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)

Summarised consolidated financial results for the period ended 30 June 2018

www.york.co.za

Highlights

- Revenue down by 1%.
- EBITDA (Earnings before interest, tax, depreciation and amortisation) up by 12%.
- Debt reduced by R108 million.
- Core earnings per share up by 59%.
- Net asset value per share up 5% from 943c to 989c.
- Cash generated from operations increased by 69% to R286 million.
- Biological asset value up 3%, after regime change adjustment in 2017.
- Earnings per share down by 62%.

Commentary

Operational results

York managed to grow EBITDA by 12% and Core Earnings by 59% despite challenging market conditions. Weak industry demand and declining lumber prices saw revenue decline by 1%.

Investment in processing and forestry operations in the last few years together with continued efficiency gains created the platform for York to produce its best EBITDA result to date in this period. The expanded plywood plant enabled a 32% increase in plywood sales over the prior year. The new plywood plant has not yet produced a full 12 months of earnings but is now fully operational. The 48 daylight press installation was completed on time and within budget. Plywood now contributes 30% of the Group's turnover and represents an important source of diversification of earnings for the Company, particularly as regards export markets. Plywood exports, in a year with a predominantly strong rand, represented 8% of total revenue.

Forestry mechanisation initiatives, together with cost savings through the integration of the supply chain in the Highveld, are bearing fruit and this division increased its profitability to R163 million for the year. External forestry sales improved marginally from the prior year.

York's lumber sales were impacted by a reduced intake due to high log prices in the Mpumalanga region. Inefficient processing operations have been scaled down with other operations functioning at capacity. Operating margins were maintained by purchasing less logs externally and focusing on customer service.

Certain processing facilities experienced labour unrest and unprotected strikes, negatively impacting sales volumes.

Fair value adjustments in the year reflect a 3% increase in the biological asset value mostly due to volume growth. The prior year included a large once-off fair value adjustment arising from an alignment of the asset valuation model to forestry management practices that are resulting in improved yields per annum, and the application of a 20 year rotation rather than the historic 25 year rotation cycle. This skewed relative earnings in the prior year resulted in earnings per share being 62% lower in the current year.

Balance sheet and cash flows

Capital expenditure is starting to normalise post the investment in the plywood plant resulting in improved cash generation with loans and borrowings reduced by R108 million in the year. Reduced inventory levels and increased creditor payment terms contributed to a decrease in net working capital, while R8 million was invested into the Company's self-insurance fund.

Net asset value per share increased by 5% to R9.89 per share.

Outlook
Faced with low economic growth in South Africa, York will focus on cash generation through cost-efficiencies and optimisation of its supply chain.

The plywood plant is now fully operational and is expected to make a strong contribution going forward.

The Company is a significant contributor to employment in the regions in which it operates, with its extensive external log procurement, forestry activities, processing plant and distribution network. As a responsible corporate citizen York will continue to work with labour to minimise industrial relations issues and to contribute to an environment that benefits all stakeholders.

In the medium to long term, York remains well positioned to benefit from consolidation in the industry.

In the absence of a significant improvement in economic growth and prospects, the next year is likely to be difficult for the South African economy. The Company has adjusted its strategy accordingly, and will implement further changes to its supply chain and operations where necessary. While there may be some short term cost to the necessary changes, the outlook for the Company is positive, despite the difficult market conditions.

Consolidated statement of financial position

	As at 30 June 2018 Audited R'000	As at 30 June 2017 Audited R'000
Assets		
Non-current assets		
Biological asset (refer note 3)	2 498 082	2 392 979
Investment property	26 731	26 731
Property, plant and equipment	901 202	911 532
Goodwill	565 442	565 442
Intangible assets	463	908
Other financial assets	39 707	31 965
Deferred tax	4 687	3 084
Total non-current assets	4 036 314	3 932 641
Current assets		
Biological asset (refer note 5)	420 468	435 539
Inventories	296 619	339 693
Trade and other receivables	258 619	206 982
Current tax receivable	3 363	7 749
Cash and cash equivalents	152 039	159 347
Total current assets	1 131 108	1 149 310
Total assets	5 167 422	5 081 951
Equity and liabilities		
Equity		
Share capital	1 480 232	1 480 232

Reserves	(353)	(489)
Retained income	1 652 556	1 512 822
Total equity	3 132 435	2 992 565
Liabilities		
Non-current liabilities		
Loans from related parties	-	1 527
Cash-settled share-based payments	-	3 710
Deferred tax	863 901	825 867
Loans and borrowings	636 836	731 498
Provisions	14 623	13 900
Retirement benefit obligations	26 430	25 334
Total non-current liabilities	1 541 790	1 601 836
Current liabilities		
Current tax payable	15	277
Loans and borrowings	167 759	180 804
Cash-settled share-based payments	-	4 370
Operating lease liability	1 741	1 415
Trade and other payables	323 673	300 684
Bank overdraft	9	-
Total current liabilities	493 197	487 550
Total liabilities	2 034 987	2 089 386
Total equity and liabilities	5 167 422	5 081 951

Consolidated statement of profit or loss and other comprehensive income

	Year ended 30 June 2018 Audited R'000	Year ended 30 June 2017 Audited R'000
Revenue	1 817 609	1 832 805
Cost of sales	(1 263 458)	(1 335 303)
Gross profit	554 151	497 502
Other operating income	23 097	11 626
Other operating (losses)/gains	5 009	(3 024)
Administration expenses	(386 691)	(354 735)
Operating profit	195 566	151 369
Fair value adjustments	71 327	436 494
Profit before finance costs	266 893	587 863
Investment income	4 899	11 175
Finance costs	(81 800)	(88 595)
Profit before taxation	189 992	510 443

Taxation	(50 258)	(143 157)
Profit for the period	139 734	367 286
Other comprehensive loss		
Remeasurement of defined benefit liability	(663)	(806)
Taxation related to components of other comprehensive income	185	226
Other comprehensive loss for the period net of taxation	(478)	(580)
Total comprehensive income	139 256	366 706
Basic earnings per share (cents) (note 7)	44	116
Headline earnings per share (cents) (note 8)	46	116

Consolidated statement of cash flows

	Year ended 30 June 2018 Audited R'000	Year ended 30 June 2017 Audited R'000
Cash generated from operations	286 420	169 979
Investment income	4 899	11 175
Finance costs	(80 707)	(88 595)
Taxation paid	(11 950)	(3 732)
Net cash from operating activities	198 662	88 827
Cash flows applied to investing activities		
Additions to property, plant and equipment	(64 680)	(154 258)
Additions to intangible assets	(24)	(168)
Additions to financial assets	(14 563)	(32 200)
Proceeds from financial assets	6 821	19 622
Additions to biological assets	(71 811)	(59 082)
Proceeds from biological assets	59 081	1 384
Proceeds from disposal of property, plant and equipment	103	307
Acquisition of subsidiaries, net of cash acquired	(6 087)	-
Repayment of loans from related parties	(4 580)	-
Proceeds from loans to related parties	-	177
Net cash applied to investing activities	(95 740)	(224 218)
Cash flows from financing activities		
Reduction of share capital or buyback of shares	-	(6 714)
Net movement in loans and borrowings	(107 707)	18 157

Movement in cash-settled share-based payment	(6 971)	
Net cash (invested in)/from financing activities	(114 678)	11 443
Total cash movement for the year	(11 756)	(123 948)
Cash at the beginning of the year	159 347	286 144
Effect of exchange rate movement on cash balances	4 439	(2 849)
Cash at the end of the year	152 030	159 347

Consolidated statement of changes in equity

Audited	Share capital R'000	Share premium R'000	Defined benefit plan reserve R'000	Share based payment reserve R'000	Retained income R'000	Total equity R'000
Balance as at 1 July 2016	15 908	1 471 038	91	-	1 145 536	2 632 573
Profit for the year	-	-	-	-	367 286	367 286
Other comprehensive loss	-	-	(580)	-	-	(580)
Total comprehensive income/(loss) for the year	-	-	(580)	-	367 286	366 706
Purchase of own shares	(106)	(6 608)	-	-	-	(6 714)
Balance as at 30 June 2017	15 802	1 464 430	(489)	-	1 512 822	2 992 565
Profit for the period	-	-	-	-	139 734	139 734
Other comprehensive loss	-	-	(478)	-	-	(478)
Total comprehensive income/(loss) for the year and total transactions with owners	-	-	(478)	-	139 734	139 256
Employee share option scheme	-	-	-	614	-	614
Balance as at 30 June 2018	15 802	1 464 430	(967)	614	1 652 556	3 132 435

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 (Companies Act), and the Companies Regulations, 2011. The Group has applied the framework concepts and 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 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 GCD Stoltz 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 consolidated annual financial statements do not include all the information required for full consolidated annual financial statements, and should be read in conjunction with the audited consolidated annual financial statements for the year ended 30 June 2018, which are available on the Company's website, http://www.york.co.za/downloads/ConsolidatedFinancialStatements-30June2018.pdf or from the Company's registered office.

The Company's external auditor, KPMG Inc., has issued an opinion on the Group's audited consolidated annual financial statements for the year ended 30 June 2018. 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 21 September 2018.

There have been no material changes to judgments 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 in terms of IFRS and are consistent in all material respects with those applied during the year ended 30 June 2017, except for new standards that became effective during this financial year.

2. Additional disclosure items

	30 June 2018 Audited R'000	30 June 2017 Audited R'000
Authorised capital commitments		
- Contracted, but not provided	11 139	20 267
- Not contracted	10 149	13 022
Capital expenditure	64 680	154 258
Depreciation of property, plant and equipment	80 937	92 174
Amortisation of intangible assets	469	892
Impairment/(reversal) of trade receivables	1 196	(1 766)

- 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, Credit Guarantee Insurance Corporation of Africa Ltd (CGIC) insurance and

cross-suretyships of R154 million with Absa Bank and R5 million with FirstRand Bank Limited. The general banking facility is available to all companies in 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 events have occurred between the reporting date and the date of release of these results which require adjustment or disclosure in these results.
- No movement occurred in the number of shares issued during the period under review.

3. Comparative figures
The summarised consolidated annual financial statements for the year ended 30 June 2017 are presented as published.

4. Operating segments
The Group has three reportable segments, which are the Group's strategic divisions. The Group operates in three geographic segments, namely South Africa, Southern Africa Development Community (SADC) and non-SADC regions. The non-SADC sales refer to plywood sales to the United Kingdom, Belgium, Italy and the United States of America.

The segmental analysis is as follows:

	Processing plants R'000	Wholesale R'000	Forestry and Fleet R'000	Total R'000
For the year ending 30 June 2018				
Revenue: external sales	1 165 551	594 667	54 809	1 815 027
Revenue: inter-segment sales	344 862	-	739 547	1 084 409
Total revenue	1 510 413	594 667	794 356	2 899 436
Depreciation and amortisation	(55 490)	(1 737)	(20 593)	(77 820)
Reportable segment profit*	81 522	7 537	162 892	251 951
As at 30 June 2018				
Capital expenditure	38 294	6 469	17 621	62 384
Fair value adjustment to biological assets	-	-	77 303	77 303
For the year ending 30 June 2017				
Revenue: external sales	1 245 719	523 233	60 699	1 829 651
Revenue: inter-segment sales	252 837	-	708 406	961 243
Total revenue	1 498 556	523 233	769 105	2 790 894
Depreciation and amortisation	(69 269)	(1 782)	(18 726)	(89 777)
Reportable segment profit*	137 738	21 759	95 900	255 397
As at 30 June 2017				
Capital expenditure	110 923	3 426	27 468	141 817
Fair value adjustment to biological assets	-	-	436 494	436 494

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

	30 June 2018 Audited R'000	30 June 2017 Audited R'000
Revenue per geographical area		
South Africa	1 499 236	1 592 917
Southern Africa Development Community (SADC)	179 166	215 602
International (Non-SADC)	139 207	24 286
Total	1 817 609	1 832 805
Reconciliation of reportable segment profit or loss		
Total EBITDA for reportable segments	251 951	255 397
Depreciation, amortisation and impairment	(81 406)	(94 732)
Unallocated amounts	25 021	(9 296)
Operating profit	195 566	151 369

5. Biological asset

	30 June 2018 Audited R'000	30 June 2017 Audited R'000
Reconciliation of biological asset		
Opening balance	2 828 518	2 334 327
Fair value adjustment		
- Increase due to growth and enumerations	304 220	349 005
- Adjustment to standing timber values to reflect fair value at year-end	101 170	366 875
Decrease due to harvesting	(328 088)	(279 387)
Purchased plantations	71 811	59 082
Standing timber harvested	(59 081)	(1 384)
Closing balance	2 918 550	2 828 518
Classified as non-current assets	2 498 082	2 392 979
Classified as current assets	420 468	435 539

	30 June 2018 Audited	30 June 2017 Audited
Key assumptions used in the discounted cash flow valuation		
Risk-free rate (R186 bond)	8.84%	8.78%
Beta factor	1.25	1.21
Cost of equity	16.97%	16.44%

Pre-tax cost of debt	10.00%	10.50%
Debt:equity ratio	35:65	35:65
After-tax weighted average cost of capital	13.55%	13.33%

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 a 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 based mainly on factors such as animal damage and damage due to natural elements such as wind, rain, hail, droughts and fires. An adjustment factor of 10% (2017:10%) was 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 5.15% over the next year, 5.33% over the following year, and at 5.50% per year over the long term (2017: 6.5% over the next year, 6% over the following year, and at 6% per year over the long term). Log prices are computed at a weighted average of external market prices and internal prices that were charged to the company's processing operations. Internal prices are generally lower than external prices and are limited to levels that result in the profitability of the processing operations.

- Operating costs: The costs are based on the unit cost of the forest management activities required for the trees to reach the age of felling. The costs include the current and expected future 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 market. An inflation rate of 5.15% over the next year, 5.33% over the following year, and at 5.50% per year over the long term (2017: 5.8% over the next year, 6% over the following year and 6% per year over the long term) was used.

- Costs to sell: Costs to sell are the 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' Beta to calculate the after-tax weighted average cost of capital (WACC), which was applied to the after taxation net cash flows.

6. Related parties
The Group's related parties are its subsidiaries and key management, including directors. On 31 January 2018, York Timbers Proprietary Limited acquired the remaining 50% equity interest in Mbulwa Estates Proprietary Limited from Mondi Timber (Wood Products) Proprietary Limited. The acquisition resulted in a change from an investment in joint venture to a wholly owned subsidiary. A bargain purchase of R0.7 million, included under other operating gains in the current financial year, was the result of assets at fair value exceeding the consideration paid.

7. Basic earnings per share
The calculation of basic earnings per share is based on:

	30 June 2018 Audited	30 June 2017 Audited
Basic earnings attributable to ordinary shareholders (R'000)	139 734	367 286

Reconciliation of weighted average number of ordinary shares		
Issued number of shares ('000)	316 048	316 048
Bonus element of share-based payment ('000)	826	-
Shares repurchased ('000)	-	1 161
Weighted average number of ordinary shares in issue ('000)	316 874	317 209
Earnings per share (cents)	44	116
Diluted earnings per share (cents)	44	116

8. Headline earnings per share
The calculation of headline earnings per share is based on:

	30 June 2018 Audited	30 June 2017 Audited
Reconciliation of basic earnings to headline earnings		
Basic earnings attributable to ordinary shareholders (R'000)	139 734	367 286
Loss on sale of assets and liabilities (net of tax) (R'000)	128	126
Impairment of plant, equipment and vehicles (net of tax) (R'000)	-	1 200
Bargain purchase on acquisition (R'000)	(747)	-
Fair value adjustment on deemed disposal of joint arrangement (R'000)	5 976	-
Headline earnings for the year (R'000)	145 091	368 612
Weighted average number of ordinary shares in issue ('000)	316 874	317 209
Headline earnings per share (cents)	46	116
Diluted headline earnings per share (cents)	46	116

9. Core earnings per share
The calculation of core earnings per share is based on:

	30 Jun 2018 Audited	30 Jun 2017 Audited
Basic earnings attributable to ordinary shareholders (R'000)	139 734	367 286
Fair value adjustment on biological assets (net of tax) (R'000)	(55 658)	(314 276)
Core earnings for the year (R'000)	84 076	53 010
Weighted average number of ordinary shares in issue ('000)	316 874	317 209
Core earnings per share (cents)	27	17
Diluted core earnings per share (cents)	27	17

10. Board of directors

Mr JPF van Buuren resigned as Chief Financial Officer on 30 November 2017 and Mr GCD Stoltz was appointed as acting Chief Financial Officer from 1 December 2017 and permanently on 26 June 2018.

Company information
Executive directors
Pieter van Zyl (CEO), Gerald Stoltz (CFO)

Non-executive directors
Dr Jim Myers* (Non-executive Chairman, USA), Paul Botha, Dr Azar Jammine*, Shakeel Meer, Dinga Mncube*, Maserame Mouyeme*, Thabo Mokgatlha*, Gavin Tipper*
(*independent)

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Auditors
KPMG Inc.

Company secretary
Han-hsiu Hsieh

Chief Financial Officer
Gerald Stoltz

Sponsor
One Capital

Transfer secretaries
Computershare Investor Services (Pty) Ltd