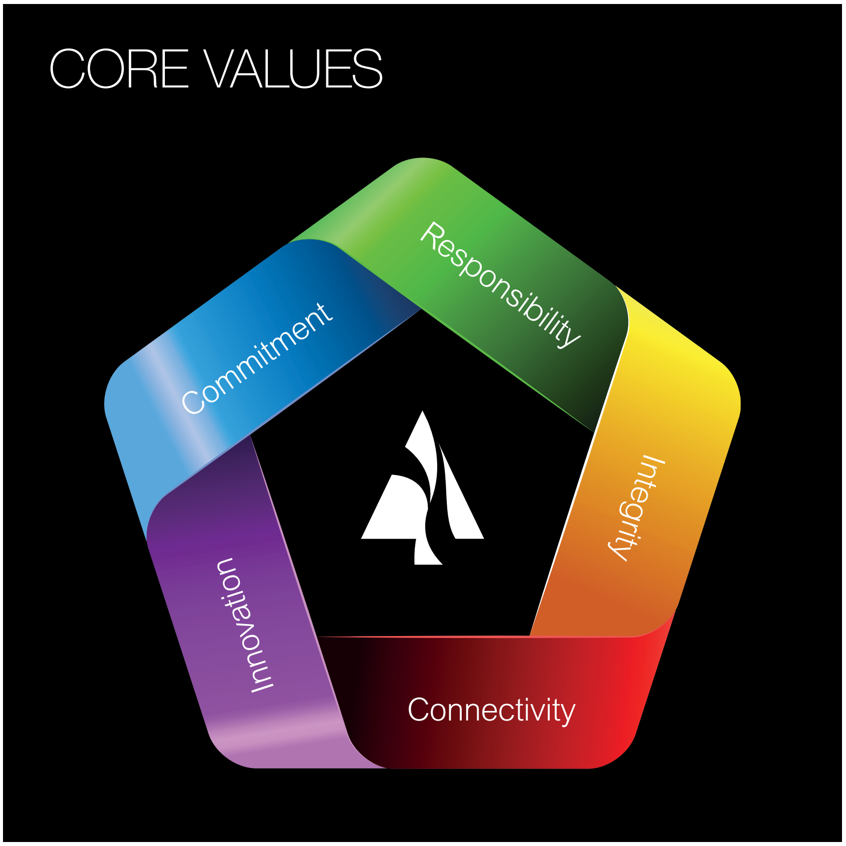
Community members trained
291

Contractor employees trained
643

Total number of individuals trained
2 562

Employees trained
1 628

TRAINING STATISTICS



WORK ENVIRONMENT

Professionalism is regarded as a prerequisite for working at York. This has resulted in an environment of competent, respectful and accountable employees working towards a common goal. This has been woven into the culture through ensuring that elements of professionalism are embedded in job profiles and job descriptions. The performance management system includes evaluations on professional behaviour, indicating a commitment to both Company values as well as to professional behaviour in a technical sense.

Managers work hard to ensure that no one crosses an ethical line. There is no tolerance for unprofessional conduct. Feedback and coaching are integral to all management roles and to ensuring that the standards of professionalism are maintained. Managers and leaders work hard to support the development of an effective working environment. The result is a company culture that is oriented towards results and where respect, initiative and collaboration are valued.

Challenges abound in this fast-changing industry as technology becomes increasingly critical and process-optimisation in all divisions impacts profitability. York staff remain competitive, keeping track and participating in new developments and local and international trends while participating in research and development in collaboration with international academic teams. Being at the forefront of this industry challenges York's top-performing employees and provides for a stimulating and competitive workplace.

AN EMPLOYER OF CHOICE

To expose prospective employees to the Company's values, York continues to host students from various tertiary learning institutions and from various disciplines. This can give a prospective employee some workplace experience through an internship or through vacation work where they gain first-hand experience on the Company's value proposition to its employees.

York promotes brand equity internally and externally through hosting annual events such as the York Rally and York Enduro Mountain Bike Rally

DEVELOPMENT AND STIMULATION OF THE RIGHT MINDS

York takes a dynamic approach to the development of talented individuals. The development is holistic, flexible and cross-functional to ensure that the talent pools have adaptable individuals that can operate in the various domains of work, both tactically and strategically. Added to this, the York Training Academy provides a customised service to meet employees' current training needs and career aspirations.

Through the York Training Academy there are a number of programmes aimed at multi-skilling these individuals to prepare them for the complexities of business. This includes leadership training as well as training aimed at strengthening technical competence. Apart from these formal initiatives, there are informal strategies in place to stretch them in terms of their ability. With the necessary support and guidance, talented people are involved in and given complex projects to manage. They are seconded or rotated to different and more multi-faceted roles and are given the opportunity to function within the 'donut' management structure. Through this they are exposed to and learn from specialist and experienced managers. They are given equal opportunity in cross-functional decision-making with shared accountability. Exposing these individuals to this management structure embeds the culture of shared accountability, promotes strategic competency development and improves collaboration. This is underpinned by a growth mindset approach to people. It also creates the opportunity for the identification and development of individuals for multiple roles within the Company. Through this process, York is well equipped with value-adding managers who are more than able to face the business challenges of the future.

York realises that one of the strategies to retain and stimulate these individuals is to reward them, both by monetary and non-monetary means. Value contribution, performance appraisals and individual cultural fit are taken into account when evaluations are conducted. High-performing employees are rewarded and talented individuals are remunerated well. Many star performers recognise that not all rewards are monetary. They value development, a sense of ownership, increased and more complex responsibilities and being an integral part of the York experience.

WHEN TEAM SPIRIT EXTENDS BEYOND THE WORKPLACE

The York Adventure Club ensures that there are always opportunities to meet and have fun as well as to compete in various sporting disciplines and enjoy the outdoors. This takes place during events such as the York Rally, York Enduro Mountain Bike Rally, Qhubeka Bike Club and the weekly sporting club activities that take place after-hours.

York has established a results-oriented culture with a mindset that promotes interactive intellectual debates based on the latest scientific principles and research. York's people continuously learn to see the world in new ways, question their assumptions and grow their skills to ensure that they and the Company will achieve their growth plans. The successful outcome is based on solid governance and systems to ensure that people know how to integrate professionalism with high performance.

YORK LEADERSHIP

In every organisation there is a distinct culture and leadership tone that develops over time, as leaders shape the company culture and respond to both successful and challenging circumstances. York has a well-defined leadership example that has an overall effective impact across the business. This trait is a clear signal on the kinds of behaviour that are supported, and what will not be tolerated.

A key element of the culture is the ethical attitude that York's leaders set. It means doing what one can to manage the company culture and knowing that culture impacts attitude and performance and ultimately affects the achievement of the Company's goals.

York is attentive to the quality of the leadership throughout the organisation and part of setting the right example means avoiding excuses and delivering results. A good excuse cannot remedy a bad result.

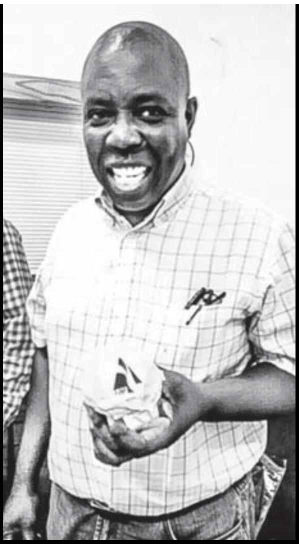
Being proactive and hands-on means many of the obstacles can be avoided rather than becoming justifications later on. Setting the right example also means encouraging open debate.

The leadership tone is also enhanced by leaders making York's values an integral part of the work experience. York leaders are committed to creating a value-based workplace. Every day behaviours of leaders embody the core values of the Company and these values are used as a framework to guide decision-making. This means translating these values into expectations and priorities through action. This also means recruiting and promoting individuals whose outlook and actions are congruent with these values. These core beliefs help build a strong team foundation and an even stronger company ethos.

The mix between young, qualified staff and more mature, experienced staff who are both given an equal opportunity for input and contribution and a seat at the leadership table creates an environment where leaders stay humble and hands-on in their approach to leading their teams. This is balanced by strong governance structures and compliance frameworks to ensure energy and contributions can be channelled while corporate governance remains steadfast.

York provides work experience in a synergistic environment, where high-performance employees are given the scope to build their careers with progressive and unpretentious leaders setting the standard. York strives to create and sustain leaders who understand and respect their role in upholding the Company's ethics. These leaders must be dynamic and sincere contributors to the community while developing the potential of York and its talented team to the fullest.

YORK LOSES ONE OF ITS MOST DEAR



27 May 2017 was a sad day for York. On that day it lost one of its dearest – Hendrik Khoza.

Hendrik was a friend, colleague, mentor and, above all a man of his word. He was extremely dedicated in his work for York in a career spanning 40 years from Board Grader, through the Quality team and finally Product Co-ordinator in Sales.

Hendrik was known for his positivity and complete trustworthiness. On top of that, he was extremely knowledgeable and willing to share that knowledge freely. This was coupled with an innate ability to get on with everyone, both colleagues and customers, which engendered tremendous respect from all quarters.

He was a fit man, very health-conscious and always following a well-balanced diet. His cancer diagnosis came as a huge shock to all around him. Despite becoming tired easily thereafter, Hendrik never complained and was intent on fighting the disease, which he did with gusto!

Towards the end, his loving colleagues in Sales were extremely concerned about his welfare, like when he visited a mill, especially involving the further trips to Jessievale. They would phone him to confirm that he was safe and that he would eat and drink something before returning to Sabie. He would typically respond: "Why do you treat me like a child? I am a big grown man – I will look after my health!" As they explained how much they care about him, he even started phoning the team to tell them that he is safe, what time he should be home and that they should not worry.

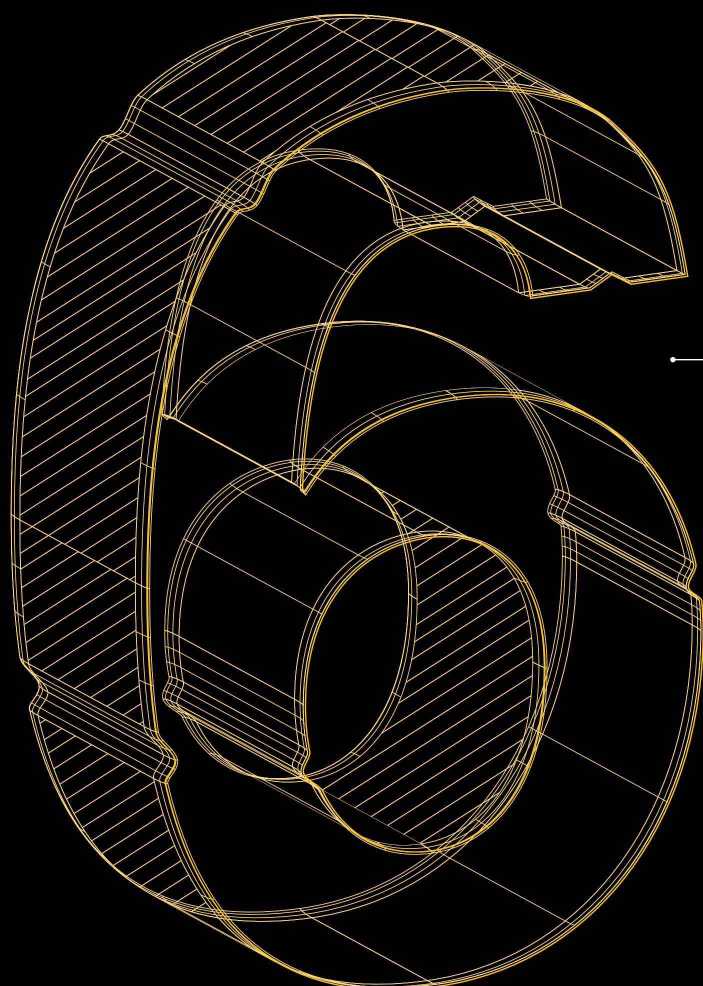
Hendrik will be remembered as a person who worked, even when he was sick, without complaint. He respected everyone, from all walks of life, and he received respect from all in return. He was a proud man and, even in the hard times during his cancer treatments, he remained dignified, positive and inspiring to those around him.

People who had the privilege to work with Hendrik Khoza learned a lot from him – both in terms of sawmilling and people skills. He truly inspired those around him, who lost a valuable role model.

Everyone at York pays tribute to Hendrik and will miss him dearly. May he rest in peace.

06

SOCIAL
CAPITAL



MATERIAL ISSUES

- Develop a sustainable community-based model

MINDFUL OF THE GREATER COMMUNITY AFFECTED BY YORK'S OPERATIONS

THE IMPORTANCE OF THE KEY PERFORMANCE INDICATORS

- Whilst York has substantial proactive involvement in the communities in which it operates, the extent of CSI spend on community programmes is one indicator of an element of that involvement. This is augmented by effort, the provision of facilities and employment, as well as general upliftment of living standards and conditions.
- Training programmes spending is a further monetary contribution to upliftment and the ability to secure employment for communities.
- Achievement of the required BBBEE rating indicates York's successful transformation.

KEY PERFORMANCE INDICATORS

		2014	2015	2016	% change	2017	% CAGR	2019 target*
CSI spend on community programmes	R'million	10	10	11	46	**16**	18	16
Training programmes spending	R'million	5	4	6	76	**11**	34	14
BBBEE rating	Level	4	4	4		**4**		4

** As reported in 2016 and not revised pending the outcome of York's REIPPPP bid.*

Refer to pages 18 and 19 for further detail on these KPIs and their significance to value creation at York.

DEVELOPING A SUSTAINABLE COMMUNITY-BASED MODEL

York understands that the success of the Company is dependent on the York community within and the external community at large, inclusive of broader stakeholders.

York's role as a social supporter is aimed at developing both communities and individuals in a sustainable manner

The creation of symbiotic and empowering relationships that create jobs and ownership opportunities is entrenched in the Company's unique integrated approach to corporate social investment.

SPHERES OF COMMUNITY INITIATIVES

Enterprise development

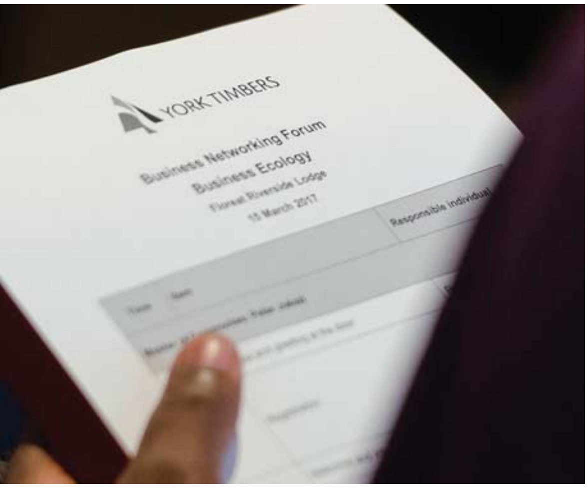
An overarching goal of York's enterprise development (ED) initiatives is to provide continual development to the organisations that the Group supports. These initiatives include such projects as supporting Thaba Chweu municipality with the resources required to repair roads and infrastructure as well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

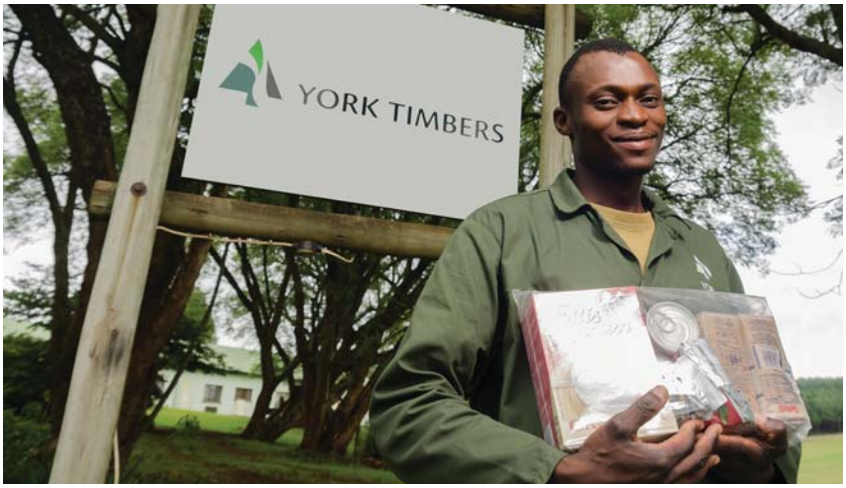
Another of the major ED investments addresses the provision of facilities to Child Welfare SA White River, thereby empowering the organisation to render social and developmental services to children, families and communities in the demarcated service areas of White River, Sabie and Graskop. In addition,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

Socio-economic development

The remaining two spheres of community initiatives include education and infrastructure. A primary objective of community development is to empower individuals in the York communities. This service is essential to counter past inequalities and to confirm the Group's commitment to broad-based black economic empowerment (BBBEE).

York assisted community members to easily acquire drinking water through the procurement of hippo rollers. Hippo rollers are water tanks designed with handles to collect water from a point and roll it to the desired destination for utilisation





Consequently, school students were part of a programme aimed at exploring and developing leadership skills as well as applying those skills when presenting proposals for entrepreneurial and social alleviation projects. In addition, schools were assisted with major infrastructure repairs and new facilities.

Further initiatives include:

- Donating timber to the community, including the Blind Institute where students are trained in the carpentry industry, and individuals located within the fire-affected disaster area of Knysna;
- Assisting communities with attaining basic needs such as clean drinking water;
- Encouraging entrepreneurship through business skills development by providing skills programmes to community members. In addition, bursaries and skills programmes ensure a growth in skills capacity in order to engage actively within the economy of South Africa;
- Social responsibility drives are hosted to focus on raising awareness towards cancer, promoting overall health and wellness, supporting the National Blood Service through attending blood donation clinics and supporting organisations for orphans, disabled and the elderly through the donations. In addition, drives include the donation of clothes and personal time and labour toward establishing a functional library;
- Supporting the elderly in the community by supplying vegetables and clothing; and
- The business networking forum provided a networking platform for people to obtain information and experience the brand of York. The speaker invited to each session is a catalyst for discussion and a focal point for the forum.

Total corporate social investment contribution

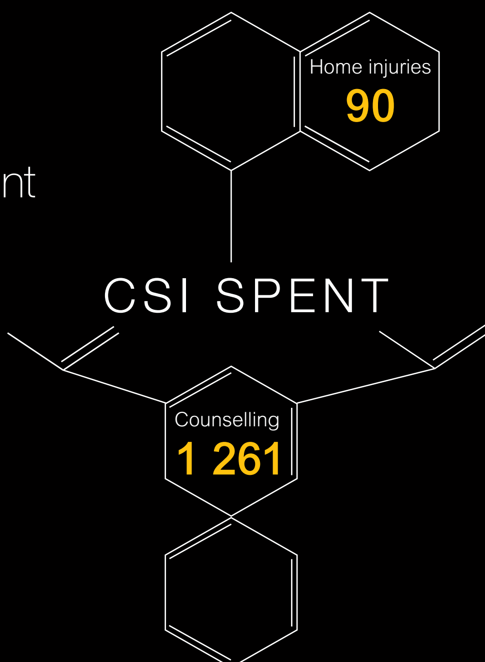
R15 773 332

BUDGET EXPENDITURE

York dedicates its annual CSI budget to projects invested in enterprise and socio-economic development.

The budget for 2017 was R15,7 million (2016: R10,8 million). A total of R7,4 million of this budget was allocated to enterprise and supplier development and the remaining R8,3 million went towards community development initiatives.

Another measure of York's commitment to the community is its assistance in overall wellness. During the past year, a total of 14 403 patients were treated in York's clinics and 9% of these patients received counselling.



Enterprise and supplier development contribution

R8 283 196

First-aid and safety, health and environmental representative training
191

Noise-induced hearing loss (NIHL) claims
six

Safety injuries – lost time injury frequency rate (LTIFR) **employees**
1,62

Safety injuries – lost time injury frequency rate (LTIFR) **contractors**
1,10

Procedures (injections; wounds; incisions; blood and sputum tests; HIV/Aids testing; drug testing)
3 528

Voluntary HIV/Aids tests
168

HIV/Aids prevalence of employees tested
21

Home and hospital visits
70

New cases of tuberculosis
six

Socio-economic development contribution

R7 490 136

Primary health patients seen
14 403

Occupational medicals
2 313

Family planning administered
605

Patients seen by occupational medical practitioner
538

Number of people residing on York land
6 275

Participants at the York Qhubeka Bike Club launch

YORK QHUBEKA BIKE CLUB

York supports its workers by giving them the opportunity to buy subsidised Qhubeka bicycles. This helps them to get to work faster and more safely and saves them money on public transport. The Company took this initiative further by encouraging those who own Qhubeka bicycles to use them for fun and fitness as well. A total of 800 bicycles are now utilised by York employees and their families.

In November 2016, the York Qhubeka Bike Club was launched. The only membership requirement was to ride a Qhubeka bicycle. All levels of staff were involved at the Club launch, which took place at Lone Creek waterfall in Sabie, intended to encourage people to get cycling, get fit and get moving.

The second Qhubeka Bike Club ride took place on 20 April 2017 as part of the build-up to the exciting York Rally. The participants were required to decorate their individual Qhubeka bicycles before the ride started. Employees followed the route into the Main Street in Sabie toward Sybrand van Niekerk High School, past the hospital and the museum and ended in Sabie Market Square, where the riders were greeted by the cheering crowds gathered at the square.

MUNICIPALITY ASSISTANCE

As part of the intention of supporting and partnering with stakeholders, including community residents, on alleviating social challenges faced daily, to the benefit of the entire community, the Company supported the municipality with the following initiatives during the last year:

- Repair of roads throughout the community of Sabie;
- Repair of municipality vehicles used in essential service delivery to the community;
- Purchasing, repairing and providing required parts for the water pumps surrounding the community;
- Supplying over 1,8 million litres of free drinking water to the communities;
- Building the informal Graskop trading market; and
- Electrical reticulation support.

FORESTRY LEARNERSHIP

In partnership with the Fibre, Processing and Manufacturing SETA, a forestry learnership programme commenced with the objective of providing a National Certificate to 89 unemployed community members. In terms of the qualification, the course details a General Education and Training Certificate; General Forestry NQF Level One totalling 120 credits. In total, 69 students were recruited and the learnership commenced on 8 February 2016 for group A and B and a further twenty disabled students formed group C on 31 May 2016.

Apart from completing the required theoretical and practical modules for the national qualification, the students were offered additional courses to add more value to the programme including:

- Generic management skills programme;
- Entrepreneurial skills programme;
- Personal development and management; and
- Ace the job interview.

The learnership programme was successfully completed and committed students have been either employed at several different companies, continued studies at FET colleges or other institutions, or commenced with entrepreneurial ventures.

RURAL DEVELOPMENT PROJECT

York's role as a social supporter is aimed at developing both communities and individuals in a sustainable manner.

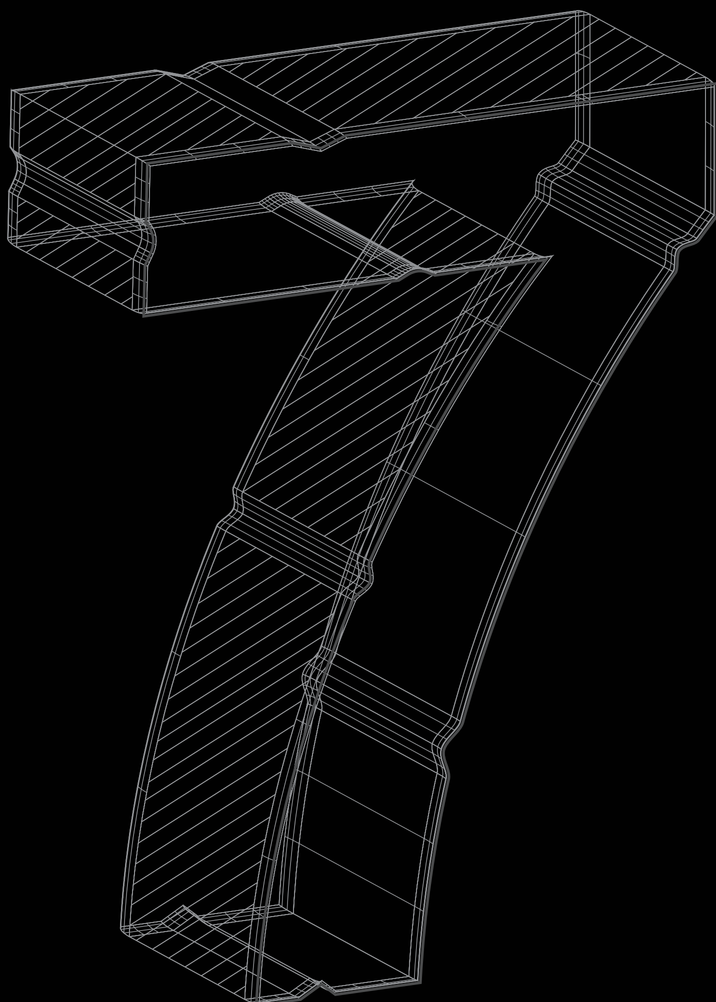
An exciting rural development project commenced in the community of Nganga, next to York's Jessievale forestry and sawmill operations. Ten ladies from the community enthusiastically seized the opportunity to participate in a new project which started in October. Women in the community were taught how to sew. Tools and resources were also supplied to ensure the success of the project. They make items such as envelope purses, drawstring bags, shopping bags, ladies' and children's aprons and washable sanitary items.

The project involves an innovative partnership with the Rotary Club, Marion & Lindie Factory as well as several individuals from Amanzimtoti and Jessievale community who have donated various items, including material.

A second training opportunity will be held in November where the participants will be taught how to sew a wider range of items. The success of the project is evident in the income generated by the women as well as further exposure within the market.

07

FINANCIAL
CAPITAL



MATERIAL ISSUES

- Total shareholder return
- EBITDA
- TNAV

DELIVERING A SUSTAINABLE RETURN TO SHAREHOLDERS

THE IMPORTANCE OF THE KEY PERFORMANCE INDICATORS

- The growth in **total assets** reflects the growth of York and its ability to create increasing value for all its stakeholders.
- Earnings before interest, taxation, depreciation and amortisation (EBITDA) measures profitability and is closely linked to the availability of operating cash flow. EBITDA for the year ended on R246 million, which increased by 3% from the previous financial year. **EBITDA/revenue** measures profitability together with the efficiency with which it was achieved by expressing it as a percentage of revenue.
- Strategically, York is in an expansion phase, which will require funding. The adequate **gearing** of the Company, being the balance between the use of equity and borrowings, will secure this funding. The cost of this funding is a key consideration.
- As an integral part of its restructuring, York has focused on cost-efficiency and savings. By measuring **total cost (excluding external log purchases)**, the effectiveness of these efforts is monitored.
- **Net cash from operating activities** is a direct indicator of York's ability to generate positive cash flow, an important consideration in existing and all future expanded activities.
- The **market capitalisation** of York is the total value of its shares on the JSE. Whilst the Company does not have direct control over its share price, it can ensure that the fundamentals are in place to achieve optimal valuation in the market.
- **EBITDA return on capital employed** relates profitability to shareholder investment and can be used to benchmark against the performance of similar assets and organisations. For the 2017 financial year the return was 5,2%, slightly less than 5,8% in the previous year.

KEY PERFORMANCE INDICATORS

		2014	2015	2016	% change	2017	% CAGR	2019 target*
Total assets	R'million	3 720	4 071	4 561	11	**5 082**	11	6 571
Profitability – EBITDA/revenue	%	12	13	14	(2)	**13**	4	22
Gearing	%	16	19	19	5	**20**	8	60
Total cost excluding external log purchases	%	77	77	76	1	**77**	–	75
Net cash from operating activities	R'million	101	121	225	(61)	**89**	(4)	550
Market capitalisation	R'million	1 159	894	828	4	**861**	(9)	4 400
EBITDA return on capital employed	%	4	5	6	(8)	**5**	7	8

** As reported in 2016 and not revised pending the outcome of York's REIPPPP bid.*

Refer to pages 18 and 19 for further detail on these KPIs and their significance to value creation at York.

VALUING ASSETS FAIRLY

The most significant item on York's balance sheet is its biological assets, which are currently valued at R2,8 billion. This is 63% of all tangible assets and therefore the major part of York's equity.

The valuation model for the biological assets considers the present value of the net cash flows expected to be generated by the plantations over the next 20 years. It takes into account:

- **Volumes:** The expected yields per log class are calculated with reference to measurements over the last 40 years and envisaged end products. It provides for damage due to animals or the natural elements such as wind, rain, hail, droughts and fires;
- **Log prices,** based on current and future expected market prices per log class, estimated at 6% per annum over the long term;
- **Operating costs** until the trees reach the age of felling, including costs of harvesting, maintenance and risk management, as well as an appropriate amount of fixed overhead costs;
- **Inflation,** which is estimated at 6% per annum over the long term; and
- The expected net cash flows are **discounted** using a risk-adjusted comparable forestry group of companies' after-tax weighted average cost of capital (WACC) discount rate, which is currently 13,33%.

See note 3 to the consolidated annual financial statements for the detailed calculations.

Because trees are typically harvested over a period of up to 20 years and the value is "released" over that period, returns on assets (and therefore equity) for the industry appear to be low compared to other industries.

York exceeds these expectations in a number of ways:

- The differential between the discount rate and inflation alone reflects the conservative nature of the valuation. Efficient extraction of value from trees harvested and their application for higher value end products mean that York can unlock far greater value from its biological assets; and
- Furthermore, because York's trees are harvested when they are 18 to 20 years old, this value extraction takes place quicker than the industry norm.

The market does not appear to value the biological asset adequately in York's share price.

Refer to the investment case on pages 10 to 13 for more detail on York's performance relating to its valuable biological assets.

KEY AUDIT MATTERS

York's auditor listed those matters which, in their professional judgement, were of most significance in their audit (see page 101).

- **Valuation of biological assets**

Due to the complexity and significant judgement and assumptions applied by the Group in determining the fair value of biological assets, the valuation of biological assets was considered a key audit matter.

York has noted the auditor's use of a valuation expert in evaluating the assumptions and methodologies applied as well as them considering consistency, historical accuracy, reasonableness, inherent risks and York's future plans.

The Company remains confident that its biological assets are valued fairly and conservatively.

- **Carrying value of goodwill**

Goodwill is tested for impairment at each year-end. Due to the complexity and significant judgement and assumptions applied, the carrying value of goodwill was considered a key audit matter.

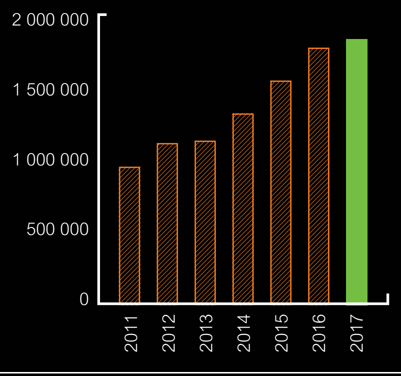
York also noted the auditor's use of a valuation expert in evaluating the key assumptions and methodologies applied as well as them considering consistency, historical accuracy, reasonableness, inherent risks and economic outlook.

The Company believes that its goodwill is fairly valued.

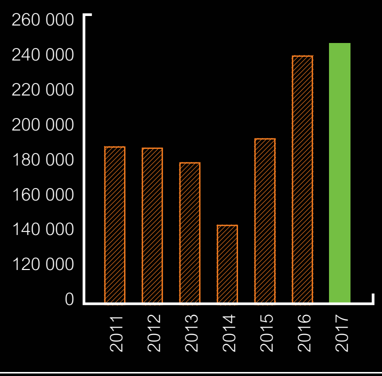
FINANCIAL OVERVIEW

Building a sustainable company requires consistent performance and cash generation over time

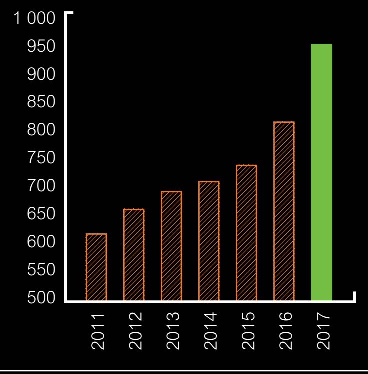
GROUP REVENUE
R'000



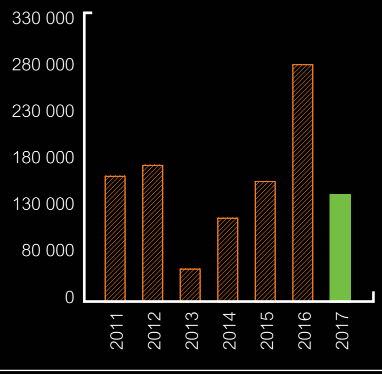
EBITDA
R'000



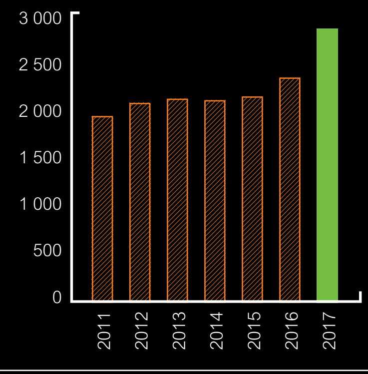
TANGIBLE NET ASSET VALUE
(CENTS)



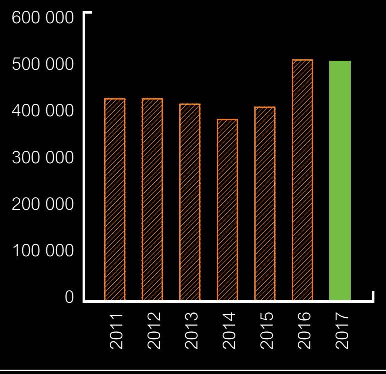
CASH GENERATED FROM OPERATIONS
R'000



BIOLOGICAL ASSET VALUE
R'000



GROSS PROFIT
R'000



The **biological assets** include a once-off adjustment as a result of an improvement achieved in the plantation rotation age. The higher plantation value reflects the benefits of precision forestry and improved genetic planting material and is a fair reflection of its current market value.

York continued to invest in its **processing capabilities**, totalling R154 million for the year.

Working capital increased as a result of additional warehouses opened and an accumulation of export orders prior to resolving excessive distribution costs.

York has **sufficient cash reserves** to fund the increase in working capital.

York continued to repurchase shares, now up to 4,6% of the issued shares. The Board believes in the value of the business and will request shareholders to continue supporting the **share repurchase programme**.

Investment activities were partly financed by increasing long-term debt of R98 million. Existing commitments of R80 million were repaid during the financial year.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	2017 R'000	% change	2016 R'000
ASSETS			
Non-current assets	**3 932 641**	14	3 461 328
Biological assets	**2 392 979**	20	1 993 501
Investment property	**26 731**	2	26 231
Property, plant and equipment	**911 532**	7	852 096
Goodwill	**565 442**	–	565 442
Intangible assets	**908**	(44)	1 632
Other financial assets	**31 965**	65	19 387
Deferred tax	**3 084**	1	3 039
Current assets	**1 149 310**	4	1 100 128
Biological assets	**435 539**	28	340 826
Inventories	**339 693**	42	239 459
Trade and other receivables	**206 982**	(8)	225 516
Current tax receivable	**7 749**	(5)	8 183
Cash and cash equivalents	**159 347**	(44)	286 144
Total assets	**5 081 951**	11	4 561 456
EQUITY AND LIABILITIES			
Equity	**2 992 565**	14	2 632 573
Share capital	**1 480 232**	–	1 486 946
Reserves	**(489)**	>(100)	91
Retained income	**1 512 822**	32	1 145 536
Liabilities			
Non-current liabilities	**1 601 836**	5	1 531 193
Loans from related parties	**1 527**	13	1 350
Loans and borrowings	**731 498**	(9)	802 196
Retirement benefit obligation	**25 334**	6	24 010
Deferred tax	**825 867**	20	687 332
Provisions	**13 900**	6	13 114
Cash-settled share-based payments	**3 710**	16	3 191
Current liabilities	**487 550**	23	397 690
Trade and other payables	**300 684**	(1)	302 290
Loans and borrowings	**180 804**	97	91 949
Operating lease liability	**1 415**	>100	80
Current tax payable	**277**	>100	2
Cash-settled share-based payments	**4 370**	30	3 369
Total liabilities	**2 089 386**	8	1 928 883
Total equity and liabilities	**5 081 951**	11	4 561 456

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2017

	2017 R'000	% change	2016 R'000
Revenue	**1 832 805**	3	1 771 049
Cost of sales	**(1 335 303)**	5	(1 270 483)
Gross profit	**497 502**	(1)	500 566
Other operating income	**8 602**	(52)	17 970
Administration expenses	**(354 735)**	6	(335 603)
Operating profit	**151 369**	(17)	182 933
Investment income	**11 175**	(5)	11 762
Fair value adjustments	**436 494**	>100	195 337
Finance costs	**(88 595)**	56	(56 632)
Profit before taxation	**510 443**	53	333 400
Taxation	**(143 157)**	50	(95 188)
Profit for the year	**367 286**	54	238 212
Other comprehensive income for the year net of taxation	**(580)**	(10)	(641)
Total comprehensive income	**366 706**		237 571
Earnings per share			
Basic and diluted earnings per share (cents)	**116**	59	73

The absence of economic growth and lack of confidence in the construction sector resulted in lower **sales volumes** in most product categories. York's **market share** increased in the subdued local lumber market and shows promising growth in East and West Africa.

Raw material supply was repeatedly interrupted due to an **excessive 17% annual price** increase on logs from SAFCOL.

The lumber mills performed at high efficiency levels. Forestry results were negatively impacted by **higher logistics costs** as logs were transported over longer distances to keep plants fully supplied and operational.

Profit was boosted by the increase in value of the **biological assets**. This was offset by an increases in **deferred taxation** on the biological assets, **depreciation** after commissioning the new plywood plant and interest paid on loan **financing** for the Plywood Expansion Project.

CONDENSED STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	2017 R'000	% change	2016 R'000
Profit before taxation	**510 443**	53	333 400
Adjustment for non-cash items, interest	**(257 159)**	>100	(105 239)
Adjustment for working capital	**(83 305)**	>(100)	56 802
Cash generated from operations	**169 979**	(40)	284 963
Less: Interest and tax paid	**(81 152)**	36	(59 857)
Net cash from operating activities	**88 827**	(61)	225 106
Net cash applied to investing activities	**(224 218)**	(15)	(263 853)
Net cash from financing activities	**11 443**	(91)	125 793
Cash movement for the year	**(123 948)**	>(100)	87 046
Cash at the beginning of the year	**286 144**	49	192 068
Effect of exchange rate movement on cash balance	**(2 849)**	>(100)	7 030
Cash at the end of the year	**159 347**	(44)	286 144

Working capital investment increased as the intakes at the processing plants improved but economic growth slowed. York's operations still **generated substantial cash**.

York has **sufficient cash reserves** to fund the increase in working capital.

The complete consolidated annual financial statements are included in this integrated annual report on pages 104 to 146.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Directors’ responsibilities and approval

PREPARER

These consolidated annual financial statements were prepared by:

JPF van Buuren CA(SA)
Chief Financial Officer

Company Secretary’s certificate

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

Ms Han-hsiu Hsieh
Company Secretary

22 September 2017

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

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

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

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

The directors have reviewed the Company’s cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of York Timber Holdings Limited, as identified in the first paragraph above, were approved by the Board of Directors on 22 September 2017 and are signed by:

PP van Zyl
Authorised signatory: Chief Executive Officer

JPF van Buuren
Authorised signatory: Chief Financial Officer

Audit committee report

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

MANDATE AND TERMS OF REFERENCE

The Group's Audit Committee has adopted formal terms of reference, delegated to it by the Board of Directors, as its mandate. The mandate is in line with the Companies Act, the King IV Report on Corporate Governance for South Africa, 2016 (King IV) and the JSE Listings Requirements. During the year the Audit Committee discharged the functions delegated to it in its mandate.

The Audit Committee performed the following statutory duties:

- Reviewed and recommended for adoption by the Board the publicly disclosed financial information which comprised the Group's consolidated interim results for the six months to 31 December 2016 and the consolidated annual financial statements for the year ended 30 June 2017;
- Satisfied itself that the external auditor, KPMG Inc., is independent;
- Approved the external auditor's budgeted fees and terms of engagement for the 2017 financial year;
- Determined the nature and extent of the non-audit services that may be performed by the external auditor and pre-approved any proposed agreements with them for the provision of such services;
- Resolved to continue to source the internal audit function from Tereo Krino Business Assurance Consultants Proprietary Limited and approved the internal audit plan and budgeted fee for the financial year;
- Reviewed the Audit Committee Charter in line with King IV recommendations;
- Considered IT governance;
- Held separate meetings with management and the external and internal auditors to discuss relevant matters;
- Noted that it had not received any complaints, from either within or outside the Company, relating to the accounting practices, the internal audits, the content or auditing of the financial statements, the internal financial controls or any other related matters;
- Recommended to the Board the reappointment of KPMG Inc. as the Group auditor and Mr J van Niekerk as the registered auditor responsible for the audit for the year ending 30 June 2018, which will be considered at the forthcoming annual general meeting;
- Confirmed that a whistle-blowing facility was in place in the Group and considered the actions taken with regard to incident reports;
- Evaluated and satisfied itself as to the appropriateness of the expertise and experience of the Chief Financial Officer, as required by paragraph 3.84 (g)(i) of the JSE Listings Requirements;
- Satisfied itself as to the expertise, resources and experience of the Company's finance function;
- Considered the Group's liquidity and solvency positions; and
- Confirmed that the Group had established appropriate financial reporting procedures and that those procedures were operating during the financial year.

MEMBERSHIP

In terms of section 94 (2) of the Companies Act, the Audit Committee is a statutory committee, comprising at least three non-executive members, elected by the shareholders at each annual general meeting. The members of the Audit Committee for the 2017 financial year were:

- G Tipper (Independent non-executive Chairman);
- T Mokgatlha (Independent); and
- Dr A Jammine (Independent).

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

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

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

During the 2017 financial year, two committee meetings were convened. Where necessary, additional meetings may be convened.

INTERNAL CONTROLS

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

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

Management has concluded that the internal controls relevant to financial reporting as at 30 June 2017 were appropriate.

RECOMMENDATION OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Based on the information provided to the Audit Committee by management and the reports of the external and internal auditors, the Audit Committee is satisfied that the consolidated annual financial statements comply, in all material respects, with the requirements of the Companies Act, International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the JSE Listings Requirements. The Audit Committee recommended the consolidated annual financial statements to the Board for adoption at a meeting held on 13 September 2017. These consolidated annual financial statements will be tabled for discussion at the forthcoming annual general meeting.

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

G Tipper
Chairman: Audit Committee

22 September 2017

The directors have pleasure in submitting their report on the consolidated annual financial statements of York Timber Holdings Limited for the year ended 30 June 2017.

NATURE OF BUSINESS

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

REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

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

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

SHARE CAPITAL

	2017 R'000	2016 R'000	2017 Number of shares	2016 Number of shares
Issued				
Ordinary shares (net of treasury shares)	**15 802**	15 908	**316 048 013**	318 168 308

Refer to note 16 to the consolidated annual financial statements for detail of the movement in authorised and issued share capital.

DIVIDENDS

The Board has resolved not to declare a dividend for the year ended 30 June 2017.

DIRECTORATE

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

Director	Office	Designation
PC Botha	Other	Non-executive
Dr A Jammine	Other	Non-executive independent
S Meer	Other	Non-executive
D Mncube*	Other	Non-executive independent
T Mokgatlha	Other	Non-executive independent
M Mouyeme	Other	Non-executive independent
Dr JP Myers	Chairperson	Non-executive independent
G Tipper	Other	Non-executive independent
JPF van Buuren	Chief Financial Officer	Executive
PP van Zyl	Chief Executive Officer	Executive

** D Mncube was acting Chairperson of the Board from 16 January 2017 to 6 April 2017.*

DIRECTORS' SHAREHOLDING

As at 30 June 2017, the directors of the Company held direct beneficial interests in 1,05% (2016: 0,58%) of its issued ordinary shares, as set out below.

Interests in shares

Director	2017 Number of shares	2017 Percentage shareholding	2016 Number of shares	2016 Percentage shareholding
G Tipper	**15**	**–**	15	–
JPF van Buuren	**20 000**	**0,01**	20 000	0,01
PP van Zyl	**3 435 376**	**1,04**	1 878 754	0,57
	3 455 391	**1,05**	1 898 769	0,58

Interests in share appreciation rights (units)

Director	2017 Direct	2016 Direct
JPF van Buuren	**1 200 000**	1 200 000
PP van Zyl	**–**	22 313 559
	1 200 000	23 513 559

There have been no changes since the year-end to the beneficial interests reflected above. The directors held no indirect beneficial interests of the Company's shares. A new Direct Share Ownership Long-Term Incentive Scheme was approved after year-end to replace the share appreciation rights scheme.

BORROWING LIMITATIONS

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

The Group's subsidiary, York Timbers Proprietary Limited, is subject to externally imposed capital requirements in the form of a debt-equity ratio requirement of below 1:1, in terms of the Land Bank loan facility (refer to note 19 to the consolidated annual financial statements).

SPECIAL RESOLUTIONS

During the year one special resolution was passed by York Timber Holdings Limited and its subsidiaries. The resolution was for general authority to repurchase shares.

The only special resolution passed at subsidiary level was for the provision of financial assistance to Agentimber Proprietary Limited, Sonrach Proprietary Limited, York Timbers Proprietary Limited and Global Forest Products Proprietary Limited.

EVENTS AFTER THE REPORTING PERIOD

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

GOING CONCERN

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

AUDITOR

KPMG Inc. continued in office as auditor of the Company for 2017.

SECRETARY

The Company Secretary is Ms Han-hsiu Hsieh.

To the shareholders of
York Timber Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of York Timber Holdings Limited (the Group) set out on pages 104 to 146, which comprise the statement of financial position as at 30 June 2017, and the statements of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, the accounting policies and notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of York Timber Holdings Limited as at 30 June 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

KEY AUDIT MATTERS

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

Valuation of biological assets (R2,392 billion in non-current assets and R435 million in current assets). Refer to note 1.5 of the accounting policies and note 3 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
As explained in the accounting policy for biological assets in note 1.5, the Group carries biological assets at fair value less cost to sell, with any resultant gain or loss recognised through profit and loss. The valuation methodology used to determine the fair value of the biological assets at year-end is the discounted cash flow method, which is complex, highly judgemental and based on significant assumptions. The most significant judgements and assumptions relate to: • The weighted average cost of capital (WACC) calculation; • The expected yields per log class calculated based on relevant growth models (growth rate); • A volume adjustment factor due to susceptibility of the plantations to the environment; • The price per cubic metre based on the current and future expected market prices per log class (profit margin); and • Operating costs based on unit cost of the forest management activities. Due to the complexity and significant judgement and assumptions applied by the Group in determining the fair value of biological assets, the valuation of biological assets was considered a key audit matter.	Our audit procedures included, amongst others: • Using our own valuation expert to assist us in evaluating the assumptions and methodologies applied by management, in particular the assumptions relating to the WACC, forecast Group growth rate, and profit margin, based on their knowledge of the industry; • We considered the consistency and appropriateness of the underlying assumptions used in determining the net cash flows used in the calculation with reference to the Group's historical accuracy in forecasting cash flows and the biological asset management plans; • We also considered the overall reasonableness of the projected volumes that the existing plantations are predicted to produce in relation to the Group's historical production volumes; • We considered the overall reasonableness of the operational costs of the forest management activities based on our understanding of the business and the economic outlook; • We challenged the assumptions used in the Group's calculation of the WACC, particularly by comparing these rates with external data sources and considering the potential risk of management bias; and • We independently performed our own sensitivity analysis of the fair value assessment to assess the reasonableness of the directors' calculation, taking a reasonably possible change in the assumed growth rates and cash flows into account. Given our sensitivity analysis, we assessed whether the Group's disclosure about the sensitivity of the outcomes of the fair value assessment to changes in key assumptions appropriately reflects the risks inherent in the valuation of the biological assets.

Carrying value of goodwill (R565,4 million) Refer to notes 1.8 and 1.12 of the accounting policies and note 6 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Goodwill recognised in the Group's statement of financial position principally arose from the business combinations that took place historically. As explained in note 6, the goodwill is tested for impairment at each year-end. Goodwill has been allocated to the cash-generating unit, Forestry segment, for impairment assessment. The discounted cash flow method was used to calculate the value in use of the Forestry segment. This method is complex, highly judgemental and based on significant assumptions. The key difference in the valuation methodology for goodwill in comparison with the methodology for biological assets is the assumption in the goodwill calculation that the Forestry segment is a standalone business. This assumes that the plantations are replanted continuously in rotation, and also includes a residual period, rather than merely valuing the existing plantations at year-end. Like the valuation of biological assets, the other significant judgements and assumptions relate to: • The weighted average cost of capital (WACC) calculation; • The expected yields per log class calculated based on relevant growth models (growth rate); • A volume adjustment factor due to susceptibility of the plantations to the environment; • The price per cubic metre based on the current and future expected market prices per log class (profit margin); and • Operating costs based on unit cost of the forest management activities. Due to the complexity and significant judgement and assumptions applied by the Group in the discounted cash flow model, the carrying value of goodwill was considered a key audit matter.	Our audit procedures included, amongst others: • Using our own valuation expert to assist us in evaluating the key assumptions and methodologies applied by management, in particular the assumptions relating to the WACC, forecast cash-generating unit growth rate and profit margin assumptions based on their knowledge of the industry; • We considered the consistency and appropriateness of the underlying assumptions used in determining the cash flows with reference to the Group's historical accuracy in forecasting cash flows; • We challenged the assumptions used in the Group's calculation of the WACC used, particularly by comparing these rates with external data sources and considering the potential risk of management bias; • We considered the overall reasonableness of the operational costs of the forest management activities based on our understanding of the business and the economic outlook; and • We independently performed our own sensitivity analysis of the goodwill impairment assessment to assess the reasonableness of the directors' calculation, taking a reasonably possible change in the assumed growth rates and cash flows into account. Given our sensitivity analysis, we assessed whether the Group's disclosure about the sensitivity of the outcomes of the impairment assessment to changes in key assumptions appropriately reflects the risks inherent in the valuation of goodwill.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of York Timber Holdings Limited for 68 years.

KPMG Inc.
Registered Auditor

Per: Jeremy van Niekerk
Director
Chartered Accountant (SA)
Registered Auditor

Suite 502, The Pinnacle
1 Parkin Street
Mbombela
1200

27 September 2017

Statement of financial position

as at 30 June 2017

	Note	2017 R'000	2016 R'000
ASSETS			
Non-current assets		**3 932 641**	3 461 328
Biological assets	3	**2 392 979**	1 993 501
Investment property	4	**26 731**	26 231
Property, plant and equipment	5	**911 532**	852 096
Goodwill	6	**565 442**	565 442
Intangible assets	7	**908**	1 632
Other financial assets	9	**31 965**	19 387
Deferred tax	10	**3 084**	3 039
Current assets		**1 149 310**	1 100 128
Biological assets	3	**435 539**	340 826
Inventories	13	**339 693**	239 459
Trade and other receivables	14	**206 982**	225 516
Current tax receivable	12	**7 749**	8 183
Cash and cash equivalents	15	**159 347**	286 144
Total assets		**5 081 951**	4 561 456
EQUITY AND LIABILITIES			
Equity		**2 992 565**	2 632 573
Share capital	16	**1 480 232**	1 486 946
Reserves	18	**(489)**	91
Retained income		**1 512 822**	1 145 536
Liabilities			
Non-current liabilities		**1 601 836**	1 531 193
Loans from related parties	8	**1 527**	1 350
Loans and borrowings	19	**731 498**	802 196
Retirement benefit obligation	11	**25 334**	24 010
Deferred tax	10	**825 867**	687 332
Provisions	20	**13 900**	13 114
Cash-settled share-based payments	17	**3 710**	3 191
Current liabilities		**487 550**	397 690
Trade and other payables	22	**300 684**	302 290
Loans and borrowings	19	**180 804**	91 949
Operating lease liability		**1 415**	80
Current tax payable		**277**	2
Cash-settled share-based payments	17	**4 370**	3 369
Total liabilities		**2 089 386**	1 928 883
Total equity and liabilities		**5 081 951**	4 561 456

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2017

	Note	2017 R'000	2016 R'000
Revenue	23	**1 832 805**	1 771 049
Cost of sales		**(1 335 303)**	(1 270 483)
Gross profit		**497 502**	500 566
Other operating income	24	**11 626**	10 837
Other operating (losses)/gains	25	**(3 024)**	6 758
Administration expenses		**(354 735)**	(335 228)
Operating profit	26	**151 369**	182 933
Investment income	27	**11 175**	11 762
Finance costs	28	**(88 595)**	(56 632)
Fair value adjustments	29	**436 494**	195 337
Profit before taxation		**510 443**	333 400
Taxation	30	**(143 157)**	(95 188)
Profit for the year		**367 286**	238 212
Other comprehensive income			
Items that will not be re-classified to profit or loss:			
Re-measurements on defined benefit liability	11	**(806)**	(890)
Taxation related to re-measurements on defined benefit liability		**226**	249
Defined benefit plan reserve		**(580)**	(641)
Other comprehensive income for the year net of taxation		**(580)**	(641)
Total comprehensive income		**366 706**	237 571
Total comprehensive income attributable to:			
Owners of the parent		**366 706**	237 571
Non-controlling interest		**–**	–
		366 706	237 571
Earnings per share			
Per share information			
Basic earnings per share (cents)	39	**116**	73
Diluted earnings per share (cents)	39	**116**	73

Statement of changes in equity

for the year ended 30 June 2017

	Share capital R'000	Share premium R'000	Total share capital R'000	Defined benefit plan reserve R'000	Retained income R'000	Total equity R'000
Balance as at 1 July 2015	16 377	1 495 561	1 511 938	732	907 324	2 419 994
Profit for the year	–	–	–	–	238 212	238 212
Other comprehensive income	–	–	–	(641)	–	(641)
Total comprehensive income for the year	–	–	–	(641)	238 212	237 571
Purchase of own shares	(469)	(24 523)	(24 992)	–	–	(24 992)
Total contributions by and distributions to owners of the Company recognised directly in equity	(469)	(24 523)	(24 992)	–	–	(24 992)
Balance as at 1 July 2016	15 908	1 471 038	1 486 946	91	1 145 536	2 632 573
Profit for the year	**–**	**–**	**–**	**–**	**367 286**	**367 286**
Other comprehensive income	**–**	**–**	**–**	**(580)**	**–**	**(580)**
Total comprehensive income for the year	**–**	**–**	**–**	**(580)**	**367 286**	**366 706**
Purchase of own shares	**(106)**	**(6 608)**	**(6 714)**	**–**	**–**	**(6 714)**
Total contributions by and distributions to owners of the Company recognised directly in equity	**(106)**	**(6 608)**	**(6 714)**	**–**	**–**	**(6 714)**
Balance as at 30 June 2017	**15 802**	**1 464 430**	**1 480 232**	**(489)**	**1 512 822**	**2 992 565**
Note	16	16	16	18		

Statement of cash flows

for the year ended 30 June 2017

	Note	2017 R'000	2016 R'000
Cash flows from operating activities			
Cash generated from operations	31	**169 979**	284 963
Interest received		**11 175**	11 762
Finance costs		**(88 595)**	(56 632)
Tax paid	32	**(3 732)**	(14 987)
Net cash from operating activities		**88 827**	225 106
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(154 258)**	(283 241)
Proceeds from disposal of property, plant and equipment	5	**307**	288
Purchase of investment property	4	**–**	(1 874)
Purchase of intangible assets	7	**(168)**	–
Repayment of loans to Group companies		**–**	(155)
Proceeds of loans from Group companies		**177**	–
Purchase of financial assets		**(32 200)**	(7 550)
Proceeds on sale of financial assets		**19 622**	30 063
Purchase of biological assets	3	**(59 082)**	(1 384)
Sale of biological assets	3	**1 384**	–
Net cash applied to investing activities		**(224 218)**	(263 853)
Cash flows from financing activities			
Reduction of share capital or buyback of shares	16	**(6 714)**	(24 992)
Proceeds from loans and borrowings		**98 460**	184 702
Repayment of loans and borrowings		**(80 303)**	(33 917)
Net cash from financing activities		**11 443**	125 793
Cash movement for the year		**(123 948)**	87 046
Cash at beginning of year		**286 144**	192 068
Effect of exchange rate movement on cash balances		**(2 849)**	7 030
Cash at end of year	15	**159 347**	286 144

CORPORATE INFORMATION

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

The consolidated annual financial statements for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 22 September 2017.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

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

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

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

These accounting policies are in terms of IFRS consistent with the previous period.

1.2 Consolidation

Basis of consolidation

Acquisitions on or after 1 July 2009

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

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

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

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

Acquisitions prior to 1 July 2009

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

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

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated annual financial statements from the date that control commences until the date that control ceases. They are de-consolidated from the date that control is lost. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

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

Joint operations

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

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

1.3 Foreign currency

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

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

Any foreign exchange differences are recognised in profit and loss in the year in which the difference occurs. The profits are included under other income and the losses are included under other operating gains/ (losses).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

1.4 Significant judgements and sources of estimation uncertainty

Key sources of estimation uncertainty

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

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

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

- Note 3 – Biological assets
- Note 4 – Investment property
- Note 5 – Property, plant and equipment
- Note 6 – Goodwill
- Note 10 – Deferred tax benefits
- Note 11 – Retirement benefit obligation
- Note 14 – Trade and other receivables
- Note 17 – Cash-settled share-based payments
- Note 20 – Provisions

1.5 Biological assets

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

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

1.6 Investment property

Investment property is initially recognised at cost and subsequently at fair value. Transaction costs are included in the initial measurement of investment property.

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

Rental income from investment property is accounted for as described in accounting policy 1.21.

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

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

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

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

1.7 Property, plant and equipment

Owned assets

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

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

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

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

Subsequent costs

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

Depreciation

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.7 Property, plant and equipment continued

Depreciation continued

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

Item	Depreciation method	Average useful life (in years)
Land	Indefinite	
Buildings	Straight-line	10 – 49
Roads	Straight-line	40
Plant and machinery	Straight-line	5 – 12
Other property, plant and equipment	Straight-line	3 – 15

Leased assets

Finance leases

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

Finance leases where the Group is the lessee

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

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

Operating leases

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

1.8 Intangible assets

Goodwill

Subsequent measurement

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

Other intangible assets

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

Useful life

For all other intangible assets, amortisation is provided on a straight-line basis over their useful lives commencing when the asset is available for use and ceasing when the asset is disposed of or no longer generates benefits for the entity.

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

Subsequent measurement

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

Amortisation

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

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

Item	Useful life (in years)
Computer software	5

1.9 Financial instruments

Non-derivative financial instruments

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

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

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

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

Cash and cash equivalents

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

Loans and receivables

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

Non-derivative financial liabilities

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

Determination of fair value

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

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated on the present value of future principal and interest cash flows.

These payments are discounted at the market rate of interest at the reporting date. The market rate of interest is determined by reference to similar liabilities. For finance leases, the market rate of interest is determined by reference to similar agreements.

Derivatives

All derivative instruments are classified as financial assets or financial liabilities at fair value through profit or loss.

Derivatives are initially recognised at fair value with directly attributable transaction costs being recognised in profit or loss. Derivatives are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, recent market transactions and valuation techniques, or discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

The fair value of forward exchange contracts is based on their over-the-counter traded price.

1.10 Tax

Current tax assets and liabilities

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

Deferred tax assets and liabilities

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

Deferred tax is not recognised for the following temporary differences:

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

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

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

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

Tax expenses

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

1.11 Inventories

Raw materials, work in progress and finished goods of timber and timber-related products and consumable stores are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is based on the weighted average cost method.

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

1.12 Impairment of assets

Financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

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

All impairment losses are recognised in profit or loss.

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-financial assets

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.12 Impairment of assets continued

Non-financial assets continued

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

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

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

An impairment loss in respect of goodwill is not reversed.

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

1.13 Share capital and equity

Ordinary share capital

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

Dividends

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

1.14 Share-based payments

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 a personnel expense in profit or loss.

1.15 Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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

1.16 Provisions

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

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

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

1.17 Revenue

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

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

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

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

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

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

1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, including self-constructed assets, are capitalised as part of the cost of those assets. All other borrowing costs are expensed. Refer note 28.

1.19 Investment income and finance cost

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

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

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

1.20 Segment reporting

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

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

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

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

1.21 Rental income

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

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 July 2017.

IFRS 16 Leases

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

2. NEW STANDARDS AND INTERPRETATIONS continued

2.1 Standards and interpretations not yet effective continued

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

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

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

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

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

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

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

IFRIC 22 Foreign Currency Transactions and Advance Considerations

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

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

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

The Company expects to adopt the amendment for the first time in the 2019 consolidated annual financial statements.

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

Amendments to IFRS 2: Classification and measurement of share-based payment transactions

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

The amendments cover three accounting areas:

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

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

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

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

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

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

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

Transfers of investment property (Amendments to IAS 40)

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

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

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

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

Amendments to IAS 7: Disclosure initiative

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The effective date of the amendment is for years beginning on or after 1 January 2017.

The Company expects to adopt the amendment for the first time in the 2018 consolidated annual financial statements.

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

Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and are not affected by possible future changes in the carrying amount or expected manner of recovery of the assets.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

The effective date of the amendment is for years beginning on or after 1 January 2017.

The Company expects to adopt the amendment for the first time in the 2018 consolidated annual financial statements.

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

3. BIOLOGICAL ASSETS

	2017 R'000	2016 R'000
Reconciliation of biological assets		
Opening balance	**2 334 327**	2 140 067
Fair value adjustment:		
– Increase due to growth and enumerations[2]	**349 005**	329 011
– Adjustment to standing timber values to reflect changes to sales price, cost and discount rate assumptions[3]	**366 875**	189 821
Decrease due to harvesting	**(279 387)**	(325 956)
Purchased plantations	**59 082**	1 384
Standing timber harvested	**(1 384)**	–
Closing balance	**2 828 518**	2 334 327
Classified as non-current assets	**2 392 979**	1 993 501
Classified as current assets[1]	**435 539**	340 826
Total	**2 828 518**	2 334 327
Change in discounted cash flow (DCF) value attributable to:		
Opening balance	**2 334 327**	2 140 067
Growth[4]	**134 272**	154 330
Revenue and price[5]	**270 281**	355 632
Operating costs	**(74 727)**	(162 509)
Discount rate	**(73 151)**	(154 577)
Purchased plantations	**59 082**	1 384
Standing timber harvested	**(1 384)**	–
Younger clearfelling age[6]	**179 818**	–
Closing balance	**2 828 518**	2 334 327
Reconciliation of standing volume (m^3)		
Opening balance	**5 840 732**	5 833 661
Increase due to growth and enumerations[2]	**807 904**	761 621
Decrease due to harvesting	**(646 747)**	(754 550)
	6 001 889	5 840 732

	2017 Hectares	2016 Hectares
Quantities of biological assets		
Pine	**55 589**	54 745
Eucalyptus	**2 047**	2 449
Temporary unplanted areas	**2 834**	3 276
Conservancy areas	**33 518**	33 518
	93 988	93 988

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

2 Enumerations refer to updates that are made to the merchandising model's data due to more accurate information being collected about the trees in the plantations. These serve to adjust the model's theoretical yields to actual yields and are done systematically over the life of the tree.

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

4 Growth in the DCF model refers to forecast yield of planted trees at maturity and has increased by less than in the prior year due to changes in temporary unplanted areas and trees per hectare.

5 Revenue and price changes relate to base log prices that increased by 9% (2016: 13%) from the prior year.

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

3. BIOLOGICAL ASSETS continued

Methodology and assumptions used in determining fair value

Volumes: The expected yields per log class are calculated with reference to growth models relevant to the planted area. The growth models are derived from actual trial data that has been measured annually since 1976. A merchandising model, using the modelled tree shapes at various ages, is used to divide the trees into predefined products as basis for calculating log yields.

Volume adjustment factor: Due to the susceptibility of the plantations to the environment, an adjustment factor is used to reduce the volumes obtained from the merchandising model. This percentage is mainly based on factors such as animal damage and damage due to the natural elements such as wind, rain, hail, droughts and fires. An adjustment factor of 10% (2016: 10%) has been used.

Log prices: The price per cubic metre per log class is based on current and future expected market prices per log class. It was assumed that prices will increase at 6,5% p.a. over the next year, 6% over the following year, and at 6% p.a. over the long term (2016: 6,5% p.a. over the next year, 6% over the following year, and at 6% p.a. over the long term).

Operating costs: The costs are based on the unit cost of the forest management activities required to enable the trees to reach the age of felling. The costs include the current and future expected costs of harvesting, maintenance and risk management, as well as an appropriate amount of fixed overhead costs. The costs exclude the costs necessary to get the asset to the market. An inflation rate of 5,8% p.a. has been used for the next year and 6% p.a. over the long term (2016: 6,15% p.a. over the next year and 6% p.a. over the long term) was used.

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

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

Level 3 fair value

The valuation model considers the present value of the net cash flows expected to be generated by the plantations. The cash flow projections include specific estimates for 20 years (2016: 25 years). The clearfell age has reduced from 25 years to 20 years in line with the growth forecasts from the new regime, and the clearfell practice and plans applied by the Group. The expected net cash flows are discounted using a risk-adjusted comparable forestry group of companies' discount rate that takes into account the Beta factors of a comparable group of forestry companies.

	2017	2016
Forecast volume of trees in the plantations at maturity as used in the DCF valuation (sum of maturity volumes over the 20-year cycle (2016: 25-year cycle))		
Balance at year-end	**20 986 572**	25 152 319

	2017	2016
Key assumptions used in the calculation of the discount rate		
Risk-free rate R186 bond (%)	**8,78**	8,80
Cost of equity (%)	**16,44**	15,96
Pre-tax cost of debt (%)	**10,50**	10,50
Target debt-equity ratio (%)	**65,00**	65,00
After-tax weighted average cost of capital (%)	**13,33**	13,02
Beta factor	**1,21**	1,12

3. BIOLOGICAL ASSETS continued

Level 3 fair value continued

	2017 R'000	2016 R'000
Sensitivity analysis		
100 basis points increase in the current log price	**43 411**	40 093
25 basis points increase in forecast log prices	**89 104**	120 364
25 basis points increase in the forecast cost inflation rate	**(25 527)**	(36 027)
50 basis points increase in the pre-tax cost of debt	**(30 856)**	(40 017)
25 basis points increase in discount rate	**(60 743)**	(78 602)
100 basis points increase in projected volumes	**44 265**	39 148

The above sensitivity analysis shows how the present value of the discounted cash flows would be affected if the key valuation parameters were attributed other values than those that form the basis of the current valuation of the discounted cash flows. A decrease by the same percentage would have the opposite effect on the valuation.

The Group is exposed to a number of risks relevant to its commercial tree plantations, namely:

Regulatory and environmental risk: The Group has established environmental policies and procedures aimed at compliance with environmental legislation. Management performs regular reviews to identify environmental risks and to ensure that the management systems in place are adequate. The Group manages its plantations in compliance with the International Forest Stewardship Council's (FSC) requirements for sustainable forestry.

Supply and demand risks: The Group is exposed to risks arising from fluctuations in the price and sales volumes of log products. When possible the Group manages this risk by aligning its harvest volumes to the market. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with expected demand on a sustainable basis.

Climate and other risks: The Group's plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks. The Group subscribes to various national fire prevention associations which use differing weather conditions to indicate fire risk. The Group insures itself against natural disasters such as fires and floods. Refer to note 9.

Pledge as security

Landholdings amounting to 58 050 (2016: 58 050) hectares, including those on which the plantations are planted, and the fixed property referred to in note 5, were encumbered in favour of Micawber 558 Proprietary Limited, as security for loans and borrowings, as per note 19.

4. INVESTMENT PROPERTY

	Opening balance R'000	Additions R'000	Transfers from property, plant and equipment R'000	Fair value adjustments R'000	Total R'000
Reconciliation of investment property – 2017					
Investment property	**26 231**	**–**	**500**	**–**	**26 731**

4. INVESTMENT PROPERTY continued

	Opening balance R'000	Additions R'000	Transfers to property, plant and equipment R'000	Fair value adjustments R'000	Total R'000
Reconciliation of investment property – 2016					
Investment property	21 895	1 874	–	2 462	26 231

Lease agreements for investment properties are at market-related rentals and are renewed annually.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Group.

Details of valuation

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

The directors made an assessment of the valuations at 30 June 2017 based on the ruling market conditions and deemed the existing valuations as appropriate.

The fair value measurement for investment property of R26,7 million (2016: R26,2 million) has been categorised as a Level 2 fair value based on the inputs to the valuation technique used.

Level 2 fair value

The valuation is based on the market value. The comparable sales approach is used to determine market value. This approach consists of comparing the subject property with similar properties that were sold in the recent past in an open market situation, making appropriate adjustments to the sale value amount taking into consideration market trends. This results in a market value for the subject property.

	2017 R'000	2016 R'000
Amounts recognised in profit and loss for the year excluding fair value adjustments		
Rental income from investment property	**1 558**	1 437
Direct operating expenses on rental-generating property	**(2 513)**	(2 652)
Total	**(955)**	(1 215)

5. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost or revaluation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost or revaluation R'000	Accumulated depreciation R'000	Carrying value R'000
Land	**115 123**	**–**	**115 123**	115 123	–	115 123
Buildings	**282 407**	**(71 712)**	**210 695**	257 263	(61 493)	195 770
Plant and machinery	**651 226**	**(191 791)**	**459 435**	526 264	(130 205)	396 059
Capital work in progress	**40 155**	**–**	**40 155**	85 732	–	85 732
Other property, plant and equipment*	**148 335**	**(62 211)**	**86 124**	106 443	(47 031)	59 412
Total	**1 237 246**	**(325 714)**	**911 532**	1 090 825	(238 729)	852 096

* *Other refers to furniture and fittings, motor vehicles, computer equipment and spare parts. They have been grouped together as the total net carrying value for these assets is less than 20% of the total net carrying value of property, plant and equipment.*

5. PROPERTY, PLANT AND EQUIPMENT continued

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Depreciation R'000	Impairment loss R'000	Total R'000
Reconciliation of property, plant and equipment – 2017							
Land	**115 123**	**–**	**–**	**–**	**–**	**–**	**115 123**
Buildings	**195 770**	**12 371**	**–**	**12 900**	**(10 346)**	**–**	**210 695**
Plant and machinery	**396 059**	**741**	**(25)**	**125 741**	**(63 081)**	**–**	**459 435**
Capital work in progress	**85 732**	**117 416**	**–**	**(162 993)**	**–**	**–**	**40 155**
Other property, plant and equipment*	**59 412**	**23 730**	**(457)**	**23 852**	**(18 747)**	**(1 666)**	**86 124**
	852 096	**154 258**	**(482)**	**(500)**	**(92 174)**	**(1 666)**	**911 532**
Reconciliation of property, plant and equipment – 2016							
Land	115 123	–	–	–	–	–	115 123
Buildings	134 107	58	–	68 406	(6 801)	–	195 770
Plant and machinery	172 653	714	(215)	260 280	(34 971)	(2 402)	396 059
Capital work in progress	158 998	255 420	–	(328 686)	–	–	85 732
Other property, plant and equipment*	47 231	27 049	(296)	–	(14 572)	–	59 412
	628 112	283 241	(511)	–	(56 344)	(2 402)	852 096

* *Other refers to furniture and fittings, motor vehicles, computer equipment and spare parts. They have been grouped together as the total net carrying value for these assets is less than 20% of the total net carrying value of property, plant and equipment.*

Property, plant and equipment encumbered as security

Assets are encumbered in terms of instalment sale agreements.

As per note 3, landholdings amounting to 58 050 (2016: 58 050) hectares were encumbered in favour of Micawber 558 Proprietary Limited, as security for loans and borrowings, as per note 19.

	2017	2016
Borrowing costs capitalised		
Borrowing costs capitalised to the Plywood Expansion Project (R'000)	**2 616**	25 349
Capitalisation rate used on Land Bank loan (%)	**10,00**	10,00
Capitalisation rate used on bank overdraft (%)	**10,50**	10,50

Impairment

The impairment relates to a production vehicle that was involved in an accident. This vehicle is the property of the Forestry division and will be recovered through a claim against the self-insurance fund.

	2017 R'000	2016 R'000
Other information		
Present value of minimum instalment sale agreement payments due at year-end	**111 012**	107 576
Carrying amount of assets subject to instalment sale agreements: Other assets	**63 141**	89 565
Carrying amount of assets subject to instalment sale agreements: Plant and machinery	**41 754**	–

The Group entered into instalment sale agreements with WesBank, Absa and Toyota for plant, equipment and vehicles. Refer note 19.

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

6. GOODWILL

	2017 R'000	2016 R'000
Goodwill cost	**565 442**	565 442

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

Goodwill is tested for impairment at each year-end. For the purpose of impairment testing, goodwill has been allocated to the Forestry segment. The Group's assets are compared to the present value of the future cash flows (value in use) that are expected to flow from Group sales.

The value in use was determined based on management's past experience and is based on the assumptions detailed below. The cash flows have been based on the approved budget for the 2017 financial year as well as a forecast to 2033 using a long-term inflation rate of 6% (2016: 6%). The period is longer than would normally be the case due to the nature of the underlying assets. The plantations are managed in rotation based on a clearfell age for pine of 20 years (2016: 25 years). The plantations are managed to harvest approximately 2 500 hectares per annum.

Volumes: The expected yields per log class are calculated with reference to growth models relevant to the planted area. The growth models are derived from actual trial data that has been measured annually since 1976. A merchandising model, using the modelled tree shapes at various ages, is used to split the trees into predefined products.

Volume adjustment factor: Due to the susceptibility of the plantations to the environment, an adjustment factor is used to reduce the volumes obtained from the merchandising model. This percentage is based mainly on factors such as damage due to baboons and the natural elements such as wind, rain, hail, droughts and fires. An adjustment factor of 10% (2016: 10%) has been used.

Log prices: The price per cubic metre is based on current and future expected market prices per log class. It was assumed that prices will increase at 6,5% in the first year, at 6% in the following year and at 6,64% over the long term (2016: 6,5% in the first year, at 6% in the following year and at 6,64% over the long term). These prices were adjusted in this calculation as a result of the Group's integrated business and supply versus demand projections, to effectively adjust log price increases to 6,64% (2016: 6,64%) over the long term.

Operating costs: The costs are based on the unit cost of the forest management activities required to enable the trees to reach the age of felling. The costs include the current and future expected costs of harvesting, maintenance and risk management, as well as an appropriate amount of fixed overhead costs. The costs exclude the costs necessary to get the asset to the market. A long-term inflation rate of 6% (2016: 6%) was used.

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

	2017 R'000	2016 R'000
Results of impairment testing		
Carrying amount of segment assets	**3 126 932**	2 704 242
Present value of segment's future cash flows	**4 086 747**	2 936 078
Net result (no impairment)	**(959 815)**	(231 836)

	2017	2016
Key assumptions used in the calculation of the discount rate		
Risk-free rate: R186 bond (%)	**8,78**	8,80
Cost of equity (%)	**16,44**	15,96
Pre-tax cost of debt (%)	**10,50**	10,50
Equity ratio (%)	**65,00**	65,00
After-tax weighted average cost of capital (%)	**13,33**	13,02
Beta factor	**1,21**	1,12

6. GOODWILL continued

The following sensitivity analysis shows how the present value of the segment's future cash flows would be affected if the key valuation parameters were attributed other values than those that form the basis of the current valuation of the segment's future cash flows. A decrease by the same percentage would have the opposite effect on the valuation.

	2017 R'000	2016 R'000
Sensitivity analysis		
100 basis points increase in the current log price*	**76 043**	73 146
25 basis points increase in forecast log prices*	**147 536**	156 816
25 basis points increase in forecast cost inflation rate	**(61 752)**	(67 146)
50 basis points increase in the pre-tax cost of debt	**(83 718)**	(62 641)
25 basis points increase in discount rate	**(163 318)**	(122 099)
100 basis points increase in projected volumes	**68 223**	45 101

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

7. INTANGIBLE ASSETS

	2017			2016		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Computer software	**7 926**	**(7 018)**	**908**	7 758	(6 126)	1 632
Total	**7 926**	**(7 018)**	**908**	7 758	(6 126)	1 632

	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
Reconciliation of intangible assets – 2017				
Computer software	**1 632**	**168**	**(892)**	**908**
Reconciliation of intangible assets – 2016				
Computer software	2 711	–	(1 079)	1 632

8. LOANS FROM RELATED PARTIES

	2017 R'000	2016 R'000
Joint operator		
Mondi Timber (Wood Products) Proprietary Limited	**(1 527)**	(1 350)
The loan has no repayment terms and is interest-free.		

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

9. OTHER FINANCIAL ASSETS

	2017 R'000	2016 R'000
Loans and receivables		
Mbulwa Lodge Proprietary Limited	**1 500**	1 350
The loan has no repayment terms and is interest-free.		
Self-insurance fund	**30 465**	18 037
The fund is fully funded at R32,5 million and is re-assessed annually to take into account changing insurance cover requirements. For periods where the experience account balance is positive, the investment accrues interest at the 32-day call rate average for FNB, Absa and Nedbank as published on the first business day of each month. Where the experience account balance is negative, interest is charged at the prime lending rate plus 200 basis points.		
	31 965	19 387
Unlisted investments (Level 2)		
Self-insurance fund	**30 465**	18 037

An average interest rate of 6,66% (2016: 6,66%) was used to calculate interest earned on the deposit balance.

The investment is unlisted and is a financial asset in nature.

10. DEFERRED TAX

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

	2017 R'000	2016 R'000
Deferred tax liability	**(825 867)**	(687 332)
Deferred tax asset	**3 084**	3 039
Total net deferred tax liability	**(822 783)**	(684 293)
Reconciliation of deferred tax liability		
At beginning of year	**(684 293)**	(598 555)
Increase in tax losses available for set-off against future taxable income	**(1 732)**	(4 708)
Taxable temporary differences	**(136 984)**	(80 670)
Changes to other comprehensive income	**226**	249
Capital gains tax rate change	**–**	(609)
Closing balance	**(822 783)**	(684 293)
The balance comprises the following items:		
Capital allowances	**(73 872)**	(64 368)
Biological assets	**(767 757)**	(645 539)
Provisions	**17 981**	22 957
Estimated tax loss	**675**	2 408
Defined benefit plan reserve	**190**	249
Closing balance	**(822 783)**	(684 293)

11. RETIREMENT BENEFITS

Defined benefit plan

The Group's policy is not to provide post-retirement medical aid benefits to its employees. However, a provision is made for a closed group of current and former employees in respect of legacy post-retirement medical scheme contribution subsidies. Independent actuaries determine the value of this obligation and the annual costs of the benefits. The assumptions used are consistent with those adopted by the actuaries in determining pension costs, and in addition include long-term estimates of the increases in medical costs and appropriate discount rates. An actuarial valuation was carried out at year-end.

	2017 R'000	2016 R'000
Present value of defined benefit obligation		
Opening balance	**(24 010)**	(22 829)
Service cost	**(18)**	(25)
Interest cost	**(2 401)**	(2 077)
Actuarial loss	**(806)**	(890)
Benefits paid to members	**1 901**	1 811
Closing balance	**(25 334)**	(24 010)

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

The actuarial loss for the current year consists of two factors, demographic and financial. The demographic factors contributed a gain of R70 000 (2016: loss of R1 868 000) and the financial factors a loss of R876 000 (2016: gain of R978 000).

Sensitivity analysis

Assumed healthcare cost trend rates have a significant effect on the amount recognised in profit and loss. A 1% change in the medical inflation rate would have the following effects:

	2017 R'000	2016 R'000
100 basis points increase: Aggregate of the service and interest cost	**235**	233
100 basis points increase: Defined benefit obligation	**2 366**	2 301
A 1% change in the investment discount rate would have the following effects:		
100 basis points increase: Aggregate of the service and interest cost	**195**	23
100 basis points increase: Defined benefit obligation	**2 014**	1 954

Limitations to sensitivity analysis:

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

11. RETIREMENT BENEFITS continued

	2017 R'000	2016 R'000
Contributions towards defined benefit plan		
Contributions paid	**1 978**	1 803
Key assumptions used		
Active members	**17**	18
Retired members	**38**	39
Total members	**55**	57
Average expected duration of the scheme (years)	**8,70**	8,90
Average expected remaining working lifetime (years)	**3,54**	4,47
Discount rate (estimated corporate bond yield)	**9,90**	10,00
Medical contribution inflation rate (%)	**7,90**	8,00

Defined contribution plan: Retirement fund

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

	2017 R'000	2016 R'000
The number of members of each scheme at year-end		
Hospitality and General Provident Fund	**216**	629
York Timbers Provident Fund	**2 019**	1 621
Alexander Forbes Provident Fund	**332**	334

Defined contribution plan: Pension fund

	2017 R'000	2016 R'000
The Group has one pension fund, the number of members of the scheme at year-end		
Alexander Forbes Pension Fund	**14**	18

Defined contribution plan: Medical aid fund

The Group facilitates contributions to a defined medical aid scheme for the benefit of its permanent employees and their dependants. In terms of the Group's policy there is no post-retirement medical aid obligation for current or retired employees, other than the closed group referred to above. The Group is under no obligation to cover any unfunded benefits.

	2017 R'000	2016 R'000
Contributions towards defined contribution funds		
Hospitality and General Provident Fund	**2 281**	5 380
York Timbers Provident Fund	**17 649**	13 712
Alexander Forbes Provident Fund	**11 773**	11 135
Alexander Forbes Pension Fund	**797**	925
Total	**32 500**	31 152
Expected contributions for the next year		
Hospitality and General Provident Fund	**2 430**	5 805
York Timbers Provident Fund	**18 796**	14 795
Alexander Forbes Provident Fund	**12 538**	11 803
Alexander Forbes Pension Fund	**849**	981
Total	**34 613**	33 384

12. CURRENT TAX RECEIVABLE

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

13. INVENTORIES

	2017 R'000	2016 R'000
Raw materials	**30 765**	48 418
Work in progress	**54 019**	55 098
Timber products	**201 050**	93 742
Merchandise	**79**	–
Consumables	**56 101**	43 764
	342 014	241 022
Write-downs	**(2 321)**	(1 563)
Total inventory	**339 693**	239 459
Finished goods at net realisable value		
Finished goods carried at net realisable value	**31 625**	10 778

14. TRADE AND OTHER RECEIVABLES

	2017 R'000	2016 R'000
Trade receivables (net of impairment)	**199 843**	213 506
Pre-payments	**2 388**	4 720
Deposits	**1 895**	1 274
Value added tax receivable	**445**	2 688
Employee costs paid in advance	**724**	802
Foreign exchange contracts	**237**	–
Other receivables	**1 450**	2 526
Total	**206 982**	225 516

Trade and other receivables pledged as security

At year-end, trade receivables have been ceded to Absa Bank (2016: First National Bank) as security for the banking facilities made available to the Group (refer note 15).

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 60 days past due are not considered to be impaired.

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

	2017 R'000	2016 R'000
Ageing of trade receivables (net of impairment)		
Current	**141 915**	162 602
30 days	**42 716**	40 535
60 days and over	**15 212**	10 369
Total	**199 843**	213 506

14. TRADE AND OTHER RECEIVABLES continued

	2017 R'000	2016 R'000
Reconciliation of allowance for impairment of trade and other receivables		
Opening balance	**7 250**	7 585
Increase in allowance for impairment	**43**	–
Amounts written off as uncollectable	**(1 809)**	(335)
Closing balance	**5 484**	7 250

All other receivables are neither past due nor impaired.

Trade and other receivables are classified as loans and receivables.

The carrying value of trade and other receivables approximates its cost.

15. CASH AND CASH EQUIVALENTS

	2017 R'000	2016 R'000
Cash and cash equivalents consist of:		
Cash on hand	**99**	116
Bank balances	**58 971**	61 690
Short-term deposits	**100 277**	224 338
Closing balance	**159 347**	286 144

At year-end, the banking facility granted by Absa Bank (2016: FirstRand Bank Limited) was secured by a cession of trade receivables and Credit Insurance Solutions (CIS) insurance (refer note 14) and cross-suretyships of R154 million with Absa Bank, and R5 million with FirstRand Bank Limited, within the Group. The general banking facility is available to all companies across the Group.

	2017 R'000	2016 R'000
Total general banking facility	**37 500**	70 000
Guarantees	**6 000**	15 000
Letters of credit	**18 700**	20 000
Guarantees to Eskom Holdings Limited	**2 246**	2 246
Forward exchange contracts	**10 000**	–
Forward exchange settlement limit	**10 000**	–
Absa asset and vehicle finance facility	**92 500**	–

16. SHARE CAPITAL

	2017 R'000	2016 R'000
Authorised		
600 000 000 (2016: 600 000 000) ordinary shares of R0,05 each	**30 000**	30 000

	2017	2016
Reconciliation of number of shares issued		
Opening balance	**318 168 308**	327 543 879
Shares purchased by subsidiary	**(2 120 295)**	(9 375 571)
	316 048 013	318 168 308

16. SHARE CAPITAL continued

The Group repurchased shares in the open market in order to benefit from the discount between the share price and the tangible net asset value per share. A total of 2 120 295 shares (2016: 9 375 571 shares) were repurchased by one of the Group's subsidiary during the year under review at a weighted average value of R2,73 (2016: R2,66) per share. An aggregate of 15,2 million shares (2016: 13,1 million shares) were held by the subsidiary at 30 June 2017 and are treated as treasury shares for accounting purposes.

All unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting. Shareholder approval for share repurchases was obtained.

	2017 R'000	2016 R'000
Issued		
316 048 013 (2016: 318 168 308) ordinary shares of R0,05 each	**15 802**	15 908
Share premium	**1 464 430**	1 471 038
Total	**1 480 232**	1 486 946

17. SHARE-BASED PAYMENTS

The Group offers its key employees an employee share appreciation rights scheme. This long-term incentive (LTI) affords certain employees the right to receive a cash payment after the vesting period. The cash payment is based on the appreciation in the value of the shares over a five-year period.

During the first portion of its life (the vesting period), the option cannot be exercised and is forfeited should the employee leave the employment of York Timbers Proprietary Limited. The rights vest in equal tranches at the end of years 3, 4 and 5 and employees have the option to exercise their rights once vested. The option expires at the end of year 6.

The payout that a beneficiary of the share appreciation rights scheme will receive is the difference between the spot price on the exercise date and the 30-day volume-weighted average price on grant date.

The scheme is treated as a cash-settled scheme for the Group. Cash-settled schemes are valued at the reporting date in terms of IFRS 2 Share-based Payments. Any changes to the cash-settled liability are recognised as part of employee costs.

	2017	2016
Reconciliation of the movement in share appreciation rights (number of shares)		
Opening balance	**33 881**	37 567
Rights forfeited/expired on maturity	**(22 560)**	(3 686)
Closing balance	**11 321**	33 881

Six allotments of these appreciation rights were made, with four still remaining, the third granted on 1 July 2011 (LTI-3), the fourth on 1 July 2012 (LTI-4), the fifth on 1 June 2014 (LTI-5) and the sixth on 11 March 2015 (LTI-6). A notice of allocation was sent to beneficiaries. The transactions constitute call options with a term of six years from the grant date, in the hands of the employees.

	LTI-3	LTI-4	LTI-5	LTI-6
Details of allotments are as follows:				
Grant date	1 Jul 2011	1 Jul 2012	1 Jun 2014	11 Mar 2015
Outstanding at year-end – share appreciation rights	21 137 726	2 482 865	600 000	6 300 000
Weighted exercise price	R3,64	R3,83	R3,60	R2,59
Vesting portion in three equal tranches annually commencing on	1 Jul 2014	1 Jul 2015	1 Jun 2017	11 Mar 2018
Maturity/expiry date	1 Jul 2017	1 Jul 2018	1 Jun 2020	11 Mar 2021

17. SHARE-BASED PAYMENTS continued

	LTI-4	LTI-5	LTI-6	Total
Outstanding appreciation rights (Rand) have the following exercise date profile				
Within one year	–	34	861	895
One to five years	372	248	3 090	3 710
	372	282	3 951	4 605
Accrued for replacement scheme*	–	–	–	3 475
Total	372	282	3 951	8 080

* *Accrual for the replacement of the current share-based payment scheme, namely Direct Share Ownership Scheme. The terms for the new scheme were approved by the Remuneration and Nomination Committee subsequent to year-end.*

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

	2017	2016
Key assumptions used		
Closing share price of York Timber Holdings Limited at period-end	**R2,60**	R2,50
Expected forfeitures per annum (%)	**–**	–
Expected exercise date	**Variable**	Variable
Expected volatility (%)	**30 – 35**	30 – 35
Dividend yield (%)	**–**	–
Bootstrapped zero-coupon perfect-fit swap curve (%)	**6,80 – 7,26**	6,74 – 7,82

Expected volatility was calculated using the equally weighted standard approach, by making use of the available historical share price data, for a period equal to the term to maturity of the scheme. Smoothing of the share price volatility was done to exclude the effects of the rights issues made by York Timber Holdings Limited on the volatility.

The risk-free interest rate was sourced from the Bond Exchange of South Africa. The bootstrapped zero-coupon perfect-fit swap curve as at year-end was used.

	2017 R'000	2016 R'000
The movement in valuation recognised as part of employee cost	**1 520**	(8 364)
Carrying amount of the liability arising from the share appreciation rights	**8 080**	6 560
Non-current liabilities	**3 710**	3 191
Current liabilities	**4 370**	3 369
Total cash-settled share-based payment liability	**8 080**	6 560

18. DEFINED BENEFIT PLAN RESERVE

The reserve is a result of the actuarial gains or losses on the defined benefit plan.

	2017 R'000	2016 R'000
Opening balance	**91**	732
Movement through other comprehensive income	**(580)**	(641)
Closing balance	**(489)**	91

19. LOANS AND BORROWINGS

	2017 R'000	2016 R'000
Held at amortised cost		
Land Bank term loan	**448 288**	486 830
Land Bank Plywood Expansion Project loan	**339 088**	298 509
Mondi Timbers (Wood Products) Proprietary Limited	**3 333**	3 035
Absa Capital fund loan	**10 324**	–
Fulcrum Group Proprietary Limited	**1 658**	–
Loan raising fee	**(1 400)**	(1 805)
Instalment sale agreements	**111 011**	107 576
	912 302	894 145
Non-current liabilities		
At amortised cost	**731 498**	802 196
Current liabilities		
At amortised cost	**180 804**	91 949
Total loans and borrowings	**912 302**	894 145

Land Bank term loan

This loan bears interest at an interest rate of 10% (2016: 10%), being prime less 0,5% at 30 June 2017 (2016: prime less 0,5%) per annum and is payable monthly in arrears over ten years, of which five are remaining.

Land Bank Plywood Expansion Project loan

This loan bears interest at an interest rate of 10% (2016: 10%), being prime less 0,5% at 30 June 2017 (2016: prime less 0,5%) per annum and is payable monthly in arrears, after an interest and capital holiday for the first 12 months, and a capital holiday for the second 12 months, over seven years, of which five are remaining.

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

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

- Guarantee by a security special purpose vehicle (SPV) in respect of all of the Group's obligations under the loan.
- Indemnity by the Group in favour of the security SPV limited to R720 million in respect of any claim under the guarantee.
- Mortgage covering bonds for an amount of R1,4 billion, limited to the indemnity of R720 million, and limited to the landholding of 58 050 (2016: 58 050) hectares as recorded in notes 3 and 5.
- Cession of insurance policy.
- Subordination of the shareholder's loan from York Timber Holdings Limited. The facility is held in York Timbers Proprietary Limited.
- A notarial covering bond(s) over the movable assets of the borrower, in respect of the Sabie Plywood plant for an amount of R306 million in favour of the security SPV guarantor.
- Certain additional freehold land and biological assets of the borrower as agreed by the Land Bank and the borrower secured by the existing mortgage and notarial collateral covering bonds of R1,4 billion.

Mondi Timbers

The loan was repayable in three instalments of R3,3 million on 31 May each year, with one payment remaining. The loan is non-interest bearing and has been recognised at its discounted value.

Fulcrum Group

The loan is repayable in 10 instalments of R1,7 million with the last instalment payable on 1 July 2017. The loan bears interest at 8,58% per annum.

Absa Capital

This loan bears interest at an interest rate of 9,75% (prime less 0,75%) per annum and is payable in monthly instalments of R138 878 in arrears, over a period of 10 years of which nine are remaining.

19. LOANS AND BORROWINGS continued

Loan raising fees

The Land Bank loan raising fee is amortised over the period of the loan using the effective interest method. The amortised amount is included in finance expenses (refer note 28).

Instalment sale agreement obligation

These liabilities consist of 114 (2016: 78) instalment sale agreements, payable over a period of five years at effective interest rates of 8,13% – 10,50% (2016: 9,25% – 10,50%) per annum. These liabilities are secured by plant and equipment and motor vehicles with a carrying value of R104,8 million (2016: R89,6 million), refer note 5. These instalment sale agreements have no escalation clauses. Repayments are based on the outstanding debt at the prevailing interest rate.

	2017 R'000	2016 R'000
Instalment sale agreement obligation		
– within one year	**39 281**	36 184
– in second to fifth year inclusive	**93 739**	94 252
– later than five years	**–**	851
Total	**133 020**	131 287
Less: Future finance charges	**(22 008)**	(23 711)
Present value of minimum instalment sale agreement payments	**111 012**	107 576
Present value of minimum instalment sale agreement payments		
– within one year	**29 720**	27 269
– in second to fifth year inclusive	**81 291**	79 463
– later than five years	**–**	844
	111 011	107 576

Measurement

Loans and borrowings are measured at amortised cost.

20. PROVISIONS

	Opening balance R'000	Re-assessment of provision R'000	Total R'000
Reconciliation of provisions – 2017			
Environmental liability	**13 114**	**786**	**13 900**
Reconciliation of provisions – 2016			
Environmental liability	12 371	743	13 114

Environmental liability

This amount arose from a business combination during the 2007 financial year. It comprised contingent amounts assessed at the date of the transaction. At each financial period-end this amount is re-assessed. The expected timing of the outflow of economic benefits is estimated to be during the next two to five years.

The re-assessment in the current year comprises an inflation adjustment only. Consistent with the prior year an increase, approximating inflation, of 6% has been applied.

21. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic divisions. Management has identified the segments based on the internal reports reviewed monthly by the Group's Chief Operating Decision-Maker (CODM). The CODM at the reporting date is senior management and the Executive Committee members. The responsibility of the CODM is to assess performance and to make resource allocation decisions related to the individual operations of the Group. The segment financial information provided to and used by the CODM forms the basis of the segment information disclosure in these financial statements.

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

- **Processing plants:** The Group has aggregated two divisions. These divisions produce timber-related products and have therefore been assessed as one segment by management. The cash-generating units are:
  - **Sawmilling:** Four sawmills located in close proximity to Sabie, Graskop, White River and Warburton produce and sell a broad range of structural and industrial sawn timber products; and
  - **Plywood:** A plywood plant in Sabie manufactures and sells plywood timber products.
- **Forestry:** The Group owns plantations in the Mpumalanga province on which it grows pine and eucalyptus trees that are cultivated and managed on a rotational basis. The segment sells its products to its Processing segment and to external customers.
- **Wholesale:** A warehouse located in Pretoria and five value-adding and distribution centres in Germiston, Polokwane, Bloemfontein, Port Elizabeth and in Cape Town, sell timber-related products from the sawmills and the Plywood plant.

The Group operates in three geographical areas, namely South Africa, countries within the Southern African Development Community (SADC) and non-SADC regions. Refer to the section on credit risk in note 36 for disclosure on major customers.

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

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

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

Transactions between segments are done at arm's length.

The segment information presented for the reportable segments for the year ended 30 June 2017:

	Processing plants R'000	Wholesale R'000	Forestry R'000	Total R'000
2017				
Revenue: external sales	**1 245 719**	**523 233**	**60 699**	**1 829 651**
Revenue: inter-segment sales	**252 837**	**–**	**708 406**	**961 243**
	1 498 556	**523 233**	**769 105**	**2 790 894**
Depreciation, amortisation and impairments	**(69 269)**	**(1 782)**	**(18 726)**	**(89 777)**
Reportable segment profit*	**137 738**	**21 759**	**95 900**	**255 397**
Material non-cash items:				
Fair value adjustment to biological assets	**–**	**–**	**436 494**	**436 494**
Capital expenditure	**110 923**	**3 426**	**27 468**	**141 817**

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

21. OPERATING SEGMENTS continued

	Processing plants R'000	Wholesale R'000	Forestry R'000	Total R'000
2016				
Revenue: external sales	1 227 743	464 958	77 519	1 770 220
Revenue: inter-segment sales	204 926	–	646 253	851 179
	1 432 669	464 958	723 772	2 621 399
Depreciation, amortisation and impairments	(47 964)	(1 419)	(7 732)	(57 115)
Reportable segment profit*	124 152	17 171	100 879	242 202
Material non-cash items:				
Fair value adjustment to biological assets	–	–	192 875	192 875
Capital expenditure	286 306	1 088	62 371	349 765

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

	2017 R'000	2016 R'000
Revenue per geographical area		
South Africa	**1 592 917**	1 552 248
Southern African Development Community (SADC)	**215 602**	218 801
International (Non-SADC)	**24 286**	–
Total	**1 832 805**	1 771 049

	2017 R'000	2016 R'000
Reconciliation of reportable segment revenue and profit		
Revenue		
Total revenue for reportable segments	**2 790 894**	2 621 399
Other revenue	**3 154**	829
Elimination of inter-segment revenue	**(961 243)**	(851 179)
Consolidated revenue	**1 832 805**	1 771 049
Profit		
Total EBITDA for reportable segments	**255 397**	242 202
Depreciation, amortisation and impairment	**(94 732)**	(57 115)
Unallocated amounts	**(9 296)**	(2 154)
Operating profit	**151 369**	182 933

Refer to note 36 where sales to the three largest customers are disclosed. Refer also to note 26, where the components of operating profit are disclosed.

22. TRADE AND OTHER PAYABLES

	2017 R'000	2016 R'000
Trade payables	**229 315**	223 598
Amounts received in advance	**2**	–
Value added tax payable	**3 996**	831
Other payables and accruals	**66 222**	76 130
Operating lease payables	**1 148**	141
Deposits received	**1**	589
Foreign exchange contract	**–**	1 001
Total	**300 684**	302 290

23. REVENUE

	2017 R'000	2016 R'000
Sale of goods	**1 823 683**	1 761 954
Rendering of services	**8 147**	7 889
Other rental income	**889**	830
Other revenue	**86**	376
Total	**1 832 805**	1 771 049

24. OTHER OPERATING INCOME

	2017 R'000	2016 R'000
Other rental income	**4 869**	3 331
Bad debts recovered	**28**	–
Sundry income	**4 119**	5 848
Scrap sales	**2 469**	1 462
Other income	**141**	196
	11 626	10 837

25. OTHER OPERATING (LOSSES)/GAINS

	2017 R'000	2016 R'000
Losses on disposals, scrappings and settlements		
Property, plant and equipment	**(175)**	(223)
Foreign exchange (losses)/gains		
Net foreign exchange (losses)/gains	**(2 849)**	6 981
Total other operating (losses)/gains	**(3 024)**	6 758

26. OPERATING PROFIT

Operating profit for the year is stated after charging/(crediting) the following, amongst others:

	2017 R'000	2016 R'000
Auditor's remuneration – external		
Audit fees	**3 407**	4 280
Other consultation services	**831**	102
	4 238	4 382
Remuneration, other than to employees		
Administrative and managerial services	**3 221**	3 849
Consulting and professional services	**15 678**	21 673
	18 899	25 522
Employee costs		
Salaries, wages, bonuses and other benefits	**162 874**	170 948
Employee costs included in cost of sales	**209 521**	188 134
Other short-term costs	**19**	–
Retirement benefit plans: defined contribution expense	**(3)**	–
Share-based payment expense/(reversal)	**1 520**	(8 363)
Total employee costs	**373 931**	350 719
Leases		
Operating lease charges		
Premises	**10 524**	7 723
Motor vehicles	**–**	303
Equipment	**852**	1 218
	11 376	9 244
Contingent rentals on operating leases		
Equipment	**74**	–
Total operating lease charges	**11 450**	9 244
Depreciation and amortisation		
Depreciation of property, plant and equipment	**92 174**	56 344
Amortisation of intangible assets	**892**	1 079
Total depreciation and amortisation	**93 066**	57 423
Impairment losses		
Property, plant and equipment	**1 666**	2 402
Other		
Other operating (losses)/gains	**(3 024)**	6 758
Research and development costs	**166**	141

27. INVESTMENT INCOME

	2017 R'000	2016 R'000
Interest income		
From investments in financial assets:		
Bank and other cash	**9 070**	8 925
Other financial assets	**2 105**	2 837
Total interest income	**11 175**	11 762

All interest was generated from the loans and receivables class of financial assets.

28. FINANCE COSTS

	2017 R'000	2016 R'000
Trade and other payables	**5**	10
Interest on loans and borrowings held at amortised cost	**87 630**	55 618
Loan raising fee – amortised	**405**	486
Other interest paid	**555**	518
Total	**88 595**	56 632

29. OTHER NON-OPERATING GAINS

	2017 R'000	2016 R'000
Fair value gains		
Biological assets	**436 494**	192 875
Investment property	**–**	2 462
	436 494	195 337

30. TAXATION

	2017 R'000	2016 R'000
Major components of the tax expense		
Current		
Local income tax: current period	**4 441**	9 204
Deferred		
Deferred tax: current period	**138 716**	85 984
Total	**143 157**	95 188

30. TAXATION continued

	2017 %	2016 %
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate		
Applicable tax rate	**28,00**	28,00
Legal fees, fines and penalties	**0,22**	0,20
Learnership agreements	**(0,25)**	(0,33)
Inter-group eliminations	**0,08**	0,52
Rate change on capital gains tax	**–**	0,18
Other changes	**–**	(0,02)
Effective rate	**28,05**	28,55
The income tax rate of 28% remains unchanged.		
Taxation related to components of other comprehensive income		
Re-measurements of defined benefit liability (R'000)	**226**	249

31. CASH USED IN OPERATIONS

	2017 R'000	2016 R'000
Profit before taxation	**510 443**	333 400
Adjustments for:		
Depreciation and amortisation	**93 066**	57 423
Losses on disposals, scrappings and settlements of assets and liabilities	**175**	223
Profit on foreign exchange	**2 849**	(7 030)
Interest income	**(11 175)**	(11 762)
Finance costs	**88 595**	56 632
Fair value gains	**(436 494)**	(195 337)
Impairments of property, plant and equipment	**1 666**	2 402
Movements in operating lease liabilities	**1 335**	(460)
Movements in retirement benefit liabilities	**518**	290
Movements in provisions	**786**	743
Share-based payment expense	**1 520**	(8 363)
Changes in working capital:		
Inventories	**(100 234)**	18 873
Trade and other receivables	**18 534**	(14 251)
Trade and other payables	**(1 605)**	52 180
	169 979	284 963

32. TAX PAID

	2017 R'000	2016 R'000
Balance at beginning of the year	**8 181**	2 398
Current tax recognised in profit or loss	**(4 441)**	(9 204)
Balance at end of the year	**(7 472)**	(8 181)
Total	**(3 732)**	(14 987)

33. COMMITMENTS

	2017 R'000	2016 R'000
Authorised capital expenditure		
Already contracted, but not provided for		
– Property, plant and equipment	**20 267**	59 229
Not yet contracted for		
– Property, plant and equipment	**13 022**	32 112

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

Capital commitments are based on capital projects approved to date and the budget approved by the Board. Major capital projects require further approval before they commence.

34. RELATED PARTIES

Relationships

Subsidiaries	York Timbers Proprietary Limited Agentimber Proprietary Limited Inland Realty Proprietary Limited* Beth Warehouse Proprietary Limited* Longbogen Proprietary Limited Pretoria Amalgamated Transport Proprietary Limited Sonrach Properties Proprietary Limited Bonheur 50 Investments Proprietary Limited** Global Forest Products Proprietary Limited* Global Sawmills Proprietary Limited Madiba Forest Products Proprietary Limited Madiba Timbers Proprietary Limited South African Plywood Proprietary Limited* York Timbers Energy Proprietary Limited** York Fleet Solutions Proprietary Limited York Timbers Botswana Proprietary Limited York Timbers Chile Limitada
Partner in joint operation	Mondi Timbers (Wood Products) Proprietary Limited
Joint operation	Mbulwa Lodge Proprietary Limited
Directors	Refer to note 35

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

** *Non-controlling interest in the subsidiary amounts to 15% (equivalent to an amount of R150). Non-controlling interest is not disclosed in the Group's consolidated annual financial statements as this amount is less than R1 000.*

All of the companies are incorporated and domiciled in the Republic of South Africa, except for York Timbers Chile Limitada and York Botswana Limited which are incorporated and domiciled in Chile and Botswana respectively. The holdings in and voting power of York Timber Holdings Limited in all subsidiaries is 100%, except in Bonheur 50 Investments Proprietary Limited and York Timbers Energy Proprietary Limited, where it is 0% (2016: 70%) and 85%.

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

34. RELATED PARTIES continued

	2017 R'000	2016 R'000
Related party transactions		
Purchases from/(sales to) related parties		
Agentimber Proprietary Limited	**(252 601)**	(204 926)
York Timbers Proprietary Limited	**252 601**	204 926
Agentimber Proprietary Limited	**235**	20
York Timbers Proprietary Limited	**(235)**	(20)
Rent paid to/(received from) related parties		
Sonrach Properties Proprietary Limited	**3 000**	1 518
Agentimber Proprietary Limited	**(3 000)**	(1 518)
Administration fees paid to/(received from) related parties		
Agentimber Proprietary Limited	**(9 450)**	(6 761)
York Timbers Proprietary Limited	**9 450**	6 761
Recoveries paid to/(received from) related parties		
York Timber Holdings Limited	**5 013**	6 456
York Timbers Proprietary Limited	**(5 013)**	(6 456)

35. DIRECTORS' EMOLUMENTS

Payments to executive directors

	Basic salary R'000	Other cash benefits R'000	Retention payment* R'000	Total R'000
2017				
PP van Zyl *(Chief Executive Officer)*	**4 626**	**942**	**5 213**	**10 781**
JPF van Buuren *(Chief Financial Officer)*	**1 901**	**484**	**–**	**2 385**
Total	**6 527**	**1 426**	**5 213**	**13 166**

	Basic salary R'000	Other cash benefits R'000	Bonus R'000	Retention payment* R'000	Total R'000
2016					
PP van Zyl *(Chief Executive Officer)*	4 332	881	5 000	6 344	16 557
JPF van Buuren *(Chief Financial Officer)*	1 772	461	1 020	–	3 253
Total	6 104	1 342	6 020	6 344	19 810

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

35. DIRECTORS' EMOLUMENTS continued

Share appreciation rights (Rand) awards granted to the executive directors

	Type of award (SARS)	Awards held at the beginning of the year	Awarded (exercised/ forfeited)	Awards held at the end of the year	Strike price cents	Total value provided at the end of the year R'000
2017						
PP van Zyl	3	**22 313**	**(22 313)**	**–**	**3,64**	**–**
JPF van Buuren	5	**600**	**–**	**600**	**3,60**	**282**
	6	**600**	**–**	**600**	**2,59**	**376**
Total		**23 513**	**(22 313)**	**1 200**		**658**
2016						
PP van Zyl	1	3 226	(3 226)	–	2,74	–
	2	3 113	–	3 113	3,19	–
	3	19 200	–	19 200	3,64	2 880
JPF van Buuren	5	600	–	600	3,60	235
	6	600	–	600	2,59	230
Total		26 739	(3 226)	23 513		3 345

Six allotments of these appreciation rights were made, with four still remaining, the third granted on 1 July 2011 (LTI-3), the fourth on 1 July 2012 (LTI-4), the fifth on 1 June 2014 (LTI-5) and the sixth on 11 March 2015 (LTI-6). A notice of allocation was sent to beneficiaries. The transactions constitute call options with a term of six years from the grant date, in the hands of the employees.

Payments to non-executive directors

	Directors' fees R'000	Total R'000
2017		
Dr JP Myers *(Chairman)*	**733**	**733**
PC Botha*	**338**	**338**
Dr A Jammine	**338**	**338**
S Meer*	**196**	**196**
D Mncube	**338**	**338**
T Mokgatlha	**275**	**275**
M Mouyeme	**275**	**275**
G Tipper	**338**	**338**
Total	**2 831**	**2 831**
2016		
Dr JP Myers *(Chairman)*	861	861
PC Botha*	326	326
Dr A Jammine	372	372
S Meer*	261	261
D Mncube	325	325
T Mokgatlha	290	290
M Mouyeme	202	202
G Tipper	363	363
Total	3 000	3 000

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

36. RISK MANAGEMENT

Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 8 and 19, cash and cash equivalents disclosed in note 15, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing percentage.

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

The gearing percentages at 30 June 2017 and 2016, respectively, were as follows:

	Note	2017 R'000	2016 R'000
Total borrowings			
Loans from Group companies	8	**1 527**	1 350
Loans and borrowings	19	**912 302**	894 145
		913 829	895 495
Less: Cash and cash equivalents	15	**159 347**	286 144
Net debt		**754 482**	609 351
Total equity		**2 992 565**	2 632 573
Total capital		**3 747 047**	3 241 924
Gearing percentage (%)		**20**	19

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate, price risk and currency risk), credit risk and liquidity risk.

This note presents information about the Group's financial risk management framework, objectives, policies and processes for measuring and managing risk and the Group's exposure to financial risks. Furthermore, quantitative disclosures are included throughout these consolidated annual financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's executives are responsible for developing, implementing and monitoring the Group's risk management policies. The Group's executives report regularly to the Board of Directors on these activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board has a Risk and Opportunity Committee, which oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Risk and Opportunity Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

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

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

From time to time, the Group uses derivative financial instruments to hedge certain identified risk exposures, as deemed necessary by the Group's Executive Committee.

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2017

36. RISK MANAGEMENT continued

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate level of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines. Refer to note 15.

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

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position, to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year R'000	Between one and five years R'000	After five years R'000
As at 30 June 2017			
Loans and borrowings	**262 673**	**873 465**	**7 359**
Trade and other payables	**296 688**	**–**	**–**
As at 30 June 2016			
Loans and borrowings	177 566	866 497	143 498
Foreign exchange contract	602	–	–
Trade and other payables	224 187	–	–

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and from investment securities.

Trade receivables comprise a widespread customer base. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 30% (2016: 30%) of the Group's revenue is attributable to sales transactions with three (2016: three) multi-national customers. These are customers of the mills.

	2017 Percentage of revenue	2016 Percentage of revenue
Customer		
A	**13**	13
B	**8**	9
C	**9**	8
	30	30

36. RISK MANAGEMENT continued

Credit risk continued

Management has established a centralised receivables department and a credit policy. Under the credit policy, each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

The utilisation of credit limits is regularly monitored. Customers that fail to meet the Group's benchmark on creditworthiness may transact with the Group only on a pre-payment basis. The Group does not require collateral in respect of trade and other receivables.

Credit guarantee insurance is purchased from Credit Insurance Solutions (CIS). The total credit limit guaranteed by CIS is R60 million, with a deductible annual aggregate of R0,5 million, and a 4% administration fee on all premiums paid.

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

	2017 R'000	2016 R'000
Financial instrument		
Trade and other receivables	**206 300**	218 108
Other financial assets	**31 965**	19 387
Cash and cash equivalents	**159 347**	286 144
Foreign exchange contract	**237**	–

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

Market risk

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

Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates.

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

The impact on post-tax profit and equity of a 1% shift in the interest rate on liabilities that represent the major interest-bearing positions would be a R7 million (2016: R8 million) increase or decrease.

	2017 R'000	2016 R'000
Variable interest rate		
Loans and borrowings	**912 302**	894 145

36. RISK MANAGEMENT continued

Cash flow interest rate risk

	Current interest rate %	Due in less than a year R'000	Due in one to two years R'000	Due in two to three years R'000	Due in three to four years R'000	Due after five years R'000
Financial instrument						
Land Bank term loan	10,00	41 480	34 895	26 648	16 062	3 494
Land Bank PEP loan	10,00	29 884	22 918	16 001	9 001	2 188
Absa Capital loan	9,75	969	901	828	743	2 186
Instalment sale agreement	8,13 – 10,5	9 561	6 694	3 945	1 620	188

Foreign exchange risk

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

Future commitments as well as recognised assets and liabilities that are denominated in a currency that is not the functional currency, expose the Group to currency risks. Most of the Group's purchases are denominated in SA Rand. However, certain engineering machinery and equipment items denominated in US Dollar or Euro were purchased during the year. This exposed the subsidiary companies to changes in the foreign exchange rates. To manage this risk, the Group makes use of forward contracts, transacted by the Group treasury. This is done on an ad hoc basis, as deemed appropriate or when required by the supplier. A net loss of R2,8 million (2016: R6,9 million profit) was realised. At the reporting date, forward exchange contracts of Euro 0,7 million (2016: Euro 0,2 million and MZN0,4 million) were outstanding. The unrealised loss at year-end was R0,2 million.

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

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

A 100 basis point change in the Rand/US Dollar and Rand/Euro exchange rate will result in a R0,1 million (2016: Rand/Euro and Rand/MZN exchange rate will result in a R0,05 million) impact on profit or loss and equity for outstanding forward exchange contracts.

Fair value of financial assets and financial liabilities

Loans and receivables, including trade and other receivables, are measured at amortised cost using the effective interest rate method, less any impairment losses. These values do not differ materially from the fair value, which is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

Financial assets at fair value through profit or loss are carried at fair value, which is determined with reference to their quoted market bid price at the reporting date.

The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties on an arm's length basis.

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

36. RISK MANAGEMENT continued

Valuation of financial instruments continued

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

	2017		2016	
	Level 1 R'000	Level 2 R'000	Level 1 R'000	Level 2 R'000
Financial instrument				
Other financial assets	**1 500**	**30 465**	1 350	18 037

The Level 2 financial asset is not listed and an average interest rate of 6,66% (2016: 6,66%) was used to calculate interest earned on the deposit balance.

During the reporting period, no transfers were made between the hierarchy levels. No change occurred from the prior reporting period in the valuation techniques applied to financial instruments.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the SA Rand swap zero-coupon yield curve of 10% (2016: 11,50%), at the reporting date.

37. GOING CONCERN

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

38. EVENTS AFTER THE REPORTING PERIOD

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

39. EARNINGS PER SHARE

	2017	2016
The calculation of basic earnings per share is based on:		
Basic earnings attributed to ordinary shareholders (R'000)	**367 286**	238 212
Reconciliation of weighted average number of ordinary shares		
Issued number of shares ('000)	**316 048**	318 168
Weighted average number of ordinary shares ('000)	**317 209**	325 286
Earnings per share (cents)	**116**	73

There were no instruments that had a dilutive effect (2016: none).

40. HEADLINE EARNINGS PER SHARE

	2017 R'000	2016 R'000
Reconciliation of basic headline earnings per share is based on:		
Basic earnings attributed to ordinary shareholders	**367 286**	238 212
Loss/(profit) on sale of assets	**175**	224
Tax on profit on sale of assets	**(49)**	(63)
Impairment of plant, equipment and vehicles	**1 666**	2 402
Tax on impairment of plant, equipment and vehicles	**(466)**	(673)
Fair value adjustment on investment property	**–**	(2 462)
Tax on fair value adjustment on investment property	**–**	552
Headline earnings for the year	**368 612**	238 192
Weighted average number of ordinary shares ('000)	**317 209**	325 286
Headline earnings per share (cents)	**116**	73

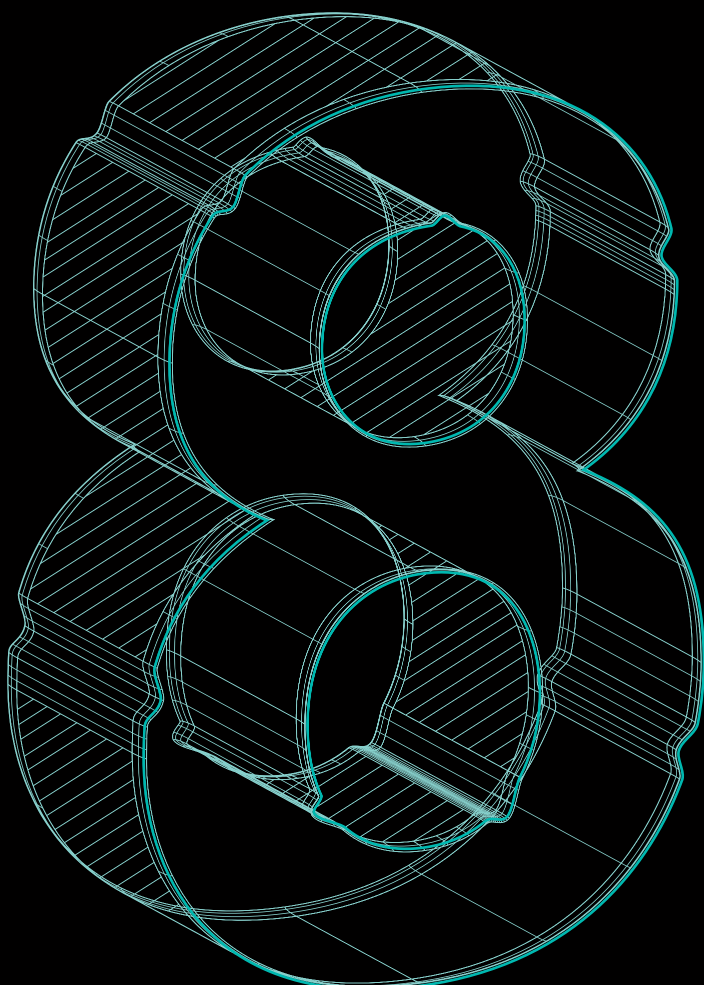
There were no instruments that had a dilutive effect (2016: none).

41. CORE EARNINGS PER SHARE

	2017 R'000	2016 R'000
Reconciliation of core earnings per share is based on:		
Basic earnings attributed to ordinary shareholders	**367 286**	238 212
Fair value adjustment on biological assets	**(436 494)**	(192 875)
Tax on fair value adjustment on biological assets	**122 218**	54 005
Core earnings for the year	**53 010**	99 342
Weighted average number of ordinary shares ('000)	**317 209**	325 286
Core earnings per share (cents)	**17**	31

08

CORPORATE **GOVERNANCE**



York aims to integrate responsible corporate citizenship into its growth strategy and to embed sound corporate governance values into daily operations and processes to build a culture of sustainability.

COMMITMENT TO ETHICAL AND EFFECTIVE LEADERSHIP

Ethical and effective leadership will yield beneficial governance outcomes such as sustainable performance and value creation for the Group. York's Board of Directors comprises a balance of skills, experience, independence and knowledge needed to discharge its duties.

York's governing body is its Board of Directors (the Board) and it supports integrated thinking, which takes account of the connectivity and interdependencies between a range of factors that affect York's value-creation ability over time. The Board considers good corporate governance as integral to the organisation and essential to value creation and enhancing the performance of the Group. The Board understands that the foundation of good corporate governance is ethical and effective leadership, which will yield beneficial governance outcomes such as sustainable performance and value creation for the Group. The Board is committed to such leadership by providing strategic direction and informed oversight of implementation and performance to management.

STATEMENT OF COMPLIANCE

York subscribes to full compliance with the Companies Act, 71 of 2008, as amended (Companies Act), the JSE Limited Listings Requirements (JSE Listings Requirements) and the King IV Report on Corporate Governance for South Africa, 2016 (King IV), as well as any other applicable laws and regulations.

APPLICATION OF KING IV

King IV came into effect on 1 November 2016 and pursuant to the amendments to the JSE Listings Requirements in relation to King IV, the JSE requires the application and disclosure thereof from 1 October 2017. This report has been prepared in terms of the JSE Listings Requirements, where certain practices of King IV are mandatory.

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The King IV Application Register is available on York's website at www.york.co.za.

GOVERNANCE STRUCTURE

There is a clear division of responsibilities at Board level. The Board delegates authority to relevant Board committees to ensure that all issues of strategy, performance, resources and standards of conduct and responsible governance are applied. The roles of the Independent non-executive Chairman and the Chief Executive Officer (CEO) are separate and distinctly defined. The CEO is responsible for leading the implementation and execution of approved strategy, policy and operational planning and also serves as the chief link between management and the Board. The Company Secretary supports and co-ordinates the functioning of the Board and its committees.

COMPOSITION AND TENURE

10 directors – constituting a majority of non-executive directors, the majority of whom are independent.

(♀ x 1) + (♂ x 9)

York's Board of Directors reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

BOARD OF DIRECTORS

SKILLS AND EXPERTISE

LENGTH OF SERVICE

0 – 4 YEARS	**5 – 8 YEARS**	**>8 YEARS**
MASERAME MOUYEME *Independent non-executive director* Board member since: 2015	**AZAR JAMMINE** *Independent non-executive director* Board member since: 2010	**PAUL BOTHA** *Non-executive director* Board member since: 2007
DINGA MNCUBE *Independent non-executive director* Board member since: 2013	**GAVIN TIPPER** *Independent non-executive director* Board member since: 2010	**SHAKEEL MEER** *Non-executive director* Board member since: 2007
THABO MOKGATLHA *Independent non-executive director* Board member since: 2013	**PIETER VAN ZYL** *Chief Executive Officer* Board member since: 2009	**JIM MYERS** *Independent non-executive director* Board member since: 2007
PIETER VAN BUUREN *Chief Financial Officer* Board member since: 2013		

A brief CV of each director is on page 151, reflecting diversity in terms of academic qualifications, expertise and race.

BOARD OF DIRECTORS

DR JIM MYERS

PIETER VAN ZYL

DINGA MNCUBE

MASERAME MOUYEME

PAUL BOTHA

GAVIN TIPPER

THABO MOKGATLHA

SHAKEEL MEER

DR AZAR JAMMINE

PIETER VAN BUUREN

DR JIM MYERS (Born 1940) US citizen
Chairman

Appointed: 26 February 2007

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

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

PIETER VAN ZYL (Born 1963)
Chief Executive Officer
Appointed: 8 April 2009

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

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

DINGA MNCUBE (Born 1959)
Independent non-executive director

Acting Chairman from 16 January to 6 April 2017 during Dr Myers' recovery from operation

Appointed: 6 March 2013

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

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

MASERAME MOUYEME (Born 1966)
Independent non-executive director

Appointed: 22 May 2015

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

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

PAUL BOTHA (Born 1963)
Non-executive director

Appointed: 4 September 2007

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

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

GAVIN TIPPER (Born 1965)
Independent non-executive director

Appointed: 12 May 2010

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

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

THABO MOKGATLHA (Born 1974)
Independent non-executive director

Appointed: 6 March 2013

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

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

SHAKEEL MEER (Born 1962)
Non-executive director

Appointed: 4 September 2007

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

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

DR AZAR JAMMINE (Born 1949)
Independent non-executive director

Appointed: 5 October 2010

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

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

PIETER VAN BUUREN (Born 1970)
Chief Financial Officer

Appointed: 1 October 2013

Qualifications: BCom Hons (RAU, now known as UJ); CMA; CA(SA); Executive Development Programme (University of Stellenbosch Business School)

Skills and experience: Pieter is qualified as a chartered accountant and chartered management accountant. He has more than 22 years' professional experience, with 16 years in senior financial management roles, mostly in the construction, manufacturing and related industries. He also has extensive regulatory compliance experience. Pieter has proven to be a real asset in the effective delivery of timeous and actionable management information.

Audit Committee | Executive Committee | Remuneration and Nomination Committee | Risk and Opportunity Committee | Social and Ethics Committee

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board considered the indicators set out in King IV holistically and on a substance-over-form basis when assessing the independence of each director for purposes of categorisation. The majority of directors serving on the Board are classified as independent as they have an absence of an interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making. The Board is satisfied that these directors act with independence of mind and in the best interest of the Company.

One non-executive member, who has served for longer than nine years on the governing body, will continue to serve in an independent capacity. The governing body has conducted an assessment every year after nine years and has concluded that the member exercises objective judgment and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making.

BOARD APPOINTMENTS

Directors are appointed in a formal and transparent manner. Each of the directors has been separately identified by the Nomination Committee as a person with the required skills, business experience and qualifications as well as ethical integrity to contribute to the strategy and performance of the Company. The Board considers the nomination and values of those that will ensure diversity amongst the Board members, taking into account the recommendations put forward by the Nomination Committee. Appointments of directors are ratified at the annual general meeting of shareholders.

One-third of the directors are required to retire by rotation at the annual general meeting as required in terms of the Companies Act and York's memorandum of incorporation. Details of the directors considered for re-appointment are given in the notice of annual general meeting to shareholders. The Board of Directors supports the re-election of these directors.

DIRECTOR INDUCTION

Newly appointed directors participate in an induction programme managed by the Chairman, CEO, Company Secretary and Chief Human Capital Officer. The induction programme is to enable the newly appointed directors to start making the maximum contribution within the shortest time possible.

The new directors are provided with the essential knowledge of the Company's strategy, risks, operations and knowledge in industry perspectives. This equips the directors to gain a comprehensive understanding of York, its business environment and the markets in which it operates.

DIRECTOR DEVELOPMENT

As part of the directors' development in York, a series of meetings, presentations, site visits and events are held throughout the year. These visits provide valuable insight for the directors to track value creation in a sustainable manner in the triple context in which York operates.

During July 2016 the directors visited York's Highveld operations and observed the capabilities of the mechanised harvesting machines in the plantations. The directors witnessed York's CSI projects in the Highveld region and contribution to the Nganga Village. The directors also visited two of York's sawmills in the Escarpment area and viewed the various plantations en route. Forestry demonstrations on silviculture activities were shown such as planting, pruning, enumeration, tree harvesting and log scaling. The focus was on forestry developments with presentations and discussions on various topics such as tree breeding, genetics, under canopy burning, pests and disease control measures, LogTrace and log procurement strategy. Throughout the visit, directors had opportunities to interact with staff from different divisions ranging from junior to management levels.

BOARD COMMITTEE COMPOSITION

The allocation of roles and responsibilities and the composition of Board committees have been considered holistically by the Board with the aim to promote effective collaboration among committees with minimal overlap and fragmentation of duties, as well as a balanced distribution of power. These delegation arrangements are to promote independent judgement, to assist with balance of power and to assist with the effective discharge of its duties by the Board. Members of the executive and senior management are invited to attend Board committee meetings, either by standing invitation or on an ad hoc basis to

provide pertinent information and insights in their areas of responsibility.

GENDER AND RACE DIVERSITY DISCLOSURE

York has adopted a formalised and combined policy on the promotion of gender and race diversity at board level, which is reflective of the process followed in appointing its Board. The voluntary target set for female representation on the Board has been set at 10% and a voluntary target for race diversity will be considered in the future. Gender and race diversity targets will be progressed and as when replacement opportunities for directors arise, taking into account the balance of skills required to enable the Board to properly perform its duties and meet its responsibilities.

The composition of the Board is set out on page 149.

The Board diversity policy is available on York's website @ www.york.co.za

EVALUATIONS OF THE PERFORMANCE OF THE BOARD

Performance evaluations of the Board, its committees, the Chairman, individual members and the Company Secretary were undertaken during the reporting period. The evaluations were conducted formally and were not externally facilitated but in accordance with the methodology approved by the Board. There were no issues raised and the contribution, value and participation was considered satisfactory and positive. The skills on the Board were also assessed to be well balanced.

The Board is satisfied that the evaluations process is improving its performance and effectiveness. It is also satisfied that all committee members collectively have the skills and capacity to fulfil the mandate and that all the committees have performed their responsibilities in compliance with their terms of reference for the period under review.

COMPANY SECRETARY

The Company Secretary is appointed on a full-time basis and provides professional and independent guidance on corporate governance and legal duties, and co-ordinates the functioning of the Board and its committees. The Company Secretary also ensures that the appropriate statutory and other records are maintained. The Board is assured that the Company Secretary has the necessary competence and objectivity to provide independent guidance and support at the highest level of decision-making in the Company. The Board has ensured that the Company Secretary is empowered and that the position carries the necessary authority.

The Board confirms that the Company Secretary maintains an arm's length relationship with the Board and the directors and is not a director of the Company. Based on the outcome of a formal assessment conducted by the Chairman and CEO on the Company Secretary's performance and independence, the Board is of the opinion that the Company Secretary has the requisite competence, qualifications, knowledge and experience to carry out the duties of a secretary of a public company, and is suitably independent of the Board to be an effective steward of the Company's corporate governance framework.

DEALINGS IN SECURITIES

During the period under review, York's share trading policy and rules were adhered to and, when required, the necessary consent was obtained by directors and/or staff to trade in York securities.

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

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

The closed periods are from 1 January to the date of publication of the interim results and from 1 July to the date of publication of the preliminary, abridged or provisional annual financial statements, as well as during any cautionary or prohibited period.

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

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

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

Directors' shareholding are detailed on page 99.

DIRECTORS' DISCLOSURES OF CONTRACTUAL INTERESTS

Directors of the Company provide disclosures to the Company Secretary as soon as the disclosures are updated. Directors are also given the opportunity to disclose any material interest in contracts with the Company or its subsidiaries at every Board meeting in terms of section 75 of the Companies Act. These updated disclosures are noted by the Company Secretary and kept in a separate register of directors' disclosures.

ORGANISATIONAL INTEGRITY AND CODE OF ETHICS

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

FAIR BUSINESS PRACTICES

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

GOING CONCERN

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

More detail is available in the Audit Committee report on page 98.

INTEGRATED REPORTING, STAKEHOLDER INCLUSIVITY

The Company publishes an integrated report annually. It is a standalone report that connects detailed information at a high level and, in a complete, concise way, the matters that could significantly affect the Group's ability to create value. The integrated annual report also includes the consolidated annual financial statements. York regularly provides information to stakeholders through the JSE Limited's Stock Exchange News Service (SENS), the media and its website @ www.york.co.za

York fully appreciates that its ability to create value for itself depends on its ability to create value for others. The Company takes into account the legitimate and reasonable needs, interests and expectations of all material stakeholders in the execution of its duties in the best interest of the Company over time.

Details of York balancing the needs, interests and expectations of stakeholders are reported on page 20.

BOARD MEETING FREQUENCY

Board committee membership, attendance and compliance with King IV

Board meeting attendance for the year under review:

	Director	Board	Audit Committee	Remuneration and Nomination Committee	Social and Ethics Committee	Risk and Opportunity Committee
Independent	Dr Jim Myers	5/6[#]		2/2 Remuneration[#]		0/2
	Dr Azar Jammine	6/6	2/2	2/2 Nomination[#]		
	Dinga Mncube	6/6*			2/2[#]	2/2
	Thabo Mokgatlha	6/6	2/2	1/2		
	Maserame Mouyeme	6/6		1/2	2/2*	
	Gavin Tipper	6/6	2/2[#]		2/2	
Non-executive	Paul Botha	6/6		2/2		2/2[#]
	Shakeel Meer	4/6				2/2
Executive	Pieter van Buuren	6/6	2/2[##]			2/2[##]
	Pieter van Zyl	6/6	2/2[##]	2/2[##]	2/2	2/2
Membership compliance with King IV		Majority independent directors	All independent non-executive directors	**Remuneration:** All non-executive directors with majority and chairman being independent **Nomination:** All non-executive directors with majority being independent.	Executive and non-executive directors with majority being non-executive.	Executive and non-executive directors with majority being non-executive.
			Each committee comprises at least three members			

** Appointed as Acting Chairman of the Board from 16 January to 6 April 2017 during Dr Myers' recovery from an operation*

[#] Chairman during the reporting period

[##] By invitation

BOARD FOCUS AREAS IN THE PAST YEAR

Focus area	Strategic response	Future value creation (capital affected)
Potential acquisitions and capital expenditure investments	Since York submitted its bid under the expedited bid window 4b for the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) in November 2015, no preferred bidder announcement has been made. There were requests by the IPP Office to extend the bid validity period on two occasions. The last extension agreed by the Company is until 30 September 2017. Despite the costs already incurred by the Company in preparation for the bid, the Company cannot wait indefinitely for the preferred bidder announcement. There were numerous acquisitions tabled for consideration by the Board. Not only did the potential acquisitions have to be EBITDA-generative and provide raw material security, but geographical expansion was also a key determinant. The acquisitions reviewed during the reporting period did not meet the requisite needs of the Company and the Board will continue to vet and pursue potential acquisitions that will meet York's criteria. During the year, the Board also considered and approved capital expenditure investments that will increase efficiency, intake and product output. A number of these projects have yielded satisfactory investment returns, such as the Mechanised Harvesting Project in the Highveld region. The need for product diversification by the market also necessitated that the Board accelerate capital expenditure investment to the Plywood Expansion Project. The 48 Daylight Press was approved to deliver an extended product range. Biomass will, however, remain a revenue stream so as to extract maximum value from York's raw material.	
Timber supply strategy	External log purchases were always part of York's log procurement strategy as this approach allows York's own plantations to mature and be managed on a sustainable basis. KLF (with York as its largest customer) disclosed its vertical integration strategy in its 2016 integrated report. It would effectively compete with its own customers and retain raw material for its own strategy. This was coupled with an effective price increase of 17% on logs during the 2016/2017 bid procurement process. York's engagement with KLF concerning its marketing policy was abortive. Despite this, York has the flexibility to change its regimes and consolidate its processing capacities to cater for these circumstances. The Company is also actively seeking opportunities to expand its landholding for raw material.	

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

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

Dr Jim Myers
Chairman

Ms Han-hsiu Hsieh
Company Secretary

22 September 2017

EXECUTIVE COMMITTEE

Management is responsible for the implementation and execution of approved strategy, through policy and operational plans delegated to it by the Board. The key functional areas are headed by competent individuals and are adequately resourced.

COMPOSITION

Pieter van Zyl	Pieter van Buuren	Sue Hsieh
Chief Executive Officer	*Chief Financial Officer*	*Corporate Legal Adviser and Company Secretary*

The executive management team also includes:

Deon Breytenbach	*General Manager: Processing*
Kirsten Coetzee	*Chief Human Capital Officer*
Schalk Grobbelaar	*Group Engineer*
Sixolile Msayi	*International Sales Executive*
Reinhard Mulder	*Strategic Development Manager*
Kuda Phairah	*General Manager: Forestry*
Rudi Röhrs	*Executive Sales Manager*
Koot van der Walt	*Wholesale Division Manager*

The advisory and mentoring panel to the executive management team:

Dr Charlie Clarke *(tree geneticist)*, Eric Droomer *(international forestry expert)*, Kobus Goosen *(experienced executive manager)*, Martin Herbert *(international renowned soil scientist)*, Gerhard Kruger *(IT specialist)* and Andre Möller *(forestry expert)*.

From left to right: Sixolile Msayi, Kirsten Coetzee, Sue Hsieh, Kuda Phairah and Pieter van Zyl.

REMUNERATION AND NOMINATION COMMITTEE REPORT

The remuneration policy and its application are designed to reflect shareholder alignment and encourage an enhanced performance culture in the Company and sustained shareholder value creation.

BACKGROUND STATEMENT

This report provides context for the Company's remuneration considerations and policy, outlines York's remuneration policy and presents a report on the remuneration outcomes against policy. York's combined Remuneration and Nomination Committee (Remco) assists the Board in ensuring that remuneration for York's staff is linked to the creation of value for stakeholders over the long term. To do this, value creation and value drivers are determined and Remco is tasked with ensuring that pay is linked to the achievement of the key outcomes and drivers that were defined. Remco believes that the remuneration policy achieved its objectives during the year under review.

Refer to pages 18 and 19 for York's value creation and value drivers.

Pay increases were implemented with effect from 1 August 2016. Although these were linked to an annual performance review, they are not guaranteed and staff must perform against defined key performance areas to achieve a percentage increase as an annual increase. Increases ranged from 1,75% for non-performers whose roles are at risk due to poor performance and up to 7% for high-performers who delivered value for the entire period. Factors external to an organisation that influenced pay include consumer price index, labour unions, government legislation and the impact of the market and economic conditions.

In accordance with King III, the York remuneration policy was proposed for endorsement at its 2016 annual general meeting, where it was approved with a majority of 60% of the votes cast in favour. Numerous consultations were held with a major shareholder group since the 2016 annual general meeting.

Given York's general alignment with King IV, the remuneration policy was improved with the introduction of a new management performance review. No other changes have been made to the policy.

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

COMPOSITION

Chairmen		Other committee members			
Dr Azar Jammine (Remuneration)	Dr Jim Myers (Nomination)	Paul Botha	Thabo Mokgatlha	Dr Jim Myers	Maserame Mouyeme

The Chief Executive Officer and Chief Human Capital Officer attend by invitation. The Company Secretary acts as the Committee Secretary.

FOCUS AREAS DURING THE YEAR

Focus area	Strategic response	Future value creation (capital affected)
Succession planning	The committee ensured and has satisfied itself that there is adequate succession planning in place for executive management and other key positions to provide continuity of leadership. Succession planning was reviewed by the committee, who ensured that there are succession plans for emergency situations and the long term.	
Key strategic skills and transformation	The committee reviewed the implementation and application of the new performance management system. The committee provided feedback and suggestions to evaluate functional, quantifiable skills and leadership competencies separately, as well as incorporating elements of subjective evaluation in the assessment. The committee tracked the progress realised through the gradual development of talent within the Company. Steady progress was demonstrated and reviewed, with improved representation of black males at senior management and a strong pool of black males in middle management from which the senior manager vacancies can continue to be filled in future. The same opportunities exist in junior management, who are filtered into middle management as roles become vacant. The drive to recruit black females continues, especially at senior management level. The Company has been meticulous in its approach to avoiding tokenism and creating high-calibre, successful role models in a talent pipeline for senior positions. Twenty percent of the current senior managers have come through the ranks in this particular manner.	

Future areas of focus will be based on the above, with additional consideration for skills required as the Company develops its approach to community supplier agreements and the further integration of communities into the York value chain.

Further decisions taken by Remco during the period under review are provided in summary below.

OVERVIEW OF THE REMUNERATION POLICY

Remco keeps abreast of market trends in the industry and continues to monitor regulatory and governance changes such as King IV. Remco is mindful of the pay gap ratio and the differences when comparing highly skilled executives and the challenges of their roles with employees who perform routine and repetitive work with little decision-making. Both are integral to the functioning and success of the business. For this reason, York ensures that it remunerates above the minimum wage and is notably the highest paying company in the forestry industry. York's rate of pay is R800 per month higher at the lowest levels than that of its direct competitors. This pay-differential will narrow upon the implementation of the national minimum wage in 2018. The benchmark used is the sectoral determination, applied to the forestry sector, as this is the legislated benchmark.

York has made progress in further aligning and refining the relationship between pay, performance and value creation in the year under review. This alignment and value extraction focus linked to pay contributes to the ability of York to retain vital talent and required skillsets as the Company embarks on its growth path.

Lessons learnt from international organisations demonstrate that remuneration cannot be viewed from a fixed mindset where simple formulas can be rigidly applied. Remco must retain discretion over pay to ensure the promotion of value creation and that the drivers of long-term value, such as innovation and efficiency, are appropriately rewarded as the value of the organisation is increased. The Company continued with the donut approach to management, which is an innovative method that has proved successful and has increased communication and ownership across divisions.

This approach improved accountability dramatically and increased strategic competence whilst also improving cross-functional collaboration. It further ensures alignment of daily operations to key performance indicators.

The Company continued to make use of the York Action System. This software system is a management communication tool that embeds accountability and improved communication. The closing out of actions and decisions taken in various forums across the organisation are fully transparent and monitored daily. Improvements are in progress to implement a web-based system that will improve accessibility when out of the office.

York's overall reward philosophy ensures that directors, senior management and all employees are fairly and responsibly rewarded for their individual and business unit contribution to the Company's operating and financial performance. Total guaranteed remuneration packages are benchmarked and assessed annually. Individual performance is evaluated through York's rigorous performance management processes, the outcome of which influences the award of short- and long-term incentives, as well as annual salary increases.

There are no obligations in the executive employment contracts that could give rise to payments on termination of employment or office.

A new performance management process was introduced in the year under review. The key improvement to the existing system was the more detailed evaluation of functional, technical and values-based behaviour. This allowed for a more comprehensive assessment that pinpointed areas for improvement. The system still includes the establishment of key performance areas for evaluation of individuals and business units. Individuals are assessed quarterly by their immediate managers, as well as managers within and external to their business unit. These results are then moderated by the senior managers as well as the executive directors for consistency and anomalies. Each element of York's remuneration structure is aligned to stakeholder value and appropriately linked to York's business strategy.

YORK REWARD FRAMEWORK

The objective of York's reward framework is to support the business in attracting and retaining high-quality talent whilst, at the same time, motivating individual and team performance that drives value creation. York's reward framework comprises financial and non-financial elements and is applied to all employees.

York adopts a holistic approach to the reward framework, encompassing the following elements:

- A total guaranteed remuneration package (TGRP);
- Variable remuneration, which includes short- and long-term incentives;
- Growth and development opportunities for all York employees;
- Progressive talent management programmes; and
- Appropriately designed wellness programmes.

For more information on growth and development opportunities and the programmes referred to above for all York employees, please refer to page 82.

NON-FINANCIAL MEASURES

Stakeholders' interests and interactions with the organisation are captured on the York Action System to ensure their expectations are formally established and captured.

Refer to page 20 on York's comprehensive stakeholder engagement.

CONCLUSION

In reflecting on the 2017 financial year, the key pillars of York's high-performance culture have been integral to its ability to create value in a challenging business environment. These are:

- A new performance management system, which better pinpoints areas for improvement and value creation and drives company values and ethics;
- Structured engagement through the York Action System, which results in transparent decision-making, accountability and improved communication;
- The donut leadership approach, which allows for an energetic, dynamic combination of experience and young talent;
- The continuous improvement imperative generated through the York Training Academy;
- Project Evolve: the continuation of this multi-faceted approach to business improvement that is embedded in production and tracks business process alignment at all production units;
- A committed and qualified leadership team with a distinct brand of leadership that encourages a growth mindset;
- A vigorous approach to talent development and the drive to transformation, specifically the recruitment of black female leaders and development;
- A stable and loyal labour force, committed to securing a successful business;
- Robust and far-reaching stakeholder engagement with provincial and local government and the community, where York is a leading partner on projects and development initiatives; and
- The York Adventure Club, maintaining an active, healthy lifestyle that results in a sense of belonging within the York experience.

All of these capture York's strategic objective, being value creation through optimisation.

LONG-TERM INCENTIVE SCHEME

The long-term incentive scheme is to provide a suitable retention and performance incentive scheme for the CEO. The CEO must utilise the after-tax cash proceeds received from the retention payments and performance payments to purchase York shares in the market.

Retention payments

As reported in the 2016 integrated annual report, the CEO will be awarded R10 million as retention payment on 31 December 2017 if the CEO remains employed by the Company at that date, the after-tax proceeds of which will be used to purchase York shares in the market. . In consideration of the payment, the CEO has undertaken to remain in the employ of the Company until 31 December 2021.

Refer to page 164 for details on the retention payment made to the CEO for the period under review.

Performance payments

The results for the year ending 30 June 2017 are measured against the set 2017 performance targets. All categories in the set 2017 performance targets were achieved, save for EBITDA. The applicable weighting was applied to the categories achieved. The resulting performance payment of R1,8 million must be made to the CEO within six months from the financial year-end of 30 June 2017.

The agreed performance criteria and the targets for 2018 are as set out in the table below and will be measured against the results for the year ending 30 June 2018. Subject to meeting the performance targets set out below, a cash payment of up to 100% of cost-to-company will be made to the CEO.

2018 performance targets

Category	Weighting	Targets				
EBITDA	50%	Up to R271 million	R271 000 001 to R286 million	R286 000 001 to R301 million	R301 000 001 to R316 million	R316 000 000+
		0%	20%	50%	75%	100%
Total shareholder return (share price)	12%	Up to R2,62	R2,63 to R2,75	R2,76 to R3,00	R3,01 to R3,50	R3,51+
		0%	50%	75%	90%	100%
Underlying tangible net asset value per share (UTNAV)	18%	At least R10,87				
Strategic position	20%	The measure thereof will be per Board evaluation.				

The following considerations are taken into account when assessing strategic position:

Community engagement

- Improving quality of living conditions/environment;
- Infrastructure support; and
- Developing educational initiatives.

Cost optimisation

- To be cost-competitive locally and internationally for operational activities (processing and forestry); and
- Efficient capacity utilisation of equipment.

Raw material supply

- Suitable raw material supply to processing plants and optimising the product offering.

Enhance the quality of the biological assets

- Tree breeding to enhance genetic material;
- Protection from pests, diseases and fires; and
- Site-specie matching to wood properties.

Strategic growth

- Enhancing new routes to markets;
- Expanding into new markets;
- Diversifying product offering; and
- Innovation to improve decision-making ability.

NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors are paid an annual fee and meeting fee per attendance. They do not receive performance incentive payments (short- or long-term), shares, pension fund benefits or any other form of financial assistance. The Chairperson of the Board is paid at higher levels than the other members to reflect the complexity and amount of preparation required by him. A comprehensive benchmarking exercise was conducted in consultation with EY, PwC and IoDSA's non-executive directors' fees guide and board assessment in terms of skills, experience and contribution to the performance of the Company to date and in terms of the Company's growth plans. The proposed fees as set out on page 174 will be based on an inflationary increase, valid for two years.

NEW DIRECT SHARE OWNERSHIP LONG-TERM INCENTIVE SCHEME FOR STAFF

Share appreciation right scheme

The existing share appreciation right (SAR) scheme did not achieve its objective to incentivise or retain senior employee participants nor did it serve as a reward mechanism for key high-performing York staff members. SARs had strike prices higher than the current traded share price and maturing rights under SAR have not retained value. As a result, as outlined below, the SAR scheme was cancelled.

Direct Share Ownership Long-Term Incentive Scheme

A new long-term incentive scheme is to be introduced in the next financial year whereby staff members will have direct ownership in York shares (Direct Share Ownership LTI Scheme). Recipients of the Direct Share Ownership LTI Scheme will be awarded a lump sum in cash and the recipient must utilise the after-tax amount to purchase York shares. This was approved after financial year-end and will replace the SAR scheme in the new financial year.

If the recipient's employment relationship with York is terminated as a result of dismissal or resignation within the three years from the Direct Share Ownership LTI Scheme award date, the recipient retains the shares so purchased but will be required to pay the after-tax amount (repayment) to York upon exit.

The employee can settle the repayment by way of cash or elect for York to deduct the repayment from the sum available of accrued leave pay, final salary payment and provident fund.

The objectives of the Direct Share Ownership LTI Scheme:

Staff retention – key high-performing employees who will be rewarded under a long-term incentive scheme are marketable as their skills are sought after in the industry. Such performers become a competitive advantage and need to be retained. A long-term incentive scheme which requires the employee to remain employed to earn the right to the monetary benefit, ensures that the employee will remain employed and makes it harder for prospective employers to poach the star employee.

Staff reward – exceptional performance needs recognition to ensure continued commitment and motivation and to encourage further contributions. A long-term incentive scheme allows for rewards over a longer period, thereby allowing the reward to be material to the current earnings of the employee.

Cancellation and settlement of awards made under the SAR scheme

The SAR scheme was cancelled during the 2017 financial year. The current participants in the SAR scheme will be migrated to the Direct Share Ownership LTI Scheme by calculating a value equal to the participation rights initially awarded under the SAR scheme.

PwC's valuation under the Black-Scholes model as at 30 June 2017 was utilised to determine each SAR award at expiry date. Any value still accrued in the SAR scheme will be migrated to the new Direct Share Ownership LTI Scheme which will be introduced in the new financial year.

Furthermore, as time has lapsed since the initial SAR awards (SARS) were allocated, this will be recognised in the Direct Share Ownership LTI Scheme. Recipients of awards given under SARS 4, 5 and 6 will be paid out as per the Black-Scholes model valuation to purchase York shares as per the proposed rules of the Direct Share Ownership LTI Scheme. Since awards under SARS 5 and 6 were made on 1 June 2014 and 11 March 2015 respectively, unlike the recipients for SARS 4, the recipients under SARS 5 and 6 will be locked in for 38% and 54% of the amount paid out until 1 June 2019 and 10 March 2020 respectively. The recipients will be required to tender repayment of the unvested portion received if their employment is terminated before the aforementioned dates of 1 June 2019 and 10 March 2020.

Further details are recorded in note 35 to the consolidated annual financial statements on page 139.

ACCOUNTING TREATMENT

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

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

IMPLEMENTATON REPORT

Payments to executive directors

	Basic salary R'000	Other cash benefits R'000	Bonus R'000	Retention payment* R'000	Total R'000
2017					
PP van Zyl *(Chief Executive Officer)*	**4 626**	**942**	**–**	**5 213**	**10 781**
JPF van Buuren *(Chief Financial Officer)*	**1 901**	**484**	**–**	**–**	**2 385**
Total	**6 527**	**1 426**	**–**	**5 213**	**13 166**
2016					
PP van Zyl *(Chief Executive Officer)*	4 332	881	5 000	6 344	16 557
JPF van Buuren *(Chief Financial Officer)*	1 772	461	1 020	–	3 253
Total	6 104	1 342	6 020	6 344	19 810

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

Share appreciation rights (Rand) awards granted to the executive directors

	Type of award (SARS)	Awards held at the beginning of the year	Awarded (exercised/ forfeited)	Awards held at the end of the year	Strike price cents	Total value provided at the end of the year R'000
2017						
PP van Zyl	3	**22 313**	**(22 313)**	**–**	**3,64**	**–**
JPF van Buuren	5	**600**	**–**	**600**	**3,60**	**282**
	6	**600**	**–**	**600**	**2,59**	**376**
Total		**23 513**	**(22 313)**	**1 200**		**658**
2016						
PP van Zyl	1	3 226	(3 226)	–	2,74	–
	2	3 113	–	3 113	3,19	–
	3	19 200	–	19 200	3,64	2 880
JPF van Buuren	5	600	–	600	3,60	235
	6	600	–	600	2,59	230
Total		26 739	(3 226)	23 513		3 345

Six allotments of these appreciation rights were made, with four still remaining, the third granted on 1 July 2011 (SARS 3), the fourth on 1 July 2012 (SARS 4), the fifth on 1 June 2014 (SARS 5) and the sixth on 11 March 2015 (SARS 6). A notice of allocation was sent to beneficiaries. The transactions constitute call options with a term of six years from the grant date, in the hands of the employees.

No awards were granted during the 2016 and 2017 financial years. Below is a summary of historical awards.

	Type of award (SARS)	Awards held at the beginning of the year	Awarded (exercised/ forfeited)	Awards held at the end of the year	Strike price cents	Total value provided at the end of the year R'000
2017						
PP van Zyl	3	**22 313**	**(22 313)**	**–**	**3,64**	**–**
JPF van Buuren	5	**600**	**–**	**600**	**3,60**	**282**
	6	**600**	**–**	**600**	**2,59**	**376**
Total		**23 513**	**(22 313)**	**1 200**		**658**

(SARS 3) was awarded on 1 July 2011, (SARS 5) was awarded on 1 June 2014, and (SARS 6) was awarded on 11 March 2015.

Awards made under variable remuneration incentive schemes (in this case, the share appreciation rights scheme):

- PP van Zyl – forfeited all SARS (RNil), R1,893 million STI receivable
- JPF van Buuren – 1,2 million SARS valued at R658 000

Cash value of all awards made under variable remuneration incentive schemes settled:

- PP van Zyl – R5,213 million
- JPF van Buuren - RNil

Refer to page 161 for performance achieved against the 2017 set targets.

Payments to non-executive directors

	Directors' fees R'000	Total R'000
2017		
Dr JP Myers *(Chairman)*	**733**	**733**
PC Botha*	**338**	**338**
Dr A Jammine	**338**	**338**
S Meer*	**196**	**196**
D Mncube	**338**	**338**
T Mokgatlha	**275**	**275**
M Mouyeme	**275**	**275**
G Tipper	**338**	**338**
Total	**2 831**	**2 831**
2016		
Dr JP Myers *(Chairman)*	861	861
PC Botha*	326	326
Dr A Jammine	372	372
S Meer*	261	261
D Mncube	325	325
T Mokgatlha	290	290
M Mouyeme	202	202
G Tipper	363	363
Total	3 000	3 000

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

Application of performance measures in base pay: The key objective is to provide the base element of remuneration that reflects the person's role or position in York and is payable for doing the expected job. Remuneration is benchmarked against the sector and is set at a level which is aligned to expected operational performance. The market view for all job categories is flexible enough to take into account the economic and commercial environments as they affect the Company and its employees. This implies continuous monitoring or assessment of the current labour market from which the Company recruits. Therefore, it may from time to time, be necessary to remunerate a certain individual or categories of individuals at a level above the normal guidelines for a particular job. Performance criteria are set for each role and increases are based on set performance against those criteria. This results in a variable annual salary increase being paid to individuals. The salary increases paid during the reporting period ranged between 1,75% and 7%.

Application of performance measures for short-term incentives: The key objective is to create a performance culture by rewarding individuals for achieving strong annual results in terms of pre-determined targets. The measurement period for assessing performance against the set targets is usually bi-annually, coinciding with the Group's financial half-year and year-end. Short-term incentive payments are made at Remco's discretion and are not guaranteed.

Application of performance measures for long-term incentives: The broad purpose of the long-term incentives is to attract, motivate, retain and reward key employees who are able to influence the performance and strategic direction of the Group. Long-term incentives are aligned to multi-year targets for growth and long-term value creation. In general, executive directors and key individuals who are high-performers, whose deliverables are essential to the success of York and who are critical from a retention perspective, are eligible for participation in the scheme. Eligible individuals are selected under oversight of the Remco. No awards were made during the period in light of the new Direct Share Ownership LTI Scheme being introduced.

Application of appropriate remuneration mix: The remuneration mix reflects the relative proportion of total guaranteed pay versus variable pay. There is a balance between fixed and variable pay, with the fixed pay representing a sufficiently high portion of the total remuneration to avoid employees becoming overly dependent on variable pay. The objective is to achieve a balanced mix appropriate for the job, level and performance, recognising the need for flexible remuneration package design to acknowledge different business requirements. In general, the variable component proportionally increases as the level of seniority or accountability of the individual within the organisation elevates.

Application of remuneration for executive directors is governed by the principles and practices as applicable to other salaried employees of the Group and are overseen by Remco (as outlined on page 159).

There were no payments made for termination of employment or office to any executive directors.

York is committed to fair and responsible remuneration across the Company. If any remuneration disparity arises, it is investigated and resolved appropriately. Remco is satisfied that the remuneration policy has been complied with throughout the year.

Dr Azar Jammine
Chairman of the Remuneration Committee

Dr Jim Myers
Chairman of the Nomination Committee

22 September 2017

RISK AND OPPORTUNITY COMMITTEE REPORT

COMPOSITION

Chairman	Other committee members			
Paul Botha	Dr Jim Myers	Dinga Mncube	Pieter van Zyl	Shakeel Meer

Some members of the senior management team attend by invitation. The Company Secretary acts as the Committee Secretary.

FOCUS AREAS DURING THE YEAR

Focus area	How these matters were addressed	Future value creation (capital affected)
Proposed transactions	Various business acquisitions were presented to and considered by the committee. Although emphasis is placed on EBITDA-accretive investments, one of the most significant determining factors in the strategic filter applied by the committee was the proposed business transaction's potential or ability to further York's African expansion strategy. Most of the proposed transactions scrutinised during the period under review did not meet the criteria but some are still being pursued.	
Marketing and sales	Although York's lumber sales reduction was less pronounced than the lumber industry's decline in an environment where the building industry showed no growth and the furniture industry reflected a decline in sales, it was prudent to assess the strategy of the Marketing and Sales division. The strategy for the Wholesale division will be to expand the wholesale footprint with the opening of additional branches and incorporating the remanufacturing strategy of value-adding and new product development. This will ensure a more comprehensive product offering and diversification available to the customer base.	
Risks	The top 10 risks of the business are reviewed on an ongoing basis, along with the mitigating control actions or opportunities arising from those risks.	

ACTIVITIES DURING THE YEAR

During the reporting period, the committee's terms of reference were updated in line with the King IV concept of risks and recommended practices on risk governance. Given the important role and impact that technology and information has on businesses, the IT systems strategy was reviewed to ensure that the processes that help management anticipate change, respond and manage risk and opportunities are sufficient. Log procurement strategy remained an important item on the committee's agenda as it is crucial for the continuous and sustainable raw material supply to the business over the medium and long term.

The Company invested in a number of capital expenditure projects in the past two years and the committee reviewed the impact on funding of these investments and considered the Company's corporate funding strategy.

The committee also considered environmental matters affecting the Company or having the potential to negatively impact the Company in the long term. The committee was kept up to date on the status of all environmental applications and licences required for the operation of the Company's activities.

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

Paul Botha
Chairman of the Risk and Opportunity Committee

22 September 2017

SOCIAL AND ETHICS COMMITTEE REPORT

COMPOSITION

Chairman	Other committee members		
Dinga Mncube	Gavin Tipper	Maserame Mouyeme	Pieter van Zyl

The Company Secretary acts as the Committee Secretary.

FOCUS AREAS DURING THE YEAR

Focus area	How these matters were addressed	Future value creation (capital affected)
Stakeholder engagement	Strong focus on the governance of stakeholder relationships and how stakeholder relationships should be approached and conducted in the Company were given substantial attention during the reporting period. Stakeholders' interests and interactions are captured on the York Action System to ensure that stakeholders' expectations are formally established and recorded. This includes various community forums, schools, students, taxi association, Employment Equity Committee meetings as well as workshops held with stakeholders. For more detailed information on stakeholder engagement, refer to page 20.	
Organisational ethics	Business conduct that constituted a breach of the Company's Code of Ethics either by employees or contractors was dealt with appropriately and received the committee's attention. Effective control of ethics management will lead towards the achievement of good performance and an ethical culture. Ethical and effective leadership should complement and reinforce each other, thereby exemplifying responsibility, accountability, fairness and transparency. Ethics training is given to staff on a quarterly basis and ethics management is always included as a conclusion for all training given to staff. At the committee's recommendation, the Company's Code of Ethics and Conduct will be included in the service level agreements with contractors.	

ACTIVITIES DURING THE YEAR

Cyber breach is becoming more prevalent and organisations need to know how to respond to this type of crisis since it can have significant implications and negative consequences. York is not immune to the threat and the committee is assured that its cyber security plan is bolstered and policies are in place to prevent such an event from transpiring. Events hosted and sponsored by York throughout the year were not only a form of brand equity promotion for York internally and externally but the contribution and upliftment to the community was the most rewarding. It is through these events that a symbiotic relationship is established, stakeholder engagement is cemented and value creation is sustained. The committee recognises the Company's participation and role as a responsible corporate citizen, its support in sustainable development and commitment to stakeholder relationships.

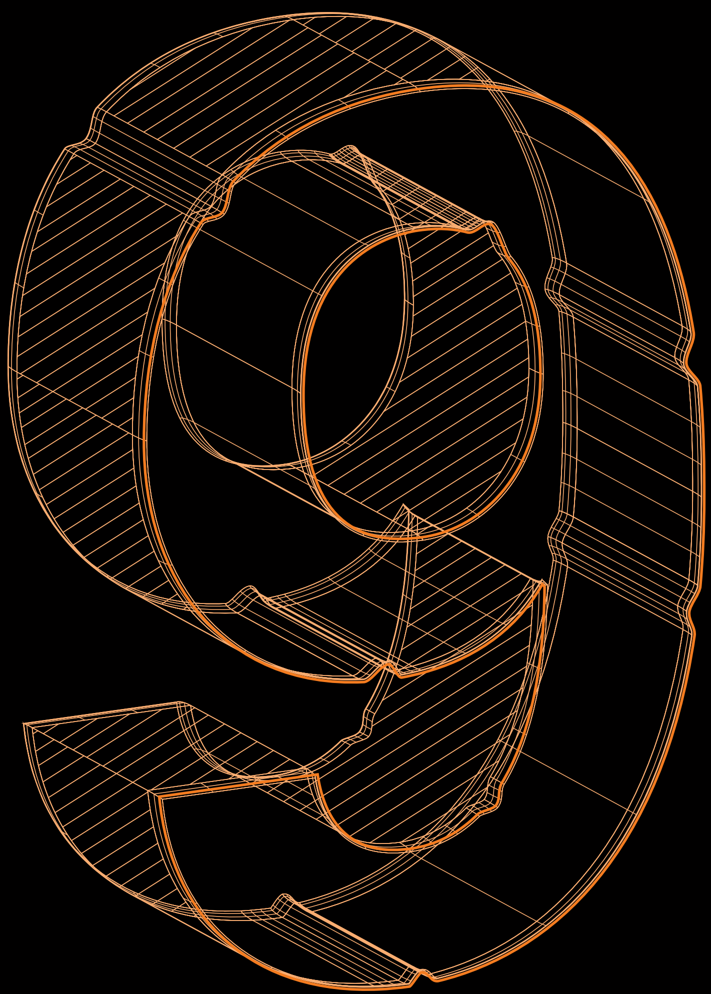
The Board is satisfied that the committee has performed its responsibilities in compliance with its terms of reference for the period under review.

Dinga Mncube
Chairman of the Social and Ethics Committee

22 September 2017

09

SHAREHOLDERS' INFORMATION



York has been listed
on the JSE since 1946.

Shareholders' profile

at 30 June 2017

	Number of shareholders	%	Number of shares	%
Shareholder analysis				
1 – 1 000 shares	467	33,50	169 007	0,05
1 001 – 10 000 shares	483	34,65	2 202 291	0,66
10 001 – 100 000 shares	353	25,32	11 771 093	3,55
100 001 – 1 000 000 shares	63	4,52	15 941 244	4,81
1 000 001 shares and over	28	2,01	301 156 962	90,93
	1 394	**100,00**	**331 240 597**	**100,00**
Distribution of shareholders				
Banks/brokers	7	0,50	28 469 275	8,59
Close corporations	16	1,15	536 199	0,16
Collective investment schemes	32	2,30	90 308 428	27,26
Custodians	4	0,29	140 037	0,04
Foundations and charitable funds	9	0,65	354 530	0,11
Hedge funds	2	0,14	4 152 525	1,25
Insurance companies	1	0,07	113 874	0,03
Investment partnerships	5	0,36	405 346	0,12
Managed funds	2	0,14	2 678	–
Medical aid funds	6	0,43	453 174	0,14
Private companies	43	3,08	73 503 599	22,19
Public companies	1	0,07	100	–
Public entities	2	0,14	95 223 783	28,75
Retail shareholders	1 148	82,36	23 754 690	7,20
Retirement benefit funds	22	1,58	4 883 049	1,47
Share schemes	1	0,07	48 200	0,01
Stockbrokers and nominees	10	0,72	2 490 387	0,75
Trusts	82	5,88	6 399 302	1,93
Unclaimed scrip	1	0,07	1 421	–
Total	**1 394**	**100,00**	**331 240 597**	**100,00**
Shareholder type				
Directors and associates	3	0,22	3 455 391	1,04
Strategic holdings (more than 10%)	1	0,07	95 136 513	28,72
Empowerment	4	0,29	95 687 795	28,89
Share trusts	1	0,07	48 200	0,02
Non-public shareholders	9	0,65	194 327 899	58,67
Public shareholders	1 385	99,35	136 912 698	41,33
Total	**1 394**	**100,00**	**331 240 597**	**100,00**
Beneficial shareholders holding 3% or more				
Industrial Development Corporation of South Africa			95 136 513	28,72
Lereko Metier Capital Growth Fund			54 915 003	16,58
Old Mutual Group			45 969 828	13,88
Bridge Creek Trading 10 Proprietary Limited			29 356 410	8,86
Agentimber Proprietary Limited (wholly owned subsidiary)			15 192 584	4,49
Saprop Investment Limited			12 322 860	3,72
Auburn Avenue Trading 55 Proprietary Limited			11 416 382	3,45
Total			**264 309 580**	**79,70**

York Timber Holdings Limited
(Incorporated in the
Republic of South Africa)
(Registration number: 1916/004890/06)
(York or the Company or the Group)
ISIN: ZAE000133450
Share code: YRK

Notice is hereby given that an annual general meeting of shareholders of the Company will be held on Wednesday, 8 November 2017 at 09:00 at 2nd Floor, 5 Commerce Square, 39 Rivonia Road (entrance in Helling Road), Sandhurst, Johannesburg to deal with such business as may lawfully be dealt with at the annual general meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (the Companies Act), the memorandum of incorporation of the Company (MOI) and the JSE Limited Listings Requirements (JSE Listings Requirements).

The notice of the Company's annual general meeting has been sent to shareholders who were recorded as such in the Company's securities register on Friday, 29 September 2017, being the record date used to determine which shareholders are entitled to receive the notice of the annual general meeting.

The record date on which members must be recorded as such in the Company's securities register maintained by the transfer secretaries for the purpose of being entitled to attend and vote at the annual general meeting is Friday, 27 October 2017. The last day to trade in order to be entitled to vote at the annual general meeting will be Tuesday, 24 October 2017.

Meeting participants (including shareholders and proxies) are required to provide satisfactory identification before being entitled to attend or participate at the annual general meeting. Forms of identification include valid identity documents, driver's licences and passports.

In accordance with regulation 43(5)(c) of the Companies Regulations, 2011, promulgated under the Companies Act, a member of the Social and Ethics Committee is required to report to shareholders at the annual general meeting on the matters within the mandate of the Social and Ethics Committee. The Social and Ethics Committee's report is contained on page 168 of the integrated annual report.

Shareholders are requested to consider, if deemed fit, to pass, with or without modification, the following resolutions by way of separate resolutions:

ORDINARY RESOLUTION NUMBER 1

Adoption of the consolidated annual financial statements for the year ended 30 June 2017

"Resolved that the consolidated annual financial statements of the Company and its subsidiaries, incorporating the reports of the external auditor, Audit Committee and directors for the year ended 30 June 2017, be and are hereby adopted."

The audited consolidated audited annual financial statements of the Company (as approved by the Board of Directors of the Company (the Board)), incorporating the reports of the external auditor, Audit Committee and directors for the year ended 30 June 2017, have been distributed as required and are presented.

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

The complete consolidated annual financial statements and integrated annual report are available on the Company's website: www.york.co.za.

ORDINARY RESOLUTIONS NUMBER 2.1 TO 2.4

Election of directors of the Company

"Resolved that shareholders elect each director listed below by way of a separate vote, who retire by rotation in terms of the MOI, and who, being eligible, have offered themselves for re-election:

2.1 Dr Jim Myers
2.2 Paul Botha
2.3 Dr Azar Jammine
2.4 Maserame Mouyeme."

Brief résumés in respect of each director are contained on page 151 of the integrated annual report.

The percentage of voting rights that will be required for each of these resolutions to be adopted is more than 50% of the votes exercised on each resolution.

ORDINARY RESOLUTION NUMBER 3

Re-appointment of external auditor

"Resolved that shareholders authorise the Board to re-appoint KPMG Incorporated, KPMG Forum, Suite 501, The Pinnacle, 1 Parkin Street, Nelspruit, South Africa as the independent external auditor and Jeremy van Niekerk as the individual designated auditor of the Company who will undertake the audit for the ensuing year."

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

ORDINARY RESOLUTIONS NUMBER 4.1 TO 4.3

Election of Audit Committee members

"Resolved that shareholders elect, each by way of a separate vote, the following non-executive directors as members of the York Audit Committee, subject to their re-election as directors in terms of ordinary resolution number 2 (where applicable), with effect from the end of this annual general meeting until the conclusion of the next annual general meeting of the Company:

4.1 Gavin Tipper
4.2 Dr Azar Jammine
4.3 Thabo Mokgatlha."

Brief résumés of these directors offering themselves for election as members of the York Audit Committee are contained on page 151 of the integrated annual report.

The percentage of voting rights that will be required for each of these resolutions to be adopted is more than 50% of the votes exercised on each resolution.

ORDINARY RESOLUTIONS NUMBER 5.1 AND 5.2

Approval and implementation of the Company's remuneration policy and implementation report

5.1 "Resolved that shareholders endorse, by way of a non-binding advisory vote, the Company's remuneration policy, as set out on pages 159 to 160 of the integrated annual report."

5.2 "Resolved that shareholders endorse, by way of a non-binding advisory vote, the Company's remuneration implementation report, as set out on pages 164 to 166 of the integrated annual report."

The percentage of voting rights that will be required for each of these resolutions to be adopted is more than 50% of the votes exercised on each resolution.

ORDINARY RESOLUTION NUMBER 6

General authority to issue shares for cash

"Resolved that the Board be and is hereby authorised, by way of general authority, to:

(i) allot and issue any authorised but unissued ordinary shares in the Company or securities convertible into ordinary shares in the Company for cash, or (ii) grant any options for the subscription of authorised but unissued ordinary shares in the Company for cash, or (iii) sell or otherwise dispose of authorised but unissued ordinary shares in the Company (i.e. those ordinary shares held by York's subsidiaries) for cash, in respect of a maximum of 10% of the issued share capital of the Company (excluding treasury shares), representing not more than 31 604 801 ordinary shares in the Company as at the date of this notice of AGM, subject to the MOI, the Companies Act and the JSE Listings Requirements, and provided that:

a) this authority shall be valid until the Company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter;

b) the equity securities which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;

c) such shares may only be issued to public shareholders as defined in paragraph 4.25 to 4.27 of the JSE Listings Requirements and not to related parties;

d) the maximum discount (if any) at which such shares may be issued is 10% of the weighted average traded price of the Company's shares on the JSE over the 30 business days preceding the date that the price of issue is agreed between the Company and the party subscribing for the shares; and

e) after the Company has issued shares in terms of this general authority representing, on a cumulative basis within the period for which this general authority remains valid, 5% or more of the number of shares in issue prior to that issue, the Company is required to publish an announcement containing full details of the issue."

The percentage of voting rights that will be required for this resolution to be adopted is 75% majority of the votes exercised on the resolution.

Reason for and effect of ordinary resolution number 6

The reason for and effect of ordinary resolution number 6 is to grant the Board the authority, subject to the provisions of the MOI, the Companies Act and the JSE Listings Requirements, to issue not more than 31 604 801 ordinary shares in the authorised but unissued capital of the Company for cash.

ORDINARY RESOLUTION NUMBER 7

Placing authorised but unissued shares under the control of the Board

"Resolved that the authorised but unissued ordinary shares in the capital of the Company be and are hereby placed under the control and authority of the Board and that the Board be and is hereby authorised to issue and sell or otherwise dispose of such unissued ordinary shares in the Company at their discretion, subject always to the provisions of the MOI, the Companies Act and the JSE Listings Requirements."

The percentage of voting rights that will be required for this resolution to be adopted is more than 50% of the votes exercised on the resolution.

SPECIAL RESOLUTION NUMBER 1

General authority to acquire (repurchase) shares

"Resolved that the Company and its subsidiaries be and are hereby authorised by way of a general authority, to acquire from time to time the issued ordinary shares of the Company upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MOI, the JSE Listings Requirements and the provisions of the Companies Act, where applicable and provided:

- Any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement with the counterparty;
- This general authority shall be valid until the earlier of the Company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 1;
- An announcement will be published as soon as the Company or any of its subsidiaries have acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue and for each 3% in aggregate of the initial number acquired thereafter, in compliance with paragraph 11.27 of the JSE Listings Requirements;
- Acquisitions of shares in aggregate in any one financial year may not exceed 10% of the Company's ordinary issued share capital, as the case may be, as at the date of passing of this special resolution number 1, provided that the acquisition of shares as treasury shares by a subsidiary of the Company shall not be effected to the extent that in aggregate more than 10% of the number of issued shares in the Company are held by or for the benefit of all the subsidiaries of the Company taken together;
- Ordinary shares will not be acquired at a price greater than 10% above the weighted average of the market value at which such ordinary shares traded for the five business days immediately preceding the date the transaction is effected. The JSE should be consulted for a ruling if the Company's securities have not traded in such five business day period;
- The Company has been given authority by its MOI;
- At any point in time, the Company and/or its subsidiaries may only appoint one agent to effect any such acquisition;
- A resolution has been passed by the Board confirming that the Board has authorised the general repurchase, that the Company passed the solvency and liquidity test and that since the test was done, there have been no material changes to the financial position of the Group; and
- The Company and/or its subsidiaries do not acquire any shares during a prohibited period, as defined in the JSE Listings Requirements unless a

repurchase programme is in place, where dates and quantities of ordinary shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed to the JSE prior to the commencement of the prohibited period."

The JSE Listings Requirements require, in terms of paragraph 11.26(b), the following disclosures, which appear in the integrated annual report:

- Major shareholders on page 170; and
- Share capital of the Company on page 127.

Litigation statement

The directors, whose names appear on page 151 of the integrated annual report of which this notice of annual general meeting forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position.

Directors' responsibility statement

The directors, whose names appear on page 151 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial or trading position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of the notice of annual general meeting.

Statement of Board's intention

The directors consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which is in the best interests of the Company and its shareholders.

The directors are of the opinion that it would be in the best interests of the Company to extend such general authority and thereby allow the Company or any of its subsidiaries to be in a position to acquire the shares issued by the Company through the order book of the JSE, should the market conditions, tax dispensation and price justify such an action.

The percentage of voting rights that will be required for this resolution to be adopted is at least 75% of the votes exercised on the resolution.

Reason for and effect of special resolution number 1

The reason for and effect of special resolution number 1 is to grant the Company and/or its subsidiaries general approval to acquire the Company's issued shares on such terms, conditions and such amounts determined from time to time by the directors of the Company and subject to the limitations set out above.

SPECIAL RESOLUTIONS NUMBER 2.1 – 2.22

Remuneration of non-executive directors

Whereas the special resolution pertaining to the approval of non-executive directors' fees was withdrawn at the Company's annual general meeting held on 2 November 2016, as further consultation was requested by a major shareholder group. A comprehensive benchmarking process was undertaken with reference to EY, PwC, IoDSA's non-executive directors' fees guide and board assessment was conducted in terms of skills, experience and contribution to the performance of the Company to date and in terms of the Company's growth plans were taken into consideration.

"Resolved that the fees payable by the Company to non-executive directors for their services as directors (in terms of section 66 of the Companies Act) be and are hereby approved by way of separate votes, for the period from January 2017 to December 2017, as follows:

Function	Annual fee (paid six-monthly in arrears) R'000
2.1 Chairman of the Board	701
2.2 Non-executive directors	179
2.3 Chairman of the Audit Committee	113
2.4 Member of the Audit Committee	61
2.5 Chairman of the Remuneration Committee	113
2.6 Chairman of the Nomination Committee	113
2.7 Member of the Remuneration and Nomination Committee	61
2.8 Chairman of the Risk and Opportunity Committee	113
2.9 Member of the Risk and Opportunity Committee	61
2.10 Chairman of the Social and Ethics Committee	113
2.11 Member of the Social and Ethics Committee	61

"Resolved that the fees payable by the Company to non-executive directors for their services as directors (in terms of section 66 of the Companies Act) be and are hereby approved by way of separate votes, for the period from January 2018 to December 2018, as follows:

Function	Annual fee (paid six-monthly in arrears) R'000
2.12 Chairman of the Board	743
2.13 Non-executive directors	190
2.14 Chairman of the Audit Committee	120
2.15 Member of the Audit Committee	65
2.16 Chairman of the Remuneration Committee	120
2.17 Chairman of the Nomination Committee	120
2.18 Member of the Remuneration and Nomination Committee	65
2.19 Chairman of the Risk and Opportunity Committee	120
2.20 Member of the Risk and Opportunity Committee	65
2.21 Chairman of the Social and Ethics Committee	120
2.22 Member of the Social and Ethics Committee	65

The percentage of voting rights that will be required for this resolutions to be adopted is at least 75% of the votes exercised on each resolution.

Reason for and effect of special resolution numbers 2.1 – 2.22

The Companies Act requires shareholder approval of non-executive directors' fees prior to payment of such fees.

SPECIAL RESOLUTION NUMBER 3

Financial assistance in terms of sections 44 and 45 of the Companies Act

"Resolved that the Board of the Company be and is hereby authorised, subject to sections 44 and 45 of the Companies Act, the MOI and the JSE Listings Requirements, to authorise the Company to provide direct or indirect financial assistance, to the Company's wholly owned subsidiaries and their respective subsidiaries which assistance is done at commercial arm's length terms, provided that no such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this special resolution number 3."

The percentage of voting rights that will be required for this resolution to be adopted is at least 75% of the votes exercised on the resolution.

Reason for and effect of special resolution number 3

The reason for and effect of the special resolution referred to above, is to permit the Company to provide direct or indirect financial assistance to the entities referred to above.

VOTING INSTRUCTIONS

In terms of the Companies Act, any member entitled to attend and vote at the above annual general meeting may appoint one or more persons as proxy, to attend, speak and vote in his stead. A proxy need not be a shareholder of the Company. Forms of proxy must be deposited at the office of the transfer secretaries not later than 48 hours before the time fixed for the annual general meeting (excluding Saturdays, Sundays and public holidays), being Monday, 6 November 2017 at 09:00, or be handed to the Chairman of the annual general meeting before the appointed proxy exercises any of the relevant shareholder's rights.

If your York shares have been dematerialised and are held in a nominee account, then your Central Securities Depository Participant (CSDP) or broker, as the case may be, should contact you to ascertain how you wish to cast your vote at the annual general meeting and thereafter cast your vote in accordance with your instructions.

If you have not been contacted it would be advisable for you to contact your CSDP or broker, as the case may be, and furnish them with your instructions. If your CSDP or broker, as the case may be, does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them, or if the mandate is silent in this regard to abstain from voting.

Dematerialised shareholders whose shares are held in a nominee account must not complete the attached form of proxy. Unless you advise your CSDP or broker timeously in terms of the agreement between yourself and your CSDP or broker by the cut-off time advised by them that you wish to attend the annual general meeting or send a proxy to represent you at the annual general meeting, your CSDP or broker will assume you do not wish to attend the annual general meeting or send a proxy. If you wish to attend the annual general meeting, your CSDP or broker will issue the necessary letter of representation to you to attend the annual general meeting.

Shareholders who have dematerialised their shares through a CSDP or broker, other than "own name" registered dematerialised shareholders, who wish to attend the annual general meeting, must request their CSDP or broker to issue them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/ mandate entered into between them and the CSDP or broker.

SHAREHOLDER RIGHTS

In terms of section 58 of the Companies Act, shareholders have rights to be represented by proxy as herewith stated. An extract of section 58 is included in the form of proxy.

TELEPHONIC PARTICIPATION IN THE ANNUAL GENERAL MEETING

In terms of sections 63(2) and 63(3) of the Companies Act, shareholders or their proxies may participate in (but not vote at) the annual general meeting by way of telephone conference call and, if they wish to do so:

- Must contact the Company Secretary (by email to: shsieh@york.co.za) by no later than Monday, 6 November 2017 at 09:00 in order to obtain a personal identification number (PIN) and dial-in details for that conference call;

- Will be required to provide satisfactory identification; and
- Will be billed separately by their own telephone service providers for their telephone call to participate in the annual general meeting.

PRINTING AND DISTRIBUTION OF REPORT

In line with York's continuous efforts to contain costs, the Company is currently rationalising the printing and postage of various reports. It is proposed that reports and other communications from the Company be, as far as possible, delivered to shareholders by electronic mail (email) or posted on the Company's website with an email alert being sent to shareholders notifying them that the report or communication is available on the Company's website. Accordingly, a form is attached to this notice of annual general meeting whereby shareholders can elect to receive any reports or other communications of notices from the Company by email.

By order of the Board

Sue Hsieh
Company Secretary

22 September 2017

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196

PO Box 61051
Marshalltown 2107

Explanatory notes to the notice of annual general meeting and proposed resolutions

ORDINARY RESOLUTION 1: CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The ordinary business to be considered at the annual general meeting of the Company is more fully governed in terms of the MOI. In short, the ordinary business at an annual general meeting is to receive and consider the consolidated annual financial statements, to declare or sanction dividends (where applicable), to elect directors, auditor and other officers in the place of those retiring by rotation or otherwise and to elect the Audit Committee. No special business shall be transacted at an annual general meeting unless due notice thereof has been given.

ORDINARY RESOLUTION 2: ELECTION OF DIRECTORS

The rotation of directors is more fully governed in terms of paragraphs 5.1.3 and 5.1.4 of the MOI, which require one-third of the directors to retire from office at the annual general meeting. The retiring directors at each annual general meeting shall be those who have been longest in office since their last election or appointment. If at the date of the annual general meeting any director will have held office for a period of three years since his last election or appointment he shall retire at such annual general meeting either as one of the directors to retire in pursuance of the foregoing or additionally thereto. A retiring director shall act as a director throughout the annual general meeting at which he or she retires. The retiring directors shall be eligible for re-election. Dr Jim Myers, Paul Botha, Dr Azar Jammine and Maserame Mouyeme offer themselves for re-election.

ORDINARY RESOLUTION 3: RE-APPOINTMENT OF EXTERNAL AUDITOR

The Audit Committee considered and assessed the independence of the external auditor, KPMG Incorporated, KPMG Forum, Suite 501, The Pinnacle, 1 Parkin Street, Nelspruit, South Africa, in accordance with section 90 of the Companies Act. The Audit Committee was satisfied with KPMG's (Nelspruit) independence. Jeremy van Niekerk is the audit partner for the Group audit from the financial year ended 30 June 2016. Furthermore, the Audit Committee has, in terms of paragraph 3.86 of the JSE Listings Requirements, considered and satisfied itself that Jeremy van Niekerk, the individual auditor, is accredited to appear on the JSE List of Accredited Auditors, in compliance with section 22 of the JSE Listings Requirements. The Audit Committee nominated the re-appointment of KPMG Incorporated (Nelspruit) as registered auditor for the 2018 financial year, with Jeremy van Niekerk as the individual designated auditor of the Company for the ensuing year. The Board has accepted the recommendation of the Audit Committee, subject to shareholder approval as required in terms of section 90(1) of the Companies Act.

The auditor will remain the appointed auditor until the conclusion of the next annual general meeting of the Company.

ORDINARY RESOLUTION 4: ELECTION OF AUDIT COMMITTEE MEMBERS

In terms of section 94(2) of the Companies Act, the Company must elect an Audit Committee comprising at least three independent members. Whilst the members of the Audit Committee are nominated by the Board, the election of each member to the committee must be individually approved by the shareholders at each annual general meeting. The proposed members of the Audit Committee have experience in audit, accounting, economics, human resources, commerce and general industry, among others.

The Board confirms that Gavin Tipper, Dr Azar Jammine and Thabo Mokgatlha are independent non-executive directors as contemplated in the King IV Report on Corporate Governance for South Africa, 2016 and the JSE Listings Requirements.

Each proposed member of the Audit Committee of the Company is a suitably qualified and skilled director of the Company. The proposed members of the Audit Committee are not:

- Involved in the day-to-day management of the business and have not been so involved at any time during the previous financial year;
- Prescribed officers or full-time employees of the Company or another related or inter-related company, or have been such

an officer or employee at any time during the previous three financial years;

- Material suppliers or customers of the Company; and
- Related to any person who falls into the criteria set out above.

ORDINARY RESOLUTIONS 5.1 AND 5.2: APPROVAL AND IMPLEMENTATION OF THE COMPANY'S REMUNERATION POLICY AND IMPLEMENTATION REPORT

- The King IV Report on Corporate Governance for South Africa, 2016 (King IV) recommends that a company's remuneration policy and implementation report be tabled as separate non-binding advisory votes by shareholders at each annual general meeting.
- This enables shareholders to express their views on the remuneration policies and implementation thereof.
- Ordinary resolutions number 5.1 and 5.2 are of an advisory nature only and failure to pass these resolutions will therefore not have any legal consequences relating to existing remuneration arrangements.
- However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.
- Shareholders are reminded that in terms of King IV, should 25% or more of the votes cast be against one or both of these ordinary resolutions, York undertakes to engage with shareholders as to the reasons therefor, and undertakes to make recommendations based on the feedback received.

ORDINARY RESOLUTION 6: GENERAL AUTHORITY TO ISSUE SHARES FOR CASH

This is to grant the Company and its subsidiaries a general authority to issue shares for cash, which general authority shall be valid until the next annual general meeting of the Company, provided that this general authority shall not extend beyond 15 months from the date of the passing of ordinary resolution 6.

ORDINARY RESOLUTION 7: PLACING AUTHORISED BUT UNISSUED SHARES UNDER THE CONTROL OF THE BOARD

This is to place the authorised but unissued ordinary shares in the capital of the Company under the control and authority of the Board and to authorise the Board to issue and/or sell or otherwise dispose of such unissued ordinary shares in the Company at their discretion, as required in terms of the MOI.

SPECIAL RESOLUTION 1: GENERAL AUTHORITY TO ACQUIRE (REPURCHASE) SHARES

This is to grant the Company and its subsidiaries a general authority to facilitate the acquisition by the Company and/or its subsidiaries of the Company's own shares, which general authority shall be valid until the next annual general meeting of the Company, provided that this general authority shall not extend beyond 15 months from the date of the passing of special resolution 1. Having considered the current cash flow position of the Company, the Board could contemplate a general repurchase of shares.

SPECIAL RESOLUTION 2.1 – 2.22: REMUNERATION OF NON-EXECUTIVE DIRECTORS

In terms of section 66(8) – (9) of the Companies Act, remuneration may only be paid to directors, for their service as directors, in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of the MOI.

SPECIAL RESOLUTION 3: FINANCIAL ASSISTANCE IN TERMS OF SECTIONS 44 AND 45 OF THE COMPANIES ACT

This general authority would assist the Company inter alia with making inter-company loans to wholly owned subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. The existence of a general shareholder authority would avoid the need to refer each instance to shareholders for approval which might impede the negotiations and add time and expense. If approved, this general authority will expire at the end of two years from the date of the passing of the resolution.

The Board must, when considering such assistance, either for the specific recipient or generally for a category, ensure that:

- The Company will satisfy the solvency and liquidity test immediately after providing the financial assistance; and
- The terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

York Timber Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number: 1916/004890/06)
(York or the Company)
ISIN: ZAE000133450
Share code: YRK

Form of proxy for the annual general meeting to be held on Wednesday, 8 November 2017 at 09:00 at 2nd Floor, 5 Commerce Square, 39 Rivonia Road (entrance in Helling Road), Sandhurst, Johannesburg – for use by certificated ordinary shareholders and dematerialised ordinary shareholders with "own name" registration only.

Holders of dematerialised ordinary shares other than with "own name" registration must inform their Central Securities Depository Participant (CSDP) or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary authorisation to attend the annual general meeting in person or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented thereat.

I/We ____

(Please print)

of (address) ____

Being the registered holder(s) of ____________________ ordinary shares in the capital of the Company do hereby appoint

1. ____ or failing him/her,

2. ____ or failing him/her,

the Chairman of the annual general meeting as my/our proxy to act on my/our behalf at the annual general meeting of the Company which will be held on Wednesday, 8 November 2017 at 09:00 for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions:

		For	Against	Abstain
1.	**Ordinary resolution number 1:** Adoption of the consolidated annual financial statements			
2.	**Ordinary resolution number 2:** (by separate vote) Re-election of directors who retire by rotation:			
2.1	Dr Jim Myers			
2.2	Paul Botha			
2.3	Dr Azar Jammine			
2.4	Maserame Mouyeme			
3.	**Ordinary resolution number 3:** Re-appointment of external auditor			
4.	**Ordinary resolution number 4:** (by separate vote) Election of Audit Committee members:			
4.1	Gavin Tipper			
4.2	Dr Azar Jammine			
4.3	Thabo Mokgatlha			
5.	**Ordinary resolution number 5:** (by separate vote)			
5.1.	Endorsement of York's remuneration policy			
5.2	Endorsement of York's remuneration implementation report			
6.	**Ordinary resolution number 6:** General authority to issue shares for cash			
7.	**Ordinary resolution number 7:** Placing authorised but unissued shares under the control of the Board			
1.	**Special resolution number 1:** General authority to acquire (repurchase) shares			

Form of proxy continued

		For	Against	Abstain
2.	**Special resolution number 2:** (by separate vote) Remuneration of non-executive directors			
For the period January 2017 – December 2017				
2.1.	Chairman of the Board			
2.2.	Non-executive directors			
2.3.	Chairman of the Audit Committee			
2.4.	Member of the Audit Committee			
2.5.	Chairman of the Remuneration Committee			
2.6.	Chairman of the Nomination Committee			
2.7.	Member of the Remuneration and Nomination Committee			
2.8.	Chairman of the Risk and Opportunity Committee			
2.9.	Member of the Risk and Opportunity Committee			
2.10.	Chairman of the Social and Ethics Committee			
2.11.	Member of the Social and Ethics Committee			
For the period January 2018 – December 2018				
2.12.	Chairman of the Board			
2.13.	Non-executive directors			
2.14.	Chairman of the Audit Committee			
2.15.	Member of the Audit Committee			
2.16.	Chairman of the Remuneration Committee			
2.17.	Chairman of the Nomination Committee			
2.18.	Member of the Remuneration and Nomination Committee			
2.19.	Chairman of the Risk and Opportunity Committee			
2.20.	Member of the Risk and Opportunity Committee			
2.21.	Chairman of the Social and Ethics Committee			
2.22.	Member of the Social and Ethics Committee			
3.	Special resolution number 3: Financial assistance			

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy will be entitled to vote or abstain as he/she deems fit.

Signed at ________________________________ on ________________________________ 2017

Signature Assisted by me (where applicable)

1. An ordinary shareholder holding dematerialised shares by "own name" registration, or who holds shares that are not dematerialised, may insert the name of a proxy or the names of up to two alternative proxies of the ordinary shareholder's choice in the space provided, with or without deleting "the Chairman of the annual general meeting". The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Should a proxy not be specified, this will be exercised by the Chairman of the annual general meeting. A proxy need not be a shareholder of the Company.

2. An ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the Company. An ordinary shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the ordinary shareholder in the appropriate box(es). An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the entire shareholder's votes exercisable thereat. An ordinary shareholder or his/her proxy is not obliged to use all the votes exercisable by the ordinary shareholder, or to cast all those votes exercised in the same way, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the ordinary shareholder.

3. If any ordinary shareholder does not indicate on this instrument that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat instead of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form, unless previously recorded by the Company or waived by the Chairman of the annual general meeting.

6. The Chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.

7. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.

8. It is requested that this form of proxy should be completed and returned to the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, by any of the following methods so as to reach them by no later than Monday, 6 November 2017 at 09:00:

   Delivery: Rosebank Towers
15 Biermann Avenue
Rosebank 2196

   Post: PO Box 61051
Marshalltown 2107

   Email: proxy@computershare.co.za

   Fax: 011 688 5238

9. Should a shareholder lodge the form of proxy with the transfer secretaries less than 48 hours before the annual general meeting, such shareholder will also be required to furnish a copy of such form of proxy to the Chairman of the annual general meeting before the appointed proxy exercises any such shareholder's rights at the annual general meeting.

Additional forms of proxy are available from the transfer secretaries on request.

Summary of rights contained in section 58 of the Companies Act

In terms of section 58 of the Companies Act:

- A shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
- A proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by:
- (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company;
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise; and
- If the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
  - the relevant shareholder; or
  - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

To receive the documents required to be distributed to shareholders by electronic means in terms of the Companies Act

YORK TIMBERS

York Timber Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1916/004890/06)
(York or the Company)
ISIN: ZAE000133450
Share code: YRK

To: The directors
York Timber Holdings Limited

I/We ______________________________ the undersigned
(Please print)

of (address) ______________________________

Being the registered holder(s) of ______________________ ordinary shares in the capital of the Company

do hereby elect to receive any documents or notices from York, by electronic post, to the extent that the Company is permitted to so distribute any notices, documents, records or statements in terms of the Companies Act, 71 of 2008, as amended, and any and every other statute, ordinance, regulation or rule in force from time to time, including the JSE Limited Listings Requirements, concerning companies and affecting York.

I/We hereby furnish the following email address(es) for such electronic communication:

Email address ______________________________

Any written amendment or withdrawal of any such notice of consent by me/us shall only take effect if signed by me/us and received by the Company.

Signed at ______________________ on ______________________ 2017

____
Signature | Assisted by me (where applicable)

Please complete, detach and return this election form to York's transfer secretaries, Computershare Investor Services Proprietary Limited, by no later than Monday, 6 November 2017 at 09:00 by way of any of the methods listed below:

Delivery: Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
Post: PO Box 61051, Marshalltown 2107
Email: ecomms@computershare.co.za
Fax: +27 11 688 5248

Notes

CORPORATE INFORMATION

York Timber Holdings Limited
Incorporated in the Republic of South Africa
Registration number: 1916/004890/06
JSE share code: YRK
ISIN: ZAE000133450
York or the **Company** or the **Group**

Tax reference number
9225/039/71/9

Country of incorporation and domicile
South Africa

Nature of business and principal activities
Operation of plantations, sawmills, a plywood plant and wholesale lumber sales

Auditor
KPMG Inc.
Chartered Accountants (SA)
Registered Auditors

Transfer secretaries
Computershare Investor Services Proprietary Limited

Sponsor
One Capital

Registered office and business address
York Corporate Office
3 Main Road, Sabie 1260
Tel: +27 13 764 9200
Fax: +27 13 764 3245

Postal address
PO Box 1191, Sabie 1260

Directors

Executive directors

Pieter van Zyl
Chief Executive Officer
Pieter van Buuren
Chief Financial Officer

Non-executive directors

Dr Jim Myers* *(Chairman, USA)*
Paul Botha
Dr Azar Jammine*
Shakeel Meer
Dinga Mncube*
Thabo Mokgatlha*
Maserame Mouyeme*
Gavin Tipper*

** Independent*

Company Secretary
Sue Hsieh
shsieh@york.co.za

SHAREHOLDERS' DIARY

Financial year-end	30 June
Announcement of annual results	26 September 2017
Integrated annual report posted	10 October 2017
Annual general meeting	8 November 2017
Announcement of interim results	March 2018

GLOSSARY

BBBEE
Broad-based black economic empowerment

Biomass
Organic materials such as plant matter that have not become fossilised and can be used as an energy source for the generation of electricity

Camcore
An international organisation that provides its members with improved germplasm and advice as well as keeping them abreast of the development of modern tree-breeding techniques

Clearfell
A forestry practice in which most or all trees in an area are cut down

CSI
Corporate social investment

DNA fingerprinting
Process of creating a genetic profile for each clone in the orchard

FABI
Forestry and Agricultural Biotechnology Institute

FMG
Forest Molecular Genetics

FSC
Forest Stewardship Council

ICFR
Institute for Commercial Forestry Research

KPI
Key performance indicator

LogTrace
Unique tracking system developed by York which records each log electronically and tracks it through the total supply chain from forest to mill

NOSA
National Occupational Safety Association (South Africa)

OEE
Overall Equipment Effectiveness

PLU
Pluvial Land Unit; a unique soil/climate combined forest site

REIPPPP
Renewable Energy Independent Power Producer Procurement Programme

SADC
Southern African Development Community

SANS
South African National Standards

Thinning
A silviculture activity involving the removal of the least-performing trees to allow more room for growth for the remaining trees

TPCP
Tree Protection Co-operative Programme

YORK TIMBERS

www.york.co.za