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)

# Unaudited condensed consolidated interim financial results for the six months ended 31 December 2018

## Salient features

- Production interrupted by industrial action
- Revenue down 11%
- Debt reduced by R70 million
- Cash generated from operations decreased by 52% to R36 million
- Cash in bank at reporting date of R124,5 million
- Biological asset value down 1%

## Commentary

### Review of the six months

- Over the period, York lost a combined 192 production days of the available 655 days across all its processing operations due to strikes.
- The strike was resolved on 11 January 2019 and all operations are fully functional.
- During this challenging period, the focus was on managing the business' cash flow and honouring the Company's obligations.
- All debt covenants were met during the reporting period and, over the comparable period, debt reduced by R70 million.
- The Company ended the reporting period with R124,5 million cash.
- Revenue that was not generated during this reporting period will be recovered as postponed sales because York's customer base remained intact.

### Strike

During the period under review, the National Union of Metalworkers of South Africa (NUMSA) was recognised as the majority union at the Company and a recognition agreement will be concluded between NUMSA and the Company. All other unions' and interested and affected parties' rights and representation will be respected and accommodated and bargaining will effectively take place at plant level going forward.

### Operational results

Sales and production volumes decreased by 11% compared to the comparative period of the previous year. Plywood was imported to service local customers during the strike while the Wholesale Division continued trading. Harvesting activity in the Escarpment was stalled when the processing plants were experiencing strikes.

Harvesting operations at other regions were scaled back during the reporting period. These operations are scheduled to normalise over the remainder of the financial year.

During the 2018 calendar year, York experienced the highest incidence of fires in recent times, despite this it suffered the least amount of hectares damaged.
This is due to our improved fire prevention measures and investment in firefighting equipment and technologies.

Over the reporting period, an increase in the minimum wage rate was implemented for forestry contractors to ensure compliance with legislation and this contributed to the higher administrative expenses. Security costs increased abnormally due to additional strike response units being employed to safeguard the Company's assets. Increases in short term insurance and escalations in diesel costs also contributed to the increase in administrative expenses.
Other operating gains received were from South African Special Risk Insurance Association (SASRIA) insurance payment towards Jessievale's finished goods warehouse that was burnt in May 2018. The new Jessievale finished goods warehouse will be completed during the remainder of the financial year.
This will improve the Company's storage capacity and enhance the drymill throughput of the Jessievale sawmill. In preparation for the coming fire season, York took delivery of two firefighting units fitted with the latest compressed air foam system.

Restructuring will be undertaken to align the Company structure with the current scale of operations. The Remanufacturing Division did not meet the required expectations and therefore the best options going forward are being considered.

A new enterprise resource planning system has been selected and will be implemented during the remainder of the calendar year. The costs for the hardware of the system amounted to R4,1 million under financial assets.

Fair value adjustments for the year reflect a 1% decrease in the biological asset value, mostly due to the delayed start in the planting season following the late rains, which resulted in a higher number of temporary unplanted areas as at 31 December 2018. Subsequent to the reporting period, good rains have fallen and planting targets will be met for the 2019 financial year.

Balance sheet and cash flows
Capital expenditure was applied towards the enhancement of cost efficiencies.
Log transport vehicles were purchased to unlock synergies within the supply chain. Changes in working capital resulted from a decrease in debtors due to lower sales. Creditors reduced as the standing timber purchased from the South African Forestry Company Limited was harvested and paid. Even with the arrival of the imported plywood in December 2018, stock decreased during the reporting period. Cash was applied to service debt repayments and contribute towards the Company's self-insurance fund. Cash at the end of the period of R124,5 million was up 20% from the comparative point in time in the previous period. Investments in property, plant and equipment are the result of the construction of the Jessievale finished goods warehouse following its destruction by fire during the April/May 2018 strike. The new building is partly financed from insurance receipts and working capital.

Net asset value per share decreased slightly to R9,70 per share from the comparative period.

Changes to the directorate
During the period under review Messrs Thabo Mokgatlha and Gavin Tipper and Ms Maserame Mouyeme resigned as independent non-executive directors and Mr Paul Botha resigned as non-executive director. Messrs Andries Brink and Maxwell Nyanteh and Ms Hetisani Mbanyele-Ntshinga were appointed as independent non-executive directors, with effect from 14 February 2019.

Outlook
York continues to focus on cash generation through cost-efficiencies and optimisation of its supply chain. York is in the process of selling an outlier plantation and is furthermore awaiting final payment from SASRIA in respect of Jessievale's burnt warehouse. York has commenced with the following:
- Restructuring of poor performing divisions; and
- Aligning the Human Resources Division with the operations to effectively and speedily address employees' matters.

In the absence of a significant improvement in economic growth, the South African market will most likely remain subdued. The lumber demand for the major product category that York produces remains firm and the export of plywood will continue contributing towards earnings.

Consolidated statement of financial position
as at 31 December 2018

| | 31 Dec 2018 Unaudited R'000 | 31 Dec 2017 Unaudited Restated R'000 | 30 Jun 2018 Audited Restated R'000 |
|---|---|---|---|
| Assets | | | |
| Non-current assets | | | |
| Biological assets (note 5) | 2 443 572 | 2 618 711 | 2 498 082 |
| Investment property | 26 481 | 26 731 | 26 731 |
| Property, plant and equipment | 917 988 | 936 930 | 920 265 |
| Goodwill | 565 442 | 565 442 | 565 442 |
| Intangible assets | 305 | 673 | 463 |
| Deferred tax | 4 591 | 8 612 | 3 780 |
| Other financial assets | 46 610 | 32 020 | 39 707 |
| Total non-current assets | 4 004 989 | 4 189 119 | 4 054 470 |
| Current assets | | | |
| Biological assets (note 5) | 400 357 | 239 587 | 420 468 |
| Inventories | 276 113 | 347 645 | 300 356 |
| Current tax receivable | 1 309 | 12 885 | 3 363 |
| Trade and other receivables | 144 870 | 210 708 | 258 731 |
| Cash and cash equivalents | 125 506 | 104 005 | 152 039 |
| Total current assets | 948 155 | 914 830 | 1 134 957 |
| Total assets | 4 953 144 | 5 103 949 | 5 189 427 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 15 802 | 15 802 | 15 802 |
| Share premium | 1 464 430 | 1 464 430 | 1 464 430 |
| Reserves | 959 | (489) | (353) |
| Retained income | 1 585 575 | 1 595 880 | 1 650 404 |
| Total equity | 3 066 766 | 3 075 623 | 3 130 283 |
| Liabilities | | | |

| | | | |
|---|---|---|---|
| Non-current liabilities | | | |
| Deferred tax | 836 070 | 860 297 | 862 141 |
| Lease liability | 11 145 | 17 522 | 14 984 |
| Loans from related parties | - | 1 527 | - |
| Loans and borrowings | 554 915 | 650 105 | 636 836 |
| Provisions | 15 040 | 13 900 | 14 623 |
| Retirement benefit obligations | 26 847 | 25 755 | 26 430 |
| Total non-current liabilities | 1 444 017 | 1 569 106 | 1 555 014 |
| Current liabilities | | | |
| Current tax payable | 86 | 920 | 15 |
| Cash-settled share-based payments | - | 17 073 | - |
| Loans and borrowings | 209 609 | 184 660 | 167 759 |
| Lease liability | 7 654 | 6 457 | 7 415 |
| Trade and other payables | 224 001 | 250 110 | 328 932 |
| Bank overdraft | 1 011 | - | 9 |
| Total current liabilities | 442 361 | 459 220 | 504 130 |
| Total liabilities | 1 886 378 | 2 028 326 | 2 059 144 |
| Total equity and liabilities | 4 953 144 | 5 103 949 | 5 189 427 |

Consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2018

| | Six months ended 31 Dec 2018 Unaudited R'000 | Six months ended 31 Dec 2017 Unaudited Restated R'000 | Year ended 30 Jun 2018 Audited Restated R'000 |
|---|---|---|---|
| Revenue | 800 227 | 899 396 | 1 812 350 |
| Cost of sales | (608 699) | (595 982) | (1 259 719) |

| | | | |
|---|---|---|---|
| Gross profit | 191 528 | 303 414 | 552 631 |
| Other operating income | 16 158 | 5 718 | 23 097 |
| Other operating gains | 2 733 | - | 5 009 |
| Administration expenses | (253 972) | (224 251) | (384 693) |
| Operating (loss)/profit | (43 553) | 84 881 | 196 044 |
| Fair value adjustment | (11 831) | 74 046 | 71 327 |
| (Loss)/profit before finance costs | (55 384) | 158 927 | 267 371 |
| Investment income | 2 851 | 2 230 | 4 899 |
| Finance costs | (39 106) | (43 477) | (84 325) |
| (Loss)/profit before taxation | (91 639) | 117 680 | 187 945 |
| Taxation | 26 810 | (33 927) | (49 659) |
| (Loss)/profit for the period | (64 829) | 83 753 | 138 286 |
| Other comprehensive loss: | | | |
| Remeasurement of defined benefit liability | - | - | (663) |
| Taxation related to remeasurement of defined benefit liability | - | - | 185 |
| Other comprehensive loss for the period net of taxation | - | - | (478) |
| Total comprehensive (loss)/income | (64 829) | 83 753 | 137 808 |
| Earnings per share (cents) (note 8) | (20) | 27 | 44 |
| Diluted earnings per share (cents) (note 8) | (20) | 27 | 44 |
| Headline earnings per share (cents) (note 9) | (20) | 27 | 45 |
| Diluted headline earnings per share (cents) (note 9) | (20) | 27 | 45 |

Consolidated statement of changes in equity
for the six months ended 31 December 2018

Share-

| | Share capital R'000 | Share premium R'000 | based payment reserve R'000 |
|---|---|---|---|
| Opening balance as previously reported | 15 802 | 1 464 430 | - |
| Adjustment: | | | |
| Change in accounting policy | - | - | - |
| Balance as at 1 July 2017 restated | 15 802 | 1 464 430 | - |
| Profit for the year | - | - | - |
| Other comprehensive loss | | | |
| Change in defined benefit plan, net of tax | - | - | - |
| Total other comprehensive loss | - | - | - |
| Total comprehensive income for the year and total transactions with owners | - | - | - |
| Employees' share option scheme | - | - | 614 |
| Opening balance as previously reported | 15 802 | 1 464 430 | 614 |
| Adjustment: | | | |
| Change in accounting policy | - | - | - |
| Balance as at 30 June 2018 restated | 15 802 | 1 464 430 | 614 |
| Loss for the period | - | - | - |
| Other comprehensive income | | | |
| Change in defined benefit plan, net of tax | - | - | - |
| Total other comprehensive income | - | - | - |
| Total comprehensive loss for the period and total transactions with owners | - | - | - |
| Employees' share option scheme | - | - | 1 312 |
| Balance as at 31 December 2018 | | | |

| | | | |
|---|---|---|---|
| (unaudited) | 15 802 | 1 464 430 | 1 926 |

| | Defined benefit plan reserve R'000 | Retained income R'000 | Total equity R'000 |
|---|---|---|---|
| Opening balance as previously reported | (489) | 1 512 822 | 2 992 565 |
| Adjustment: | | | |
| Change in accounting policy | - | (704) | (704) |
| Balance as at 1 July 2017 restated | (489) | 1 512 118 | 2 991 861 |
| Profit for the year | - | 138 286 | 138 286 |
| Other comprehensive loss | | | |
| Change in defined benefit plan, net of tax | (478) | - | (478) |
| Total other comprehensive loss | (478) | - | (478) |
| Total comprehensive income for the year and total transactions with owners | (478) | 138 286 | 137 808 |
| Employees' share option scheme | - | - | 614 |
| Opening balance as previously reported | (967) | 1 652 556 | 3 132 435 |
| Adjustment: | | | |
| Change in accounting policy | - | (2 152) | (2 152) |
| Balance as at 30 June 2018 restated | (967) | 1 650 404 | 3 130 283 |
| Loss for the period | - | (64 829) | (64 829) |
| Other comprehensive income | | | |
| Change in defined benefit plan, net of tax | - | - | - |
| Total other comprehensive income | - | - | - |
| Total comprehensive loss for the period and total transactions with owners | - | (64 829) | (64 829) |
| Employees' share option scheme | - | - | 1 312 |
| Balance as at 31 December 2018 | | | |

| | | | |
|---|---|---|---|
| (unaudited) | (967) | 1 585 575 | 3 066 766 |

Consolidated statement of cash flows
for the six months ended 31 December 2018

| | Six months ended 31 Dec 2018 Unaudited R'000 | Six months ended 31 Dec 2017 Unaudited Restated R'000 | Year ended 30 Jun 2018 Audited Restated R'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Cash generated from operations (note 6) | 36 317 | 75 470 | 295 902 |
| Investment income | 2 851 | 2 230 | 4 899 |
| Finance costs | (38 034) | (42 201) | (78 155) |
| Taxation refunded/(paid) | 2 054 | (9 265) | (11 950) |
| Net cash from operating activities | 3 188 | 26 234 | 210 696 |
| Cash flows applied to investing activities | | | |
| Purchase of property, plant and equipment | (44 868) | (43 117) | (64 680) |
| Purchase of intangible assets | - | - | (24) |
| Proceeds from disposal of property, plant and equipment | 1 | 101 | 103 |
| Proceeds from disposal of investment property | 250 | - | - |
| Repayment of loans from related parties | - | - | (4 580) |
| Purchase of financial assets | (6 903) | (55) | (14 563) |
| Proceeds on sale of financial assets | - | - | 6 821 |
| Purchase of biological assets | - | - | (71 811) |
| Harvesting of purchased biological assets | 62 790 | 44 266 | 59 081 |

| | | | |
|---|---|---|---|
| Acquisition of subsidiaries net of cash acquired | - | - | (6 087) |
| Net cash generated from/(applied to) investing activities | 11 270 | 1 195 | (95 740) |
| Cash flows from financing activities | | | |
| Net repayment of loans and borrowings | (40 071) | (77 537) | (107 707) |
| Movement in cash settled share-based payment | - | - | (6 971) |
| Repayment of lease liability | (4 673) | (3 924) | (12 034) |
| Net cash applied to financing activities | (44 744) | (81 461) | (126 712) |
| Total cash movement for the period | (30 286) | (54 032) | (11 756) |
| Cash at beginning of the period | 152 030 | 159 347 | 159 347 |
| Effect of exchange rate movement on cash balances | 2 751 | (1 310) | 4 439 |
| Cash at end of the period | 124 495 | 104 005 | 152 030 |

## Notes to the consolidated interim financial statements
for the six months ended 31 December 2018

### 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, No. 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 Chief Financial Officer.

These unaudited condensed consolidated interim financial 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 2018 which are available on the Company's website, www.york.co.za or at the Company's registered office.

The condensed consolidated interim financial results have not been reviewed or audited by the Company's external auditor. The interim financial results, which have been prepared on the going concern basis, were approved by the Board of Directors on 20 March 2019.

There have been no material changes to judgements or estimates of amounts reported in prior reporting periods except for the impact of new standards adopted. Refer note 12.

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.

2. Principal accounting policies
The Group has adopted all the new, revised or amended accounting pronouncements as issued by the International Accounting Standards Board (IASB) which were effective for the Group from 1 January 2018. The Group early adopted International Financial Reporting Standards (IFRS) 16. The following standards had an impact on the Group:
- IFRS 9 Financial Instruments (IFRS 9);
- IFRS 15 Revenue from Contracts with Customers (IFRS 15); and
- IFRS 16 Leases (IFRS 16).

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the 30 June 2018 consolidated annual financial statements except as previously stated above. Refer to note 12 for details.

3. Additional disclosure items

| | 31 Dec 2018 Unaudited | 31 Dec 2017 Unaudited Restated | 30 Jun 2018 Audited Restated |
|---|---|---|---|

| | | | |
|---|---|---|---|
| | R'000 | R'000 | R'000 |
| Authorised capital commitments | | | |
| - Contracted, but not provided | 11 406 | 9 498 | 11 139 |
| - Not contracted | 47 909 | 13 298 | 10 149 |
| Capital expenditure | 44 868 | 43 117 | 64 680 |
| Depreciation of property, plant and equipment | 47 126 | 41 847 | 87 899 |
| Amortisation of intangible assets | 158 | 235 | 469 |

- 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, and R5 million with FirstRand. The general banking facility of R60 million with Absa and asset and vehicle finance facility of R120 million with Absa 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.

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, countries within the Southern Africa Development Community (SADC) and international (Non-SADC).

The segment analysis is as follows:

| | Processing plants | | |
|---|---|---|---|
| | 31 Dec 2018 | 31 Dec 2017 | 30 Jun 2018 |
| | Unaudited | Unaudited | Audited |
| | | Restated | Restated |
| | R'000 | R'000 | R'000 |
| Revenue: External sales | 430 923 | 574 420 | 1 165 551 |
| Revenue: Inter-segment sales | 136 485 | 184 009 | 344 862 |

| | | | |
|---|---|---|---|
| Total revenue | 567 408 | 758 429 | 1 510 413 |
| Depreciation and amortisation | (29 872) | (26 658) | (54 832) |
| Reportable segment profit* | (17 287) | 40 211 | 80 409 |
| Fair value adjustment | - | - | - |
| Capital expenditure | 20 157 | 31 537 | 38 294 |

| | Wholesale | | |
|---|---|---|---|
| | 31 Dec 2018 | 31 Dec 2017 | 30 Jun 2018 |
| | Unaudited | Unaudited | Audited |
| | | Restated | Restated |
| | R'000 | R'000 | R'000 |
| Revenue: External sales | 324 804 | 298 105 | 594 667 |
| Revenue: Inter-segment sales | - | - | - |
| Total revenue | 324 804 | 298 105 | 594 667 |
| Depreciation and amortisation | (3 903) | (4 034) | (7 182) |
| Reportable segment profit* | 4 703 | 11 285 | 13 697 |
| Fair value adjustment | - | - | - |
| Capital expenditure | 180 | 3 994 | 6 469 |

| | Forestry and fleet | | |
|---|---|---|---|
| | 31 Dec 2018 | 31 Dec 2017 | 30 Jun 2018 |
| | Unaudited | Unaudited | Audited |
| | | Restated | Restated |
| | R'000 | R'000 | R'000 |
| Revenue: External sales | 40 791 | 24 518 | 54 809 |
| Revenue: Inter-segment sales | 283 462 | 371 271 | 739 547 |
| Total revenue | 324 253 | 395 789 | 794 356 |
| Depreciation and amortisation | (10 899) | (9 317) | (20 593) |

| | | | |
|---|---|---|---|
| Reportable segment profit* | 17 305 | 97 156 | 162 892 |
| Fair value adjustment | (11 831) | 74 046 | 77 303 |
| Capital expenditure | 18 771 | 6 130 | 17 621 |

| | Total before unallocated and inter-segment elimination | | |
|---|---|---|---|
| | 31 Dec 2018 | 31 Dec 2017 | 30 Jun 2018 |
| | Unaudited | Unaudited | Audited |
| | | Restated | Restated |
| | R'000 | R'000 | R'000 |
| Revenue: External sales | 796 518 | 897 043 | 1 815 027 |
| Revenue: Inter-segment sales | 419 947 | 555 280 | 1 084 409 |
| Total revenue | 1 216 465 | 1 452 323 | 2 899 436 |
| Depreciation and amortisation | (44 674) | (40 009) | (82 607) |
| Reportable segment profit* | 4 721 | 148 652 | 256 998 |
| Fair value adjustment | (11 831) | 74 046 | 77 303 |
| Capital expenditure | 39 108 | 41 661 | 62 384 |

*Being earnings before interest, taxation, depreciation, amortisation, impairment and fair value adjustments (EBITDA).

| | 31 Dec 2018 | 31 Dec 2017 | 30 Jun 2018 |
|---|---|---|---|
| | Unaudited | Unaudited | Audited |
| | | Restated | Restated |
| | R'000 | R'000 | R'000 |
| Reconciliation of reportable segment profit or loss | | | |
| Total EBITDA for reportable segments | 4 721 | 148 652 | 256 998 |
| Depreciation, amortisation and impairment | (47 284) | (42 082) | (88 368) |
| Unallocated amounts | (990) | (21 689) | 27 414 |

| | | | |
|---|---|---|---|
| Operating (loss)/profit | (43 553) | 84 881 | 196 044 |

| | 31 Dec 2018 Unaudited R'000 | 31 Dec 2017 Unaudited Restated R'000 | 30 Jun 2018 Audited Restated R'000 |
|---|---|---|---|
| Revenue per geographical area of customer | | | |
| South Africa (SA) | 690 007 | 767 561 | 1 499 236 |
| Southern Africa Development Community (SADC) excluding SA | 68 858 | 99 883 | 179 166 |
| International (Non-SADC)* | 41 362 | 31 952 | 133 948 |
| Total | 800 227 | 899 396 | 1 812 350 |

*International sales refer to plywood to the United Kingdom, Belgium, Italy and the United States of America.

5. Biological assets

| | 31 Dec 2018 Unaudited R'000 | 31 Dec 2017 Unaudited R'000 | 30 Jun 2018 Audited R'000 |
|---|---|---|---|
| Change in discounted cash flows (DCF) value attributable to: | | | |
| Opening balance | 2 918 550 | 2 828 518 | 2 828 518 |
| Growth | (121 823) | (44 045) | 85 450 |
| Revenue and price | (11 581) | 128 572 | 83 351 |
| Operating cost | 41 566 | (21 927) | (33 968) |
| Discount rate | 80 007 | 11 445 | (57 530) |
| Purchased plantations | - | - | 71 811 |
| Standing timber harvested | (62 790) | (44 265) | (59 082) |
| Closing balance | 2 843 929 | 2 858 298 | 2 918 550 |
| Classified as non-current assets | 2 443 572 | 2 618 711 | 2 498 082 |

| | | | |
|---|---|---|---|
| Classified as current assets** | 400 357 | 239 587 | 420 468 |

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

| | 31 Dec 2018 | 31 Dec 2017 | 30 Jun 2018 |
|---|---|---|---|
| | Unaudited | Unaudited | Audited |
| | m3 | m3 | m3 |
| Reconciliation of standing volume (excluding purchased plantations) | | | |
| Opening balance | 5 946 639 | 6 001 889 | 6 001 889 |
| Increase due to growth and enumeration | 490 840 | 390 220 | 704 236 |
| Decrease due to harvesting | (310 106) | (417 817) | (759 486) |
| Closing balance | 6 127 373 | 5 974 292 | 5 946 639 |

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 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%) has been used.
- Log prices: The price per cubic metre per log class is based on current and future expected market prices per log class. It was assumed that prices will increase at 5,50% over the next year at 5,30% over the following year, and at 5,50% over the long term (2017: 6% p.a. over the next year, 6% over the

following year, and at 6% p.a. over the long term). Log prices are computed as a weighted average of external market prices and internal prices 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 the market. An inflation rate of 5,50% over the next year, 5,30% over the following year, and 5,50% over the long term (2017: 6% p.a. over the next year, 6% over the following year, and 6% p.a. 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. Cash generated from operations

| | 31 Dec 2018 Unaudited R'000 | 31 Dec 2017 Unaudited Restated R'000 | 30 Jun 2018 Audited Restated R'000 |
|---|---|---|---|
| (Loss)/profit before taxation | (91 639) | 117 680 | 187 945 |
| Adjustments for: | | | |
| Depreciation, amortisation and impairments | 47 284 | 42 082 | 88 368 |
| Loss/(profit) on disposal of assets and bargain gain purchase | 18 | 37 | (570) |
| (Profit)/loss on foreign exchange | (2 751) | 1 310 | (4 439) |

| | | | |
|---|---|---|---|
| Investment income | (2 851) | (2 230) | (4 899) |
| Finance costs | 39 106 | 43 477 | 84 325 |
| Fair value adjustments | 11 831 | (74 046) | (71 327) |
| Movement in retirement benefit liabilities | 417 | 421 | 433 |
| Movement in provisions | 417 | - | 723 |
| Share-based payment expense: Cash | - | 8 993 | (1 109) |
| Share-based payment expense: Equity | 1 312 | - | 614 |
| Changes in working capital | | | |
| Inventories | 24 243 | (7 952) | 39 336 |
| Trade and other receivables | 113 861 | (3 725) | (51 739) |
| Trade and other payables | (104 931) | (50 577) | 28 241 |
| Cash generated from operations | 36 317 | 75 470 | 295 902 |

7. Related parties

The Group's related parties are its subsidiaries and key management, including directors. No businesses were acquired or disposed of during the six month period.

8. Earnings per share

| | 31 Dec 2018 Unaudited | 31 Dec 2017 Unaudited Restated | 30 Jun 2018 Audited Restated |
|---|---|---|---|
| Basic earnings attributable to ordinary shareholders (R'000) (refer to note 12 for restatement of earnings on adoption of new standards) | (64 829) | 83 753 | 138 286 |
| Reconciliation of weighted average number of ordinary shares | | | |
| Issued number of shares | 316 048 | 316 048 | 316 048 |
| Bonus element of share-based payment | 841 | - | 826 |
| Weighted average number of ordinary shares ('000) | 316 889 | 316 048 | 316 874 |

| | | | |
|---|---|---|---|
| Earnings per share (cents) | (20) | 27 | 44 |
| Diluted earnings per share (cents) | (20) | 27 | 44 |

The bonus element of the share-based payment had a dilutive effect on the shares (2017: none).

9. Headline earnings per share

| | 31 Dec 2018 Unaudited R'000 | 31 Dec 2017 Unaudited Restated R'000 | 30 Jun 2018 Audited Restated R'000 |
|---|---|---|---|
| Reconciliation of headline earnings | | | |
| Basic earnings attributable to ordinary shareholders | (64 829) | 83 753 | 138 286 |
| Loss on sale of assets (net of tax) | 13 | 27 | 128 |
| Bargain purchase | - | - | (747) |
| Fair value adjustment on deemed disposal of joint arrangement | - | - | 5 976 |
| Headline earnings for the period | (64 816) | 83 780 | 143 643 |
| Weighted average number of ordinary shares ('000) | 316 889 | 316 048 | 316 874 |
| Headline earnings per share (cents) | (20) | 27 | 45 |
| Diluted earnings per share (cents) | (20) | 27 | 45 |

The bonus element of the share-based payment had a dilutive effect on the shares (2017: none).

10. Core earnings per share

| | 31 Dec 2018 Unaudited R'000 | 31 Dec 2017 Unaudited Restated R'000 | 30 Jun 2018 Audited Restated R'000 |
|---|---|---|---|
| Reconciliation of core earnings | | | |
| Basic earnings attributable to ordinary shareholders | (64 829) | 83 753 | 138 286 |

| | | | |
|---|---|---|---|
| Fair value adjustment on biological assets (net of tax) | 8 518 | (53 313) | (55 658) |
| Core earnings for the period | (56 311) | 30 440 | 82 628 |
| Weighted average number of ordinary shares ('000) | 316 889 | 316 048 | 316 874 |
| Core earnings per share (cents) | (18) | 10 | 26 |
| Diluted earnings per share (cents) | (18) | 10 | 26 |

11. Subsequent events
There were no subsequent events.

12. Changes in accounting policies
The Group adopted the following new accounting standards as issued by the IASB, which came into effect for financial years beginning on or after 1 January 2018:
- IFRS 15 Revenue from Contracts with Customers; and
- IFRS 9 Financial Instruments.

The Group early adopted the following new accounting standard as issued by the IASB, which came into effect for financial years beginning on or after 1 January 2019:
- IFRS 16 Leases.

Adoption of IFRS 15
The Group principally generates revenue from the sale of timber and plywood products in the South African, SADC and International markets. IFRS 15 establishes a comprehensive framework for determining whether revenue should be recognised and how much and when revenue should be recognised. It replaces IAS 18 where revenue was recognised around an analysis of the transfer of risks and rewards.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group now recognises revenue when it transfers control over a product or service to a customer at the standalone selling price allocated to the performance obligation in the contract.

For local timber sales, revenue is recognised when the goods leave the premises

at the standalone selling prices. When the customer collects the goods at the premises, York no longer directs the use of the goods and the client accepts responsibility. When York arranges the transport of goods on behalf of the customer, York acts as an agent. The transport provider insures the freight and York can no longer direct the use of the goods and the customer has the present obligation to pay for the goods. For International plywood sales the Group recognises the revenue for goods when the original shipping documents, for clearance at destination port, is released.
Changes in accounting policies from the adoption of IFRS 15 have been applied retrospectively.

Adoption of IFRS 9
The adoption of IFRS 9 had the following impact on the Group:
- Change from the IAS 39 incurred loss model to the expected credit loss model; and
- Change in classification of the measurement categories for financial instruments.

Before adopting IFRS 9, the Group calculated the allowance for credit losses using the incurred loss model. Under the incurred loss model, the Group assessed whether there was any objective evidence of impairment at the end of each reporting period. Under IFRS 9 the Group calculated the expected credit loss under the simplified approach using a provision matrix.

The expected credit loss is calculated by applying an expected loss ratio to each age receivable group. The loss ratio is calculated as the historical payment profile and adjusted for macro-economic forecasts. A default expected credit loss ratio is applied to ageing periods of 90 days and older.

Changes in accounting policies from the adoption of IFRS 9 have been applied retrospectively.

IFRS 9 introduced new measurement categories for financial assets. From 1 January 2018 the Group classifies financial assets in the IFRS 9 measurement categories.

| Financial asset | IAS 39 category | IFRS 9 category |
| --- | --- | --- |
| Self-insurance fund | Loans and receivables | Financial asset at amortised cost |

| | | |
|---|---|---|
| Trade and other receivables | Loans and receivables | Financial asset at amortised cost |

Adoption of IFRS 16

The adoption of IFRS 16 had the following impact on the Group:

- Recognition of right of use assets and depreciation; and
- Recognition of lease liabilities and finance cost.

Effective 1 January 2019, the Group early adopted IFRS 16, which specifies how to recognise, measure, present and disclose leases using the full retrospective approach. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all significant leases.

The Company recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right of use asset is initially measured based on the initial amount of the lease liability. The assets are depreciated over the lease term using the straight-line method. Lease terms range from two to five years.

The lease liability is measured at the present value of the lease payments, discounted using the Group's incremental borrowing rate adjusted for asset specific risks and the lease term. The lease liability is measured at amortised cost using the effective interest method.

The Group has elected to apply the practical expedient not to recognise right of use assets and liabilities for short term leases that have lease terms of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

On adoption of the new accounting standards, the Group restated its financial statements as at 31 December 2017 and 30 June 2018 as follows:

| | 31 Dec 2017 as previously reported | Effect of IFRS 16 | Effect of IFRS 15 |
|---|---|---|---|

| | R'000 | R'000 | R'000 |
|---|---|---|---|
| Property, plant and equipment | 915 919 | 21 011 | - |
| Deferred tax | (853 243) | 391 | 819 |
| Inventories | 328 181 | - | 19 464 |
| Trade and other receivables | 212 363 | - | - |
| Retained income | (1 600 223) | 929 | 2 106 |
| Lease liability | (1 647) | (22 332) | - |
| Trade and other payables | (227 721) | - | (22 389) |
| Revenue | (921 785) | - | 22 389 |
| Cost of sales | 615 446 | - | (19 464) |
| Administration expense | 223 499 | (903) | - |
| Finance cost | 42 201 | 1 276 | - |
| Taxation | 35 232 | (138) | (819) |

| | Effect of IFRS 9 R'000 | 31 Dec 2017 Restated R'000 |
|---|---|---|
| Property, plant and equipment | - | 936 930 |
| Deferred tax | 348 | (851 685) |
| Inventories | - | 347 645 |
| Trade and other receivables | (1 655) | 210 708 |
| Retained income | 1 308 | (1 595 880) |
| Lease liability | - | (23 979) |
| Trade and other payables | - | (250 110) |
| Revenue | - | (899 396) |
| Cost of sales | - | 595 982 |
| Administration expense | 1 655 | 224 251 |

| | | |
|---|---|---|
| Finance cost | - | 43 477 |
| Taxation | (348) | 33 927 |

| | 30 Jun 2018 as previously reported R'000 | Effect of IFRS 16 R'000 | Effect of IFRS 15 R'000 |
|---|---|---|---|
| Property, plant and equipment | 901 202 | 19 063 | - |
| Deferred tax | (859 214) | 447 | 427 |
| Inventories | 296 619 | - | 3 737 |
| Trade and other receivables | 258 619 | - | - |
| Retained income | (1 652 556) | 1 149 | 1 098 |
| Lease liability | (1 741) | (20 658) | - |
| Trade and other payables | (323 673) | - | (5 259) |
| Revenue | (1 817 609) | - | 5 259 |
| Cost of sales | 1 263 458 | - | (3 739) |
| Administration expense | 386 691 | (1 886) | - |
| Finance cost | 81 800 | 2 525 | - |
| Taxation | 50 258 | (193) | (427) |

| | Effect of IFRS 9 R'000 | 30 Jun 2018 Restated R'000 |
|---|---|---|
| Property, plant and equipment | - | 920 265 |
| Deferred tax | (21) | (858 361) |
| Inventories | - | 300 356 |
| Trade and other receivables | 112 | 258 731 |

| | | |
|---|---|---|
| Retained income | (95) | (1 650 404) |
| Lease liability | - | (22 399) |
| Trade and other payables | - | (328 932) |
| Revenue | - | (1 812 350) |
| Cost of sales | - | 1 259 719 |
| Administration expense | (112) | 384 693 |
| Finance cost | - | 84 325 |
| Taxation | 21 | 49 659 |

The impact of IFRS 15 on the December 2018 condensed consolidated interim financial results is the deferral of revenue until control passes to the customer and the realisation of the amounts deferred at June 2018, and for IFRS 16 and IFRS 9 the impact is similar to that disclosed for December 2017.

Company information

Registered office and business address
York Corporate Office
3 Main Road, Sabie 1260
Tel: +27 13 764 9200
Fax: +27 13 764 3245

Postal address
PO Box 1191, Sabie 1260

Nature of business and principal activities
Operation of plantations, sawmills, a plywood plant and wholesale lumber sales

Auditor
PricewaterhouseCoopers

Transfer secretaries
Computershare Investor Services Proprietary Limited

Sponsor
One Capital

Directors
Executive directors
Pieter van Zyl
Chief Executive Officer
Gerald Stoltz
Chief Financial Officer

Non-executive directors
Dr Jim Myers* (Chairman, USA)
Paul Botha (resigned: 27 November 2018)
Dr Azar Jammine*
Shakeel Meer
Dinga Mncube*
Thabo Mokgatlha* (resigned: 30 November 2018)
Maserame Mouyeme* (resigned: 30 November 2018)
Gavin Tipper* (resigned: 3 December 2018)
Andries Brink* (appointed: 14 February 2019)
Maxwell Nyanteh* (appointed: 14 February 2019)
Hetisani Mbanyele-Ntshinga* (appointed: 14 February 2019)
* Independent

Company Secretary
Sue Hsieh
Email: shsieh@york.co.za

www.york.co.za