

York Timber Holdings Limited  
Incorporated in the Republic of South Africa  
Registration number: 1916/004890/06  
JSE share code: YRK  
ISIN: ZAE000133450  
York, the Company or the Group

Audited summarised consolidated financial results  
for the year ended 30 June 2016

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

#### Highlights

- Revenue up 15%
- EBITDA increased to R243 million as a result of improved product mix, plant efficiencies and with an increase in lumber market share of 4%
- Cash generated from operations of R285 million up R102 million from prior year
- R283 million invested in the Plywood Expansion Project and mechanised harvesting equipment
- Net biological asset value increased by 9% to R2.334 billion
- Underlying TNAV up 13% to 834 cents per share
- Earnings per share increased by 135%
- Core earnings per share increased by 63%
- York returned value to shareholders through a share repurchase programme

#### Commentary

##### Group performance and financial review

York is celebrating its 100-year anniversary of incorporation, with the additional milestone of being listed on the Johannesburg Stock Exchange for 70 years.

York's revenue grew by 15% and operating profit by 27%, while cash flow from operations improved by R102 million compared to the previous year. Growth in lumber and plywood sales were achieved despite a weak market. The continued focus on improving value creation from raw material has enabled the processing plants to absorb log price increases of up to 17% for certain log classes.

The Processing division has improved its profitability by 28% year-on-year supported by a recovery of the lumber price index. The Forestry division benefitted from the higher log prices with profitability increasing by 8% over the previous year. The Wholesale division has grown its revenue by 16% and profitability by 322% compared to the prior year.

York has further invested in EBITDA-generating capabilities during the year and concluded the Plywood Expansion Project and the mechanised harvesting in the Highveld forestry region. The benefit of these investments will start to materialise in the next financial year.

York's business is based on six strategic pillars namely: lumber, plywood, forestry, wholesale, remanufacturing and energy. York will continue to invest in these value adding opportunities.

An EBITDA result of R243 million was achieved compared to R199 million in the prior year.

##### Processing division

Total sawmilling intake was consistent year-on-year, with the plywood plant intake lower by ca. 5% as a direct consequence of construction interruptions. Overall, sawmill recovery increased by 0.5% and costs were optimised with increases of less than inflation. York's annualised lumber market share increased by 4% year-on-year, in line with its focused marketing strategy. The Plywood Expansion Project is in the commissioning phase and will be in full production by December 2017.

#### Forestry division

York applies an internationally recognised log paying capability model to determine log prices for internal use. These prices are weighted with externally procured logs to determine the prices charged to processing plants and to value the biological asset. Log prices increased on a weighted average basis by 10% during the year.

Site-genotype forestry regimes, site specie-matching and the progress to precision forestry practises resulted in an increase in projected yields. The forecast volume at maturity, as used in the discounted cash flow model, increased by 11.3% or an incremental 2.6 million m<sup>3</sup> year-on-year.

The value of the biological asset increased by R194 million to R2,334 billion (based on a post-tax discounted cash flow model).

Investment in fire-preventative measures has continued and minimal losses were experienced during the reporting period. Pest and disease control measures improved and are mitigated across property boundaries.

#### Wholesale division

York expanded its distribution network throughout Southern Africa. The remanufacturing plant is expanding its product range and market share. By adding value to timber products, it gives York access to a broader customer base.

#### Balance sheet movements

York invested R283 million in property, plant and equipment, the bulk related to the Plywood Expansion Project and the mechanised harvesting project in the Highveld district. This was funded by a term loan provided from the Land Bank and asset backed facility from Absa Bank Limited ("Absa"). Long-term debt increased by R151 million, with financial gearing remaining at 19%.

Working capital reduced by R57.1 million as finished goods inventory was reduced over the period. The Company contributed R7.5 million towards the self-insurance fund for plantation fire risk. The value of the fund was R19.3 million at year-end. York is insured against plantation fire risk for up to R100 million for a single event. York claimed R30 million for the Taurus plantation fire that occurred in the previous financial year.

#### Underlying tangible net asset value (UTNAV)

UTNAV represents the net asset value, including property plant and equipment, biological assets and all other assets less all liabilities, but excluding goodwill and the deferred tax on the biological asset. This measurement aims to demonstrate the actual value inherent in the Company on a per share basis. The UTNAV increased by 13% from 739 cents per share to 834 cents per share.

As at 30 June 2016, York shares traded at a 70% discount to the UTNAV. York repurchased 13.1 million shares to date under the share repurchase programme.

#### Earnings per share and core earnings per share

In terms of IAS 41, a biological asset must be valued at each reporting date and any changes in the valuation are reflected in the income statement. York's biological asset is valued over a 25-year lifecycle, considering all the investment costs to maturity. Core earnings represent headline earnings adjusted for the change in the value of the biological asset, net of tax, as reflected in the income statement.

For the period under review, core earnings per share increased from 19 cents per share to 31 cents per share, an increase of 63%. Earnings per share (including the biological asset fair value movement) increased from 31 cents per share to 73 cents per share, an increase of 135%.

#### Cash flow

Cash generated from operations improved to R285 million compared to R183 million

in the previous year. York invested R283 million (2015: R203 million) in property, plant and equipment. Hedging foreign exchange liabilities resulted in a R7 million cash inflow to the Company. Net cash flow from financing activities resulted in a net cash inflow of R126 million (previous year R165 million). The year-end cash position was R286 million, an increase of R94 million year-on-year. Interest on cash invested of R11.8 million was received during the year (2015: R3.6 million).

#### Outlook

York's strategy is based on value creation through optimisation to unlock appeal to shareholders. This is supported by a strong balance sheet and good cash generation. The Plywood Expansion Project was the first major investment in executing the growth strategy. The value of this investment is still to be realised. York submitted a binding bid under the expedited window 4b as part of the Renewable Energy Independent Power Producer Procurement Programme and is awaiting preferred bidder announcement by Government. This investment will allow York to extract more value from its raw material. If this bid is unsuccessful, York will pursue the upgrade of its sawmills and further invest in remanufacturing capabilities.

In addition, York is well positioned to explore cross-border opportunities and potential international investments.

#### Consolidated statement of financial position

|                               | Audited   | Audited   |
|-------------------------------|-----------|-----------|
|                               | As at     | As at     |
|                               | 30 June   | 30 June   |
|                               | 2016      | 2015      |
|                               | R' 000    | R' 000    |
| Assets                        |           |           |
| Non-current assets            |           |           |
| Biological asset (note 5)     | 1 993 501 | 1 821 029 |
| Investment property           | 26 231    | 21 895    |
| Property, plant and equipment | 852 096   | 628 112   |
| Goodwill                      | 565 442   | 565 442   |
| Intangible assets             | 1 632     | 2 711     |
| Other financial assets        | 19 387    | 41 900    |
| Deferred tax                  | 3 039     | 7 050     |
| Total non-current assets      | 3 461 328 | 3 088 139 |
| Current assets                |           |           |
| Biological asset (note 5)     | 340 826   | 319 038   |
| Inventories                   | 239 459   | 258 332   |
| Trade and other receivables   | 233 699   | 213 742   |
| Cash and cash equivalents     | 286 144   | 192 068   |
| Total current assets          | 1 100 128 | 983 180   |
| Total assets                  | 4 561 456 | 4 071 319 |
| Equity and liabilities        |           |           |

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| Equity                            |           |           |
| Share capital                     | 15 908    | 16 377    |
| Share premium                     | 1 471 038 | 1 495 561 |
| Reserves                          | 91        | 732       |
| Retained income                   | 1 145 536 | 907 324   |
| Total equity                      | 2 632 573 | 2 419 994 |
| Liabilities                       |           |           |
| Non-current liabilities           |           |           |
| Cash-settled share-based payments | 3 191     | 12 538    |
| Deferred tax                      | 687 332   | 605 605   |
| Loans and borrowings              | 803 546   | 679 655   |
| Provisions                        | 13 114    | 12 371    |
| Retirement benefit obligations    | 24 010    | 22 829    |
| Total non-current liabilities     | 1 531 193 | 1 332 998 |
| Current liabilities               |           |           |
| Current tax payable               | 2         | 79        |
| Loans and borrowings              | 91 949    | 65 210    |
| Cash-settled share-based payments | 3 369     | 2 386     |
| Operating lease liability         | 80        | 540       |
| Trade and other payables          | 302 290   | 250 112   |
| Total current liabilities         | 397 690   | 318 327   |
| Total liabilities                 | 1 928 883 | 1 651 325 |
| Total equity and liabilities      | 4 561 456 | 4 071 319 |

Consolidated statement of comprehensive income

|  | Audited     | Audited     |
|--|-------------|-------------|
|  | Year ended  | Year ended  |
|  | 30 June     | 30 June     |
|  | 2016        | 2015        |
|  | R'000       | R'000       |
| Revenue                                      | 1 771 049   | 1 543 149   |
| Cost of sales                                | (1 270 483) | (1 138 734) |
| Gross profit                                 | 500 566     | 404 415     |
| Other operating income                       | 17 970      | 29 618      |
| Selling, general and administration expenses | (335 603)   | (290 012)   |
| Operating profit                             | 182 933     | 144 021     |
| Fair value adjustments                       | 195 337     | 42 422      |

|  |          |          |
|--|----------|----------|
| Bargain purchase on acquisition                                  | -        | 6 244    |
| Profit before finance costs                                      | 378 270  | 192 687  |
| Investment income  | 11 762   | 3 585    |
| Finance costs  | (56 632) | (58 385) |
| Profit before taxation   | 333 400  | 137 887  |
| Taxation   | (95 188) | (36 419) |
| Profit for the period  | 238 212  | 101 468  |
| Other comprehensive (loss)/income:                               |          |          |
| Remeasurement of defined benefit liability                       | (890)    | 1 944    |
| Taxation related to components of other comprehensive income     | 249      | (544)    |
| Other comprehensive (loss)/income for the period net of taxation | (641)    | 1 400    |
| Total comprehensive income                                       | 237 571  | 102 868  |
| Basic earnings per share (cents) (note 7)                        | 73       | 31       |

#### Consolidated statement of cash flows

|   | Audited    | Audited    |
|---|------------|------------|
|   | Year ended | Year ended |
|   | 30 June    | 30 June    |
|   | 2016       | 2015       |
|   | R' 000     | R' 000     |
| Cash generated from operations                          | 284 963    | 182 574    |
| Investment income                                       | 11 762     | 3 585      |
| Finance costs   | (56 632)   | (58 385)   |
| Taxation paid   | (14 987)   | (7 193)    |
| Net cash from operating activities                      | 225 106    | 120 581    |
| Cash flows applied to investing activities              |            |            |
| Purchase of property, plant and equipment               | (283 241)  | (203 288)  |
| Purchase of intangible assets                           | (1 874)    | (1 417)    |
| Acquisition of subsidiaries net of cash acquired        | -          | (2 769)    |
| Repayment of loans from Group companies                 | (155)      | -          |
| Purchase of financial assets                            | (7 550)    | (17 750)   |
| Sale of financial assets                                | 30 063     | 14 314     |
| Purchase of biological assets                           | (1 384)    | -          |
| Sale of biological assets                               | -          | 5 477      |
| Proceeds from disposal of property, plant and equipment | 288        | 1 374      |

|   |           |           |
|---|-----------|-----------|
| Proceeds from disposal of intangible assets       | -         | 41        |
| Net cash applied to investing activities          | (263 853) | (204 018) |
| Cash flows from financing activities              |           |           |
| Reduction of share capital or buyback of shares   | (24 992)  | (9 976)   |
| Net movement in loans and borrowings              | 150 785   | 175 017   |
| Net cash from financing activities                | 125 793   | 165 041   |
| Total cash movement for the period                | 87 046    | 81 604    |
| Cash at the beginning of the period               | 192 068   | 110 464   |
| Effect of exchange rate movement on cash balances | 7 030     | -         |
| Cash at the end of the period                     | 286 144   | 192 068   |

Consolidated statement of changes in equity

|  | Share capital | Share premium | Defined benefit plan reserve | Available-for-sale reserve | Retained income | Total equity |
|--|---------------|---------------|------------------------------|----------------------------|-----------------|--------------|
| Audited  | R'000         | R'000         | R'000                        | R'000                      | R'000           | R'000        |
| Balance as at 1 July 2014  | 16 562        | 1 505 352     | (668)                        | -                          | 805 856         | 2 327 102    |
| Profit for the year  | -             | -             | -                            | -                          | 101 468         | 101 468      |
| Other comprehensive income                                       | -             | -             | 1 400                        | -                          | -               | 1 400        |
| Total comprehensive income for the year                          | -             | -             | 1 400                        | -                          | 101 468         | 102 868      |
| Purchase of own shares   | (185)         | (9 791)       | -                            | -                          | -               | (9 976)      |
| Balance as at 30 June 2015                                       | 16 377        | 1 495 561     | 732                          | -                          | 907 324         | 2 419 994    |
| Profit for the period  | -             | -             | -                            | -                          | 238 212         | 238 212      |
| Other comprehensive income                                       | -             | -             | (641)                        | -                          | -               | (641)        |
| Total comprehensive income for the period and total transactions | -             | -             | (641)                        | -                          | 238 212         | 237 571      |

with owners

|                                  |        |           |    |   |           |           |
|----------------------------------|--------|-----------|----|---|-----------|-----------|
| Purchase of<br>own shares        | (469)  | (24 523)  | -  | - | -         | (24 992)  |
| Balance as<br>at 30 June<br>2016 | 15 908 | 1 471 038 | 91 | - | 1 145 536 | 2 632 573 |

## Notes to the consolidated annual financial statements

### 1. Basis of preparation

These summarised consolidated annual financial statements have been prepared in accordance with the JSE Limited Listings Requirements, the Companies Act of South Africa, 71 of 2008, and the Companies Regulations, 2011. The Group has applied the recognition and measurement requirements of 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, as well as the presentation and disclosure requirements of International Accounting Standard (IAS) 34 Interim Financial Reporting. The financial results have been compiled under the supervision of JPF van Buuren CA (SA), the Chief Financial Officer. The directors take responsibility for the preparation of the summarised consolidated annual financial statements and for the correct extraction of the financial information.

These summarised results do not include all the information required for full annual financial statements, and should be read in conjunction with the audited consolidated annual financial statements as at and for the year ended 30 June 2016, which are available on the Company's website, [www.york.co.za](http://www.york.co.za) or from the Company's registered office.

The auditor, KPMG Inc., has issued an opinion on the Group's consolidated annual financial statements for the year ended 30 June 2016. The audit was conducted in accordance with International Standards on Auditing. The auditor issued an unmodified audit opinion. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office. These summarised consolidated annual financial statements have been extracted from audited information, but are not audited. These summarised consolidated annual financial results have been prepared on the going concern basis and were approved by the board of directors ("Board") on 23 September 2016.

There have been no material changes to judgements or estimates relating to amounts reported in prior reporting periods.

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

The significant accounting policies and methods of computation are consistent in all material respects with those applied during the year ended 30 June 2015, except for the new standards that became effective during this year.

### 2. Additional disclosure items

| Audited | Audited |
|---------|---------|
| 30 June | 30 June |
| 2016    | 2015    |

|   | R'000   | R'000   |
|---|---------|---------|
| Authorised capital commitments                |         |         |
| - Contracted, but not provided                | 59 229  | 124 034 |
| - Not contracted                              | 32 112  | 8 097   |
| Capital expenditure                           | 283 241 | 203 288 |
| Depreciation of property, plant and equipment | 56 344  | 54 264  |
| Amortisation of intangible assets             | 1 079   | 1 104   |
| Impairment of trade receivables               | (335)   | (2 233) |

- The Group did not have any litigation settlements during the reporting period.
- The Group participated in a pooled banking facility of R105 million, granted by FirstRand Bank Limited. Group companies provided cross-suretyship limited to R5 million in favour of FirstRand Bank Limited in respect of their obligations to the bank. The Group did not have any other contingent liabilities at the reporting date. The security was returned on 11 July 2016 and Absa became the new transactional banking partner.
- The Group did not have any covenant defaults or breaches of its loan agreements during the period under review or at the reporting date.
- No events have occurred between the reporting date and the date of release of these results which require adjustment of or disclosure in these results.
- No movement occurred in the number of shares issued during the period under review, although the Company repurchased 9.4 million shares through a subsidiary company within the Group.

### 3. Comparative figures

The summarised consolidated annual financial statements for the year ended 30 June 2015 are presented as published.

### 4. Operating segments

The Group has three reportable segments, which are the Group's strategic divisions. The Group operates in one geographic segment, namely countries within the Southern Africa Development Community (SADC).

The segmental analysis is as follows:

|                               | Processing<br>plants | Wholesale | Forestry | Total     |
|-------------------------------|----------------------|-----------|----------|-----------|
| 2016                          |                      |           |          |           |
| Revenue: external sales       | 1 226 743            | 464 958   | 77 519   | 1 770 220 |
| Revenue: inter-segment sales  | 204 926              | -         | 646 253  | 851 179   |
| Total revenue                 | 1 432 669            | 464 958   | 723 772  | 2 621 399 |
| Depreciation and amortisation | (47 964)             | (1 419)   | (7 732)  | (57 115)  |
| Reportable segment profit*    | 124 152              | 17 171    | 100 879  | 242 202   |
| Capital expenditure           | 286 306              | 1 088     | 62 371   | 349 765   |
| 2015                          |                      |           |          |           |
| Revenue: external sales       | 1 079 157            | 400 399   | 62 833   | 1 542 389 |
| Revenue: inter-segment        | 206 763              | -         | 603 115  | 809 878   |



sales

|                               |           |         |         |           |
|-------------------------------|-----------|---------|---------|-----------|
| Total revenue                 | 1 285 920 | 400 399 | 665 948 | 2 352 267 |
| Depreciation and amortisation | (44 402)  | (1 424) | (6 005) | (51 831)  |
| Reportable segment profit*    | 97 026    | 4 065   | 93 131  | 194 222   |
| Capital expenditure           | 182 542   | 407     | 10 850  | 193 799   |

\*Being the earnings before interest, taxation, depreciation and amortisation (EBITDA)

|         |         |
|---------|---------|
| Audited | Audited |
| 30 June | 30 June |
| 2016    | 2015    |
| R'000   | R'000   |

Reconciliation of reportable segment profit or loss

|   |          |          |
|---|----------|----------|
| Total EBITDA for reportable segments      | 242 202  | 194 222  |
| Depreciation, amortisation and impairment | (57 115) | (51 831) |
| Unallocated amounts                       | (2 154)  | 1 630    |
| Operating profit                          | 182 933  | 144 021  |

5. Biological asset

|         |         |
|---------|---------|
| Audited | Audited |
| 30 June | 30 June |
| 2016    | 2015    |
| R'000   | R'000   |

Reconciliation of biological asset

|  |           |           |
|--|-----------|-----------|
| Opening balance  | 2 140 067 | 2 103 092 |
| Fair value adjustment  |           |           |
| - Increase due to growth and enumerations                                | 329 011   | 435 042   |
| - Adjustment to standing timber values to reflect fair value at year-end | 189 821   | (68 958)  |
| Decrease due to harvesting   | (325 956) | (323 632) |
| Purchased plantations  | 1 384     | -         |
| Sale of plantations  | -         | (5 477)   |
| Closing balance  | 2 334 327 | 2 140 067 |
| Classified as non-current assets   | 1 993 501 | 1 821 029 |
| Classified as current assets   | 340 826   | 319 038   |

|         |         |
|---------|---------|
| Audited | Audited |
| 30 June | 30 June |

|  | 2016   | 2015   |
|--|--------|--------|
| Risk-free rate (R186 bond)                 | 8.80%  | 8.28%  |
| Beta factor                                | 1.12   | 1.09   |
| Cost of equity                             | 15.96% | 15.28% |
| Pre-tax cost of debt                       | 10.50% | 10.25% |
| Debt: equity ratio                         | 35:65  | 35:65  |
| After-tax weighted average cost of capital | 13.02% | 12.51% |

The additional key assumptions underlying the discounted cash flow valuation have been updated as follows:

- Volumes: Forecast volumes were updated at the reporting date using a merchandising model. Growth in the DCF model refers to the forecast yield of planted trees at maturity and has increased from the prior year due to the temporary unplanted areas decreasing slightly during the year, the expected yield per hectare increasing with improvements/amendments to the forestry regime.
- Log prices: The price per cubic metre is based on current and future expected market prices per log class. It was assumed that log prices will increase at 6.5% per year over the next year, 6% over the following year and at 6% over the long term\* (2015: 6.5% over the first two years and 6% over the long term).
- Operating costs: The costs are based on the unit costs 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. A contributory asset charge takes into account the cost of property, plant and equipment utilised to generate cash flows from the biological asset over the valuation period. The operating costs exclude the transport costs necessary to get the asset to market. These operating costs have been reviewed and updated to current actual costs. A long-term inflation rate of 6.15% in year one, 6% in year two and 6% over the long term\* (2015: 5.7% in year one, 6% in year two and 6% over the long term) was used.

(\*Management believes that, as a result of the anticipated shortage in local log supply and forecast long-term demand, long-term revenue inflation will be greater than cost inflation.)

#### 6. Related parties

The Group's related parties are its subsidiaries and key management, including directors. No change in control occurred in the Company's subsidiaries during the period.

#### 7. Earnings per share

The calculation of basic earnings per share is based on:

|  | Audited | Audited |
|--|---------|---------|
|  | 30 June | 30 June |
|  | 2016    | 2015    |
| Basic earnings attributable to ordinary shareholders (R'000) | 238 212 | 101 468 |
| Weighted average number of ordinary shares in issue ('000)   | 325 286 | 327 544 |
| Earnings per share (cents)                                   | 73      | 31      |

No change occurred in the number of shares in issue and no instruments had a

dilutive effect.

#### 8. Headline earnings per share

The calculation of headline earnings per share is based on:

|  | Audited | Audited |
|--|---------|---------|
|  | 30 June | 30 June |
|  | 2016    | 2015    |
|  | R'000   | R'000   |
| Reconciliation of basic earnings to headline earnings        |         |         |
| Basic earnings attributable to ordinary shareholders         | 238 212 | 101 468 |
| (Profit)/loss on sale of assets and liabilities (net of tax) | 161     | (304)   |
| Fair value adjustment on investment property (net of tax)    | (1 910) | 24      |
| Impairment of plant, equipment and vehicles (net of tax)     | 1 729   | -       |
| Bargain purchase on acquisition                              | -       | (6 244) |
| Headline earnings for the year                               | 238 192 | 94 944  |
| Weighted average number of ordinary shares in issue ('000)   | 325 286 | 331 032 |
| Headline earnings per share (cents)                          | 73      | 29      |

#### 9. Core earnings per share

The calculation of core earnings per share is based on:

|  | Audited   | Audited  |
|--|-----------|----------|
|  | 30 June   | 30 June  |
|  | 2016      | 2015     |
|  | R'000     | R'000    |
| Headline earnings attributable to ordinary shareholders    | 238 192   | 94 944   |
| Fair value adjustment on biological assets (net of tax)    | (138 870) | (30 566) |
| Core earnings for the year                                 | 99 322    | 64 378   |
| Weighted average number of ordinary shares in issue ('000) | 325 286   | 331 032  |
| Core earnings per share (cents)                            | 31        | 19       |

#### 10. Board of directors

There were no changes to the Board during the year.

#### Company information

Executive directors: Pieter van Zyl (CEO), Pieter van Buuren (CFO)  
Non-executive directors: Dr Jim Myers\* (Non-executive Chairman, USA),  
Paul Botha, Dr Azar Jammine\*, Shakeel Meer, Dinga Mncube\*,

Thabo Mokgatlha\*, Maserame Mouyeme\*, Gavin Tipper\* (\*independent)

Registered office: York Corporate Office: 3 Main Road, Sabie, Mpumalanga.  
Postal address: PO Box 1191, Sabie 1260

Auditors: KPMG Inc.

Company secretary: Han-hsiu Hsieh

Chief Financial Officer: Pieter van Buuren

Sponsor: One Capital

Transfer secretaries: Computershare Investor Services (Pty) Ltd

27 September 2016