



UNAUDITED CONDENSED CONSOLIDATED  
INTERIM FINANCIAL RESULTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017



## Salient features

Revenue down

**3%**

EBITDA up

**16%**

Core earnings per share up

**57%**

from 7 cents to 11 cents

Increased  
**harvesting**  
of own plantation

Net asset value per share up

**16%**

from 837 cents to 975 cents

Installation of

**48**

Daylight press

## Commentary

### Group performance and financial review

Revenue for the six months ended 31 December 2017 of R922 million is similar to the comparative period.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of R127 million was up 16% from the comparative period, mostly as a result of increased harvesting from own plantations.

Both earnings per share (EPS) and headline earnings per share (HEPS) increased from 10 cents to 28 cents per share.

Core earnings per share (being basic earnings per share excluding the fair value adjustment on biological assets, net of tax) increased from 7 cents to 11 cents per share.

Cash generated from operations of R72 million was up 55% and the cash balance at the reporting date was R104 million.

The value of external logs purchased was 48% lower than the comparative period. South African Forestry Company (SOC) Limited (SAFCOL) introduced excessive price increases in April 2017. This resulted in York purchasing less volume from SAFCOL, utilising more of its own plantations on a sustainable basis, together with purchases from other third parties to ensure market demand is met.

### Market conditions

There was a weakening in industry lumber sales over the period, consistent with the slow local economic growth rate. The reduced demand impacted production of lumber which decreased by 8% for the reporting period.

Plywood production increased by 7% and sales volumes by 14% over the comparative period. Internationally the Group has seen an increase in the demand for plywood and products with a high standard of specifications

resulting in export volumes steadily increasing. Although recent Rand strengthening impacted the average selling prices, the international US Dollar price for plywood for the reporting period had increased, thereby further improving export opportunities.

### Operational review

#### Processing

The upgraded Plywood plant is operating at the required production levels with the full commissioning of the 48 Daylight press to be completed by the end of March 2018.

Processing plants are confronted with high log costs, a weak demand and price pressure on lumber products. Plants are required to run at high levels of efficiency and costs are optimised to ensure sustainable operation.

#### Forestry

Forestry delivered excellent results for the reporting period. New planting regimes are now fully implemented at all forestry operations with a resultant improvement in forecast yields. These regimes are achieving better yields through site-specie matching and growth site optimisation.

#### Wholesale

New warehouses were introduced to increase the Group's market distribution network. A wider product range has been introduced, improving the Group's product offering to customers.

### Balance sheet movements

York invested R43 million in additions to property, plant and equipment. The bulk of this related to the installation of a new 48 Daylight press. The net increase in the biological asset value of R30 million as at the 2017 financial year-end was due to an increase in the fair value of R74 million and a decrease in standing timber harvested of R44 million.

Commentary continued

Interest bearing borrowings decreased by R78 million during the reporting period.

Working capital investment increased by R67 million during the period, mainly as a result of a decrease in trade and other payables. The decrease is a result of the purchased plantations at year-end being paid during the reporting period. Accounts receivable were managed well. Inventory remained at similar levels over the reporting period.

**Cash flow**

Cash flows from operating activities of R73 million was used to pay net interest of R40 million and provisional tax of R9 million. Purchases of property, plant and equipment of R43 million and a repayment of loans and borrowings of R78 million resulted in a net cash decrease of R54 million for the reporting period. Cash at reporting period-end was R104 million.

**Changes to directorate**

Mr Pieter van Buuren resigned as Chief Financial Officer (CFO) of the Company, with effect from 30 November 2017; and Mr Gerald Stoltz was appointed as acting CFO, with effect from 1 December 2017.

**Outlook**

The forecasted economic growth rate is promising for the construction sector from which York will benefit. York will continue to expand its distribution network, enhancing the Group's service offering to customers. International demand for plywood is strong and continues to grow in a wider application range of the housing and infrastructure sectors.

SAFCOL has engaged the Mpumalanga processing industry and it is foreseen that an amicable solution to long-term supply agreements and transparent pricing mechanism can be achieved. York will continue to engage with SAFCOL to resolve these issues, failing which York will resort to seek legal recourse.

York's vision is to be the leading integrated timber processor in Southern Africa, proficiently delivering products and services of the highest quality. In line with this, York is pursuing other investment opportunities.

**Consolidated statement of financial position**

as at 31 December 2017

|                                      | 31 Dec 2017<br>Unaudited<br>R'000 | 31 Dec 2016<br>Unaudited<br>R'000 | 30 Jun 2017<br>Audited<br>R'000 |
|--------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| <b>ASSETS</b>                        |                                   |                                   |                                 |
| <b>Non-current assets</b>            |                                   |                                   |                                 |
| Biological assets (note 4)           | <b>2 618 711</b>                  | 2 014 987                         | 2 392 979                       |
| Investment property                  | <b>26 731</b>                     | 7 753                             | 26 731                          |
| Property, plant and equipment        | <b>915 919</b>                    | 916 090                           | 911 532                         |
| Goodwill                             | <b>565 442</b>                    | 565 442                           | 565 442                         |
| Intangible assets                    | <b>673</b>                        | 1 357                             | 908                             |
| Deferred tax                         | <b>1 604</b>                      | 871                               | 3 084                           |
| Other financial assets               | <b>32 020</b>                     | 24 031                            | 31 965                          |
| <b>Total non-current assets</b>      | <b>4 161 100</b>                  | 3 530 531                         | 3 932 641                       |
| <b>Current assets</b>                |                                   |                                   |                                 |
| Biological assets (note 4)           | <b>239 587</b>                    | 332 449                           | 435 539                         |
| Inventories                          | <b>328 181</b>                    | 272 948                           | 339 693                         |
| Current tax receivable               | <b>12 885</b>                     | 9 667                             | 7 749                           |
| Trade and other receivables          | <b>212 363</b>                    | 219 472                           | 206 982                         |
| Cash and cash equivalents            | <b>104 005</b>                    | 235 336                           | 159 347                         |
| <b>Total current assets</b>          | <b>897 021</b>                    | 1 069 872                         | 1 149 310                       |
| <b>Total assets</b>                  | <b>5 058 121</b>                  | 4 600 403                         | 5 081 951                       |
| <b>EQUITY AND LIABILITIES</b>        |                                   |                                   |                                 |
| <b>Equity</b>                        |                                   |                                   |                                 |
| Share capital                        | <b>15 802</b>                     | 15 833                            | 15 802                          |
| Share premium                        | <b>1 464 430</b>                  | 1 465 999                         | 1 464 430                       |
| Reserves                             | <b>(489)</b>                      | 91                                | (489)                           |
| Retained income                      | <b>1 600 223</b>                  | 1 177 783                         | 1 512 822                       |
| <b>Total equity</b>                  | <b>3 079 966</b>                  | 2 659 706                         | 2 992 565                       |
| <b>Liabilities</b>                   |                                   |                                   |                                 |
| <b>Non-current liabilities</b>       |                                   |                                   |                                 |
| Cash-settled share-based payments    | <b>–</b>                          | 9 435                             | 3 710                           |
| Deferred tax                         | <b>854 847</b>                    | 695 750                           | 825 867                         |
| Loans from related parties           | <b>1 527</b>                      | 1 527                             | 1 527                           |
| Loans and borrowings                 | <b>650 105</b>                    | 791 906                           | 731 498                         |
| Provisions                           | <b>13 900</b>                     | 13 114                            | 13 900                          |
| Retirement benefit obligations       | <b>25 755</b>                     | 24 450                            | 25 334                          |
| <b>Total non-current liabilities</b> | <b>1 546 134</b>                  | 1 536 182                         | 1 601 836                       |
| <b>Current liabilities</b>           |                                   |                                   |                                 |
| Current tax payable                  | <b>920</b>                        | –                                 | 277                             |
| Loans and borrowings                 | <b>184 660</b>                    | 143 847                           | 180 804                         |
| Cash-settled share-based payments    | <b>17 073</b>                     | 1 413                             | 4 370                           |
| Operating lease liability            | <b>1 647</b>                      | 80                                | 1 415                           |
| Trade and other payables             | <b>227 721</b>                    | 259 175                           | 300 684                         |
| <b>Total current liabilities</b>     | <b>432 021</b>                    | 404 515                           | 487 550                         |
| <b>Total liabilities</b>             | <b>1 978 155</b>                  | 1 940 697                         | 2 089 386                       |
| <b>Total equity and liabilities</b>  | <b>5 058 121</b>                  | 4 600 403                         | 5 081 951                       |

**Consolidated statement of profit or loss and other comprehensive income**

for the six months ended 31 December 2017

|  | Six months ended<br>31 Dec 2017<br>Unaudited<br>R'000 | Six months ended<br>31 Dec 2016<br>Unaudited<br>R'000 | Year ended<br>30 Jun 2017<br>Audited<br>R'000 |
|--|---|---|---|
| Revenue  | 921 785   | 952 519   | 1 832 805                                     |
| Cost of sales  | (615 446)   | (703 405)   | (1 335 303)                                   |
| <b>Gross profit</b>  | <b>306 339</b>  | 249 114   | 497 502                                       |
| Other operating income   | 5 718   | 5 560   | 8 602   |
| Administration expenses  | (223 499)   | (188 534)   | (354 735)                                     |
| <b>Operating profit</b>  | <b>88 558</b>   | 66 140  | 151 369                                       |
| Fair value adjustment  | 74 046  | 14 493  | 436 494                                       |
| <b>Profit before finance costs</b>                               | <b>162 604</b>  | 80 633  | 587 863                                       |
| Investment income  | 2 230   | 6 346   | 11 175  |
| Finance costs  | (42 201)  | (42 689)  | (88 595)                                      |
| <b>Profit before taxation</b>                                    | <b>122 633</b>  | 44 290  | 510 443                                       |
| Taxation   | (35 232)  | (12 043)  | (143 157)                                     |
| <b>Profit for the period</b>                                     | <b>87 401</b>   | 32 247  | 367 286                                       |
| <b>Other comprehensive income/(loss):</b>                        |   |   |   |
| Remeasurement of defined benefit liability                       | –   | –   | (806)   |
| Taxation related to remeasurement of defined benefit liability   | –   | –   | 226   |
| <b>Other comprehensive income for the period net of taxation</b> | <b>–</b>  | –   | (580)   |
| <b>Total comprehensive income</b>                                | <b>87 401</b>   | 32 247  | 366 706                                       |
| Earnings per share (cents) (note 7)                              | 28  | 10  | 116   |
| Headline earnings per share (cents) (note 8)                     | 28  | 10  | 116   |

**Consolidated statement of changes in equity**

for the six months ended 31 December 2017

|   | Share capital<br>R'000 | Share premium<br>R'000 | Defined benefit plan reserve<br>R'000 | Retained income<br>R'000 | Total equity<br>R'000 |
|---|------------------------|------------------------|---------------------------------------|--------------------------|-----------------------|
| <b>Balance as at 1 July 2016 (Audited)</b>  | 15 908                 | 1 471 038              | 91                                    | 1 145 536                | 2 632 573             |
| Profit for the year   | –                      | –                      | –                                     | 367 286                  | 367 286               |
| <b>Other comprehensive income</b>   |                        |                        |                                       |                          |                       |
| Change in defined benefit plan, net of tax  | –                      | –                      | (580)                                 | –                        | (580)                 |
| Total other comprehensive income  | –                      | –                      | (580)                                 | –                        | (580)                 |
| <b>Total comprehensive income for the year and total transactions with owners</b>   | –                      | –                      | (580)                                 | 367 286                  | 366 706               |
| <b>Purchase of own shares</b>   | (106)                  | (6 608)                | –                                     | –                        | (6 714)               |
| <b>Balance as at 30 June 2017 (Audited)</b>   | <b>15 802</b>          | <b>1 464 430</b>       | <b>(489)</b>                          | <b>1 512 822</b>         | <b>2 992 565</b>      |
| Profit for the period   | –                      | –                      | –                                     | 87 401                   | 87 401                |
| <b>Other comprehensive income</b>   |                        |                        |                                       |                          |                       |
| Change in defined benefit plan, net of tax  | –                      | –                      | –                                     | –                        | –                     |
| Total other comprehensive income  | –                      | –                      | –                                     | –                        | –                     |
| <b>Total comprehensive income for the period and total transactions with owners</b> | –                      | –                      | –                                     | 87 401                   | 87 401                |
| <b>Purchase of own shares</b>   | –                      | –                      | –                                     | –                        | –                     |
| <b>Balance as at 31 December 2017 (Unaudited)</b>                                   | <b>15 802</b>          | <b>1 464 430</b>       | <b>(489)</b>                          | <b>1 600 223</b>         | <b>3 079 966</b>      |

**Consolidated statement of cash flows**

for the six months ended 31 December 2017

|   | Six months<br>ended<br>31 Dec 2017<br>Unaudited<br>R'000 | Six months<br>ended<br>31 Dec 2016<br>Unaudited<br>R'000 | Year<br>ended<br>30 Jun 2017<br>Audited<br>R'000 |
|---|--|--|--|
| <b>Cash flows from operating activities</b>             |  |  |  |
| Cash generated from operations (note 5)                 | 71 546   | 46 094   | 169 979  |
| Investment income                                       | 2 230  | 6 346  | 11 175   |
| Finance costs   | (42 201)   | (42 689)   | (88 595)   |
| Taxation paid   | (9 265)  | (2 944)  | (3 732)  |
| <b>Net cash from operating activities</b>               | <b>22 310</b>  | 6 807  | 88 827   |
| <b>Cash flows applied to investing activities</b>       |  |  |  |
| Purchase of property, plant and equipment               | (43 117)   | (88 534)   | (154 258)  |
| Purchase of intangible assets                           | –  | (167)  | (168)  |
| Proceeds from disposal of property, plant and equipment | 101  | 87   | 307  |
| Proceeds from loans to Group companies                  | –  | 177  | 177  |
| Purchase of financial assets                            | (55)   | (4 644)  | (32 200)   |
| Proceeds on sale of financial assets                    | –  | –  | 19 622   |
| Purchase of biological assets                           | –  | –  | (59 082)   |
| Harvesting of purchased biological assets               | 44 266   | 1 384  | 1 384  |
| <b>Net cash applied to investing activities</b>         | <b>1 195</b>   | (91 697)   | (224 218)  |
| <b>Cash flows from financing activities</b>             |  |  |  |
| Buyback of shares                                       | –  | (5 114)  | (6 714)  |
| Net (repayment)/proceeds of loans and borrowings        | (77 537)   | 41 608   | 18 157   |
| <b>Net cash from financing activities</b>               | <b>(77 537)</b>  | 36 494   | 11 443   |
| <b>Total cash movement for the period</b>               | <b>(54 032)</b>  | (48 396)   | (123 948)  |
| Cash at beginning of the period                         | 159 347  | 286 144  | 286 144  |
| Effect of exchange rate movement on cash balances       | (1 310)  | (2 412)  | (2 849)  |
| <b>Cash at end of the period</b>                        | <b>104 005</b>   | 235 336  | 159 347  |

**Notes to the consolidated interim financial statements**

for the six months ended 31 December 2017

**1. Basis of preparation**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the JSE Listings Requirements, the Companies Act of South Africa, 71 of 2008 (as amended) and the Companies Regulations, 2011. These unaudited condensed consolidated interim financial statements have been prepared in accordance with and containing the information required by IAS 34: *Interim Financial Reporting*, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. The financial results have been compiled under the supervision of Gerald Stoltz CA (SA), the Acting Chief Financial Officer.

These unaudited condensed consolidated interim results do not include all the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements as at and for the year ended 30 June 2017 which are available on the Company's website, [www.york.co.za](http://www.york.co.za) or at the Company's registered office.

These condensed consolidated interim results have not been reviewed or audited by the Company's external auditors. The interim financial statements, which have been prepared on the going concern basis, were approved by the Board of Directors on 5 March 2018.

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

The Group financial results are presented in South African Rand, which is the Company's functional currency. All financial information presented has been rounded to the nearest R'000.

The significant accounting policies and methods of computation are in terms of International Financial Reporting Standards and are consistent in all material respects with those applied in the year ended 30 June 2017.

**2. Additional disclosure items**

|   | 31 Dec 2017<br>Unaudited<br>R'000 | 31 Dec 2016<br>Unaudited<br>R'000 | 30 Jun 2017<br>Audited<br>R'000 |
|---|-----------------------------------|-----------------------------------|---------------------------------|
| Authorised capital commitments:               |                                   |                                   |                                 |
| – Contracted, but not provided                | 9 498                             | 56 829                            | 20 267                          |
| – Not contracted                              | 13 298                            | 22 474                            | 13 022                          |
| Capital expenditure                           | 43 117                            | 88 701                            | 154 258                         |
| Depreciation of property, plant and equipment | 38 593                            | 42 911                            | 92 174                          |
| Amortisation of intangible assets             | 235                               | 442                               | 892                             |

- The Group did not have any litigation settlements during the reporting period.
- The banking facility granted by Absa Bank was secured by a cession of trade receivables and Credit Insurance Solutions (CIS) insurance and cross-suretyships of R154 million with Absa Bank, and R5 million with FirstRand Bank Limited. The general banking facility of R37,5 million with Absa Bank and R100 000 with FirstRand Bank Limited and asset and vehicle finance facility of R92,5 million with Absa Bank and R20 million with Wesbank are available to all companies across the Group. 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 movement occurred in the number of shares issued during the period under review.

## Notes to the consolidated interim financial statements

for the six months ended 31 December 2017

### 3. Operating segments

The Group has three reportable segments which are the Group's strategic divisions. The Group operates in three geographical segments, namely South Africa, countries within the Southern Africa Development Community (SADC) and non-SADC regions.

The segment analysis is as follows:

| Processing plants             |                                   |                                   |                                 |
|-------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
|                               | 31 Dec 2017<br>Unaudited<br>R'000 | 31 Dec 2016<br>Unaudited<br>R'000 | 30 Jun 2017<br>Audited<br>R'000 |
| Revenue: external sales       | 596 809                           | 633 421                           | 1 245 719                       |
| Revenue: inter-segment sales  | 184 009                           | 142 340                           | 252 837                         |
| <b>Total revenue</b>          | <b>780 818</b>                    | <b>775 761</b>                    | <b>1 498 556</b>                |
| Depreciation and amortisation | (26 658)                          | (32 269)                          | (69 269)                        |
| Reportable segment profit*    | 44 572                            | 66 529                            | 137 738                         |
| Fair value adjustment         | –                                 | –                                 | –                               |
| Capital expenditure           | 31 537                            | 65 094                            | 110 923                         |
| Wholesale                     |                                   |                                   |                                 |
|                               | 31 Dec 2017<br>Unaudited<br>R'000 | 31 Dec 2016<br>Unaudited<br>R'000 | 30 Jun 2017<br>Audited<br>R'000 |
| Revenue: external sales       | 298 105                           | 281 149                           | 523 233                         |
| Revenue: inter-segment sales  | –                                 | –                                 | –                               |
| <b>Total revenue</b>          | <b>298 105</b>                    | <b>281 149</b>                    | <b>523 233</b>                  |
| Depreciation and amortisation | (777)                             | (794)                             | (1 782)                         |
| Reportable segment profit*    | 9 423                             | 14 030                            | 21 759                          |
| Fair value adjustment         | –                                 | –                                 | –                               |
| Capital expenditure           | 3 994                             | 2 037                             | 3 426                           |
| Forestry                      |                                   |                                   |                                 |
|                               | 31 Dec 2017<br>Unaudited<br>R'000 | 31 Dec 2016<br>Unaudited<br>R'000 | 30 Jun 2017<br>Audited<br>R'000 |
| Revenue: external sales       | 24 518                            | 36 808                            | 60 699                          |
| Revenue: inter-segment sales  | 371 271                           | 358 724                           | 708 406                         |
| <b>Total revenue</b>          | <b>395 789</b>                    | <b>395 532</b>                    | <b>769 105</b>                  |
| Depreciation and amortisation | (9 317)                           | (7 967)                           | (18 726)                        |
| Reportable segment profit*    | 97 156                            | 25 389                            | 95 900                          |
| Fair value adjustment         | 74 046                            | 14 493                            | 436 494                         |
| Capital expenditure           | 6 130                             | 20 711                            | 27 468                          |

## Notes to the consolidated interim financial statements

for the six months ended 31 December 2017

### 3. Operating segments continued

|  | 31 Dec 2017<br>Unaudited<br>R'000 | 31 Dec 2016<br>Unaudited<br>R'000 | 30 Jun 2017<br>Audited<br>R'000 |
|--|-----------------------------------|-----------------------------------|---------------------------------|
| Revenue: external sales  | 919 432                           | 951 378                           | 1 829 651                       |
| Revenue: inter-segment sales   | 555 280                           | 501 064                           | 961 243                         |
| <b>Total revenue</b>   | <b>1 474 712</b>                  | <b>1 452 442</b>                  | <b>2 790 894</b>                |
| Depreciation and amortisation  | (36 753)                          | (41 030)                          | (89 777)                        |
| Reportable segment profit*   | 151 151                           | 105 948                           | 255 397                         |
| Fair value adjustment  | 74 046                            | 14 493                            | 436 494                         |
| Capital expenditure  | 41 661                            | 87 842                            | 141 817                         |
| <i>* Being earnings before interest, taxation, depreciation, amortisation, impairment and fair value adjustments (EBITDA).</i> |                                   |                                   |                                 |
|  | 31 Dec 2017<br>Unaudited<br>R'000 | 31 Dec 2016<br>Unaudited<br>R'000 | 30 Jun 2017<br>Audited<br>R'000 |
| <b>Reconciliation of reportable segment profit or loss</b>   |                                   |                                   |                                 |
| Total EBITDA for reportable segments   | 151 151                           | 105 948                           | 255 397                         |
| Depreciation, amortisation and impairment  | (38 824)                          | (43 295)                          | (94 732)                        |
| Unallocated amounts  | (23 769)                          | 3 487                             | (9 296)                         |
| <b>Operating profit</b>  | <b>88 558</b>                     | <b>66 140</b>                     | <b>151 369</b>                  |
|  | 31 Dec 2017<br>Unaudited<br>R'000 | 31 Dec 2016<br>Unaudited<br>R'000 | 30 Jun 2017<br>Audited<br>R'000 |
| <b>Revenue per geographical area</b>   |                                   |                                   |                                 |
| South Africa   | 767 561                           | 838 670                           | 1 592 917                       |
| Southern Africa Development Community (SADC)   | 99 883                            | 110 799                           | 215 602                         |
| International (Non-SADC)   | 54 341                            | 3 050                             | 24 286                          |
| <b>Total</b>   | <b>921 785</b>                    | <b>952 519</b>                    | <b>1 832 805</b>                |

## Notes to the consolidated interim financial statements

for the six months ended 31 December 2017

### 4. Biological assets

|   | 31 Dec 2017<br>Unaudited<br>R'000 | 31 Dec 2016<br>Unaudited<br>R'000 | 30 Jun 2017<br>Audited<br>R'000 |
|---|-----------------------------------|-----------------------------------|---------------------------------|
| <b>Change in discounted cash flows (DCF) value attributable to:</b> |                                   |                                   |                                 |
| Opening balance   | 2 828 518                         | 2 334 327                         | 2 334 327                       |
| Growth  | (44 045)                          | 120 739                           | 134 272                         |
| Revenue and price   | 128 572                           | (4 004)                           | 270 281                         |
| Operating cost  | (21 927)                          | 27 336                            | (74 727)                        |
| Discount rate   | 11 445                            | (129 578)                         | (73 151)                        |
| Sale of plantation  | –                                 | –                                 | –                               |
| Purchased plantations   | –                                 | –                                 | 59 082                          |
| Standing timber harvested   | (44 265)                          | (1 384)                           | (1 384)                         |
| Younger clearfelling age***   | –                                 | –                                 | 179 818                         |
| <b>Closing balance</b>  | <b>2 858 298</b>                  | <b>2 347 436</b>                  | <b>2 828 518</b>                |
| Classified as non-current assets                                    | 2 618 711                         | 2 014 987                         | 2 392 979                       |
| Classified as current assets**                                      | 239 587                           | 332 449                           | 435 539                         |

\*\* Being the biological assets to be harvested and sold in the 12 months after the reporting date.

\*\*\* 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.

|  | 31 Dec 2017<br>Unaudited<br>Cubic metres | 31 Dec 2016<br>Unaudited<br>Cubic metres | 30 Jun 2017<br>Audited<br>Cubic metres |
|--|--|--|--|
| <b>Reconciliation of standing volume</b> |  |  |  |
| Opening balance                          | 6 001 889                                | 5 840 732                                | 5 840 732                              |
| Increase due to growth and enumeration   | 390 220                                  | 339 273                                  | 807 904                                |
| Decrease due to harvesting               | (417 817)                                | (327 135)                                | (646 747)                              |
| <b>Closing balance</b>                   | <b>5 974 292</b>                         | <b>5 852 870</b>                         | <b>6 001 889</b>                       |

## Notes to the consolidated interim financial statements

for the six months ended 31 December 2017

### 4. Biological assets continued

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

- **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 is based on current and expected future market prices per log class. It was assumed that log prices will increase at 6% for the next year and 6% over the long term (2016: 6,5% over the next year and at 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 fixed assets utilised to generate cash flows from the biological asset over the valuation period. The operating costs exclude the transport costs necessary to get the assets to market. These costs have been reviewed and updated to current actual costs. Inflation rates of 6% for the next year and 6% over the long term (2016: 6,15% for the next year and 6% over the long term) were 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 which was applied to the after taxation net cash flows.

**Notes to the consolidated interim financial statements**

for the six months ended 31 December 2017

**5. Cash generated from operations**

|  | 31 Dec 2017<br>Unaudited<br>R'000 | 31 Dec 2016<br>Unaudited<br>R'000 | 30 Jun 2017<br>Audited<br>R'000 |
|--|-----------------------------------|-----------------------------------|---------------------------------|
| Profit before taxation                       | 122 633                           | 44 290                            | 510 443                         |
| <i>Adjustments for:</i>                      |                                   |                                   |                                 |
| Depreciation, amortisation and impairments   | 38 828                            | 43 295                            | 93 066                          |
| Loss on sale of assets                       | 37                                | 78                                | 175                             |
| Loss on foreign exchange                     | 1 310                             | 2 412                             | 2 849                           |
| Investment income                            | (2 230)                           | (6 346)                           | (11 175)                        |
| Finance costs                                | 42 201                            | 42 689                            | 88 595                          |
| Fair value adjustments                       | (74 046)                          | (14 493)                          | (436 494)                       |
| Impairments of property, plant and equipment | –                                 | –                                 | 1 666                           |
| Movement in operating lease                  | 232                               | –                                 | 1 335                           |
| Movement in retirement benefit liabilities   | 421                               | –                                 | 518                             |
| Movement in provisions                       | –                                 | 440                               | 786                             |
| Movement in share-based payment liability    | 8 993                             | 4 289                             | 1 520                           |
| <b>Changes in working capital</b>            |                                   |                                   |                                 |
| Inventories                                  | 11 512                            | (33 489)                          | (100 234)                       |
| Trade and other receivables                  | (5 381)                           | 6 044                             | 18 534                          |
| Trade and other payables                     | (72 964)                          | (43 115)                          | (1 605)                         |
| <b>Cash generated from operations</b>        | <b>71 546</b>                     | <b>46 094</b>                     | <b>169 979</b>                  |

**Notes to the consolidated interim financial statements**

for the six months ended 31 December 2017

**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 from the prior period. No businesses were acquired or disposed of during the reporting period.

**7. Earnings per share**

|  | 31 Dec 2017<br>Unaudited | 31 Dec 2016<br>Unaudited | 30 Jun 2017<br>Audited |
|--|--------------------------|--------------------------|------------------------|
| Basic earnings attributable to ordinary shareholders (R'000) | 87 401                   | 32 247                   | 367 286                |
| Weighted average number of ordinary shares (thousands)       | 316 048                  | 317 754                  | 317 209                |
| <b>Earnings per share (cents)</b>                            | <b>28</b>                | <b>10</b>                | <b>116</b>             |

No shares have been repurchased during the reporting period.

**8. Headline earnings per share**

|  | 31 Dec 2017<br>Unaudited<br>R'000 | 31 Dec 2016<br>Unaudited<br>R'000 | 30 Jun 2017<br>Audited<br>R'000 |
|--|-----------------------------------|-----------------------------------|---------------------------------|
| <b>Reconciliation of headline earnings</b>                           |                                   |                                   |                                 |
| Basic earnings attributable to ordinary shareholders                 | 87 401                            | 32 247                            | 367 286                         |
| Loss on sale of assets (net of tax)                                  | 27                                | 57                                | 126                             |
| (Reversal of impairment)/impairment of plant, equipment and vehicles | –                                 | (42)                              | 1 200                           |
| <b>Headline earnings for the period</b>                              | <b>87 428</b>                     | <b>32 262</b>                     | <b>368 612</b>                  |
| <b>Weighted average number of ordinary shares (thousands)</b>        | <b>316 048</b>                    | <b>317 754</b>                    | <b>317 209</b>                  |
| <b>Headline earnings per share (cents)</b>                           | <b>28</b>                         | <b>10</b>                         | <b>116</b>                      |



## Notes to the consolidated interim financial statements

for the six months ended 31 December 2017

### 9. Core earnings per share

|   | 31 Dec 2017<br>Unaudited<br>R'000 | 31 Dec 2016<br>Unaudited<br>R'000 | 30 Jun 2017<br>Audited<br>R'000 |
|---|-----------------------------------|-----------------------------------|---------------------------------|
| <b>Reconciliation of core earnings</b>                        |                                   |                                   |                                 |
| Basic earnings attributable to ordinary shareholders          | 87 401                            | 32 247                            | 367 286                         |
| Fair value adjustment on biological assets (net of tax)       | (53 313)                          | (10 435)                          | (314 276)                       |
| <b>Core earnings for the period</b>                           | <b>34 088</b>                     | 21 812                            | 53 010                          |
| <b>Weighted average number of ordinary shares (thousands)</b> | <b>316 048</b>                    | 317 754                           | 317 209                         |
| <b>Core earnings per share (cents)</b>                        | <b>11</b>                         | 7                                 | 17                              |

### 10. Subsequent events

Subsequent to 31 December 2017, the Company acquired the remaining 50% shareholding in Mbulwa Estate Proprietary Limited from Mondi Timber (Wood Products) Proprietary Limited.

## Company information

### 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)

**Executive directors:** Pieter van Zyl (*CEO*), Gerald Stoltz (*Acting CFO*)

**Non-executive directors:** Dr Jim Myers\* (*Chairman, USA*), Paul Botha, Dr Azar Jammine\*, Shakeel Meer, Dinga Mncube\*, Thabo Mokgatla\*, 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

**Sponsor:** One Capital

**Transfer secretaries:** Computershare Investor Services Proprietary Limited



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