YORK TIMBERS

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

CONSOLIDATED FINANCIAL RESULTS

for the year ended 30 June 2019

RESULTS OVERVIEW

- **Results negatively impacted by industrial action**
- **Revenue down by 12%***
- **EBITDA (Earnings before interest, tax, depreciation and amortisation) down by 28%***
- **EBITDA at R201 million for the 6 months ended 30 June 2019**
- **Debt decreased by R121 million**
- **Cash generated from operations decreased by 21%* to R224 million**
- **Cash in bank at reporting date of R89 million**
- **Biological asset value up 8%**
- **Net asset value per share down 1% from 990 cents* to 980 cents**
- **Core earnings per share decreased from 26 cents* to 8 cents**
- **Earnings per share decreased from 44 cents* to a loss per share of 11 cents**
- **Headline earnings per share increased from 45 cents* to 50 cents**
- **No dividend has been declared for the year ended 30 June 2019 (2018: R nil)**

** Restated figures*

ABOUT THIS SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. Any investment decision should be based on consideration of the full announcement. The full announcement is accessible via the following JSE link https://senspdf.jse.co.za/documents/2019/jse/isse/YRK/FY2019SENS.pdf and on the Company's website at http://www.york.co.za/downloads/AuditedConsolidatedResults.pdf. Copies of the full announcement may also be requested at the Company's registered office, at no charge, on Mondays to Fridays, during office hours.

On behalf of the Board

PP van Zyl
Chief Executive Officer

GCD Stoltz
Chief Financial Officer

30 September 2019

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

Non-executive directors: Dr Jim Myers* *(Chairman, USA)*, Dr Azar Jammine*, Shakeel Meer, Dinga Mncube*, Andries Brink*, Hetisani Mbanyele-Ntshinga*, Max Nyanteh* *(*independent)*

Registered office: York Corporate Office, 3 Main Road, Sabie, Mpumalanga

Postal address: PO Box 1191, Sabie, 1260

Auditor: PricewaterhouseCoopers Inc. **Company Secretary:** Sue Hsieh **Sponsor:** One Capital

Transfer secretaries: Computershare Investor Services Proprietary Limited

YORK TIMBERS

AUDITED CONSOLIDATED ANNUAL FINANCIAL RESULTS 2019

RESULTS OVERVIEW

- Results were **negatively** impacted by **industrial action**.
- **Revenue decreased** by **12%***, due to lower sales volumes as a result of industrial action.
- **EBITDA** (Earnings before interest, tax, depreciation and amortisation) decreased by **28%***.
- **EBITDA of R201 million** for the **6 months ended 30 June 2019**.
- **Net asset value** per share **down 1%** from 990 cents* to 980 cents.
- Value of **biological assets up 8%**.
- **Debt reduced** by **R121 million**.
- **Cash in bank** at reporting date of **R89 million**.
- **Cash generated** from operations **decreased** by **21%*** to R224 million.
- **Core earnings** per share decreased from **26 cents* to 8 cents**.
- **Earnings per share** decreased from **44 cents*** to a loss per share of 11 cents.
- **Headline earnings per share** increased from **45 cents*** to 50 cents.
- **No dividend** has been declared for the year ended 30 June 2019 (2018: R nil).

** Restated figures (refer to note 2)*

COMMENTARY

The financial results for the year ended 30 June 2019 were impacted as follows:

- York was significantly affected by strikes during the first half of the financial year. York lost a combined 239 (18%) production days.
- Plywood export contracts were lost as a result of strikes. Local demand was weak and dumping of uncertified Brazilian plywood by importers further reduced local prices.
- Demand for lumber was subdued with fierce price competition. Customer relations were impacted by York's inability to deliver lumber during the strikes.
- Following the strikes, focus was on returning the processing sites to targeted production levels and rebuilding customer relationships. That resulted in an EBITDA of R201 million for the second half of the financial year.
- Focus is to increase revenue, reduce stock and to generate cash.

OPERATIONAL RESULTS

The protracted strike by NUMSA impacted revenue by approximately R225 million and EBITDA by approximately R131 million. Wage staff lost approximately R52 million due to the no-work-no-pay-principle being applied to striking workers.

Debt was reduced by R121 million over the financial year. Stock increased by R74 million as access to sites was prevented by striking workers, impacting York's ability to service customer orders. The South African Police Service refused to act on court orders to provide safe access to York's sites.

The strikes were violent with high levels of intimidation and involved damage to personal property. The strike ended in January 2019 with operations returning to normal, resulting in a strong performance over the second half of the financial year.

Cost is optimised by strategic capital investment and upgrades to improve efficiencies and elimination of duplication of cost in the supply chain.

Total cost, excluding external log purchases, as a percentage of revenue increased over the last seven years at a compound annual growth rate of 1%, despite significant increases in electricity and labour costs.

Forestry operational results were impacted by lesser volumes harvested (10%) compared to the prior year. External log purchases were R261 million, compared to R202 million in the prior year. The sustainable harvestable volumes from own plantations are at its lowest levels for the next two to three years as a result of the extensive fires in 2007 and 2008 and will increase from 2023 onwards. Operational cost increases in forestry due to wage rates and silviculture activities will be required at that point in the growth lifecycle of trees. The investment in mechanised operations on the Highveld has substantially reduced harvesting costs and provided additional flexibility in the supply chain. LogTrace has also developed into a system that reconciles standing volume to actual volumes delivered to operations and scheduling of log mixes to the designated processing facility.

York acquired an inbound logistics fleet which, together with LogTrace, resulted in a reduction of the delivered log costs and provided the necessary flexibility to meet the log mix demands of the various processing plants.

Brazilian plywood producers have dumped product in South Africa that is not certified by the Forest Stewardship Council (FSC) for environmental sustainability or for structural application (SANS 929). South African import regulations do not require these certifications and expose local producers to dumping of lower grade and inferior product.

York optimised its sales channels and is in the process of re-establishing export contracts into markets where York's product is certified for the targeted market requirements and is achieving a price premium for its quality. These include the TP certification for the North American market and CE for the European and UK market. York is FSC-certified for sustainable forestry and is accredited for full chain of custody for its processing facilities.

COMMENTARY continued

FINANCIAL POSITION AND CASH FLOWS

Capital expenditure was incurred in the construction of the finished goods warehouse at Jessievale with proceeds received from the Sasria of approximately R25 million. Log transport vehicles were purchased to unlock synergies within the supply chain and a new enterprise resource planning (ERP) system is being installed.

The net fair value increase in the value of the biological assets of R204 million is a result of an improvement in the volume adjustment factor being applied to reduce forecast volumes. The factor was reduced from 10% to 2% on a weighted average basis.

Goodwill assigned to the forestry segment was impaired by R208 million. The impairment resulted from a decrease in the long-term revenue inflation forecast, an increase in the volume accuracy adjustment factor, a change in the risk-free rate and an increase in the value of biological assets included in the carrying amount of the segment assets.

Working capital levels have increased from the prior year. In anticipation of the higher demand season, strategic stock build has taken place. International sales volumes and prices are influenced by Brazilian producers flooding the South African market at unsustainable price points. Local market demand has remained depressed in line with the lack of construction sector activity.

Cash generated from operations of R224 million was applied to reduce borrowings by R121 million, capital expenditure of R81 million and R22 million was contributed to the self-insurance fund. The sale of an outlier plantation generated cash of R54 million.

Included in trade payables is an amount due to the South African Forestry Company SOC Limited (SAFCOL) of R146 million that relates to the purchase of standing timber. The amount is payable in equal monthly instalments for settlement at 31 March 2020.

OUTLOOK

York has successfully explored new distribution channels at better price points than what is offered in the local market and traditional export market.

York has put an operational plan in place through its warehouse channel to respond to cheap imports and traders dumping product in South Africa.

The consolidation of the sawmilling operations in the Escarpment area is underway to optimise available raw material to service market demand.

Detailed feasibility studies are nearing completion for expansion of the Highveld processing operations as York has excess raw material available at a sustainable level.

York continues to pursue the construction of a biomass electricity plant with the regulating authorities as the base load electricity generation and carbon sequestration are key attributes of this technology.

Mass timber production has increased dramatically over the last number of years and provides exciting expansion opportunities for solid wood processing. York is actively engaged in developing this sector in South Africa.

York pursues the procurement of harvestable volumes and forestry land to supplement the sustainable volumes from own plantations to meet its processing demand.

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

as at 30 June 2019

	Audited As at 30 June 2019 R'000	Restated Audited as at 30 June 2018 R'000
ASSETS		
Non-current assets		
Biological assets (refer note 6)	**2 639 014**	2 498 082
Investment property	**30 740**	26 731
Property, plant and equipment	**893 891**	920 265
Goodwill	**357 630**	565 442
Intangible assets	**3 616**	463
Other financial assets at amortised cost	**61 903**	39 707
Deferred tax	**7 899**	3 780
Total non-current assets	**3 994 693**	4 054 470
Current assets		
Biological assets (refer note 6)	**515 543**	420 468
Inventories	**374 553**	300 356
Trade and other receivables	**221 243**	258 731
Current tax receivable	**11 000**	3 363
Cash and cash equivalents	**89 003**	152 039
Total current assets	**1 211 342**	1 134 957
Total assets	**5 206 035**	5 189 427
EQUITY AND LIABILITIES		
Equity		
Share capital	**1 480 232**	1 480 232
Reserves	**2 356**	(353)
Retained income	**1 614 129**	1 650 397
Total equity	**3 096 717**	3 130 276
Liabilities		
Non-current liabilities		
Lease liability	**9 995**	14 984
Deferred tax	**930 875**	862 148
Borrowings	**530 865**	636 836
Provisions	**15 738**	14 623
Retirement benefit obligation	**26 764**	26 430
Total non-current liabilities	**1 514 237**	1 555 021
Current liabilities		
Current tax payable	**17**	15
Borrowings	**152 571**	167 759
Lease liability	**8 152**	7 415
Trade and other payables	**434 279**	328 932
Bank overdraft	**62**	9
Total current liabilities	**595 081**	504 130
Total liabilities	**2 109 318**	2 059 151
Total equity and liabilities	**5 206 035**	5 189 427

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND COMPREHENSIVE INCOME**

for the year ended 30 June 2019

	Audited For the year ended 30 June 2019 R'000	Restated Audited For the year ended 30 June 2018 R'000
Revenue	**1 600 522**	1 812 350
Cost of sales	**(1 140 167)**	(1 259 719)
Gross profit	**460 355**	552 631
Other operating income	**31 940**	23 097
Other operating gains	**21 351**	5 009
Impairment of goodwill	**(207 812)**	–
Other operating expenses	**(412 148)**	(384 692)
Operating (loss)/profit	**(106 314)**	196 045
Fair value adjustments	**207 901**	71 327
Profit before finance costs	**101 587**	267 372
Investment income	**5 269**	4 899
Finance costs	**(77 537)**	(84 325)
Profit before taxation	**29 319**	187 946
Taxation	**(65 587)**	(49 666)
(Loss)/profit for the period	**(36 268)**	138 280
Other comprehensive income/(loss)		
Remeasurement of defined benefit liability	**133**	(663)
Taxation related to components of other comprehensive income	**(37)**	185
Other comprehensive income/(loss) for the period net of taxation	**96**	(478)
Total comprehensive (loss)/income	**(36 172)**	137 802
Basic (loss)/earnings per share (cents) (note 8)	**(11)**	44
Diluted (loss)/earnings per share (cents) (note 8)	**(11)**	44

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

for the year ended 30 June 2019

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
Opening balance as previously reported	15 802	1 464 430	(489)	–	1 512 822	2 992 565
Change in accounting policy (refer to note 2)	–	–	–	–	(705)	(705)
Balance as at 1 July 2017 restated	15 802	1 464 430	(489)	–	1 512 117	2 991 860
Profit for the year	–	–	–	–	138 280	138 280
Other comprehensive loss	–	–	(478)	–	–	(478)
Total comprehensive income for the year	–	–	(478)	–	138 280	137 802
Employee share option scheme	–	–	–	614	–	614
Opening balance as previously reported	15 802	1 464 430	(967)	614	1 652 556	3 132 435
Change in accounting policy (refer to note 2)	–	–	–	–	(2 159)	(2 159)
Balance as at 30 June 2018 restated	**15 802**	**1 464 430**	**(967)**	**614**	**1 650 397**	**3 130 276**
Loss for the year	**–**	**–**	**–**	**–**	**(36 268)**	**(36 268)**
Other comprehensive income	**–**	**–**	**96**	**–**	**–**	**96**
Total comprehensive income/(loss) for the year and total transactions with owners	**–**	**–**	**96**	**–**	**(36 268)**	**(36 172)**
Employee share option scheme	**–**	**–**	**–**	**2 613**	**–**	**2 613**
Balance as at 30 June 2019	**15 802**	**1 464 430**	**(871)**	**3 227**	**1 614 129**	**3 096 717**

CONSOLIDATED STATEMENT OF **CASH FLOWS**

for the year ended 30 June 2019

	Audited For the year ended 30 June 2019 R'000	Restated Audited For the year ended 30 June 2018 R'000
Cash generated from operations	**223 822**	283 173
Interest received	**5 269**	4 899
Interest paid	**(74 152)**	(80 707)
Taxation paid	**(8 659)**	(11 950)
Net cash from operating activities	**146 280**	195 415
Cash flows applied to investing activities		
Purchase of property, plant and equipment	**(81 170)**	(64 680)
Additions to investment property	**(30)**	–
Sale of investment property	**250**	–
Purchase of intangible assets	**(3 479)**	(24)
Proceeds from sale of intangible assets	**2**	–
Purchase of other financial assets at amortised cost	**(22 415)**	(14 563)
Proceeds from sale of other financial assets at amortised cost	**219**	6 821
Proceeds from disposal of property, plant and equipment	**27 399**	103
Acquisition of subsidiaries, net of cash acquired	**–**	(6 087)
Repayment of loans from related parties	**–**	(4 580)
Net cash applied to investing activities	**(79 224)**	(83 010)
Cash flows from financing activities		
Net movement in borrowings	**(122 466)**	(107 707)
Movement in cash-settled share-based payment	**–**	(6 971)
Repayment of lease liability	**(9 622)**	(9 482)
Net cash applied to financing activities	**(132 088)**	(124 160)
Cash movement for the year	**(65 032)**	(11 755)
Cash at the beginning of the year	**152 030**	159 346
Effect of exchange rate movement on cash balances	**1 943**	4 439
Cash at the end of the year	**88 941**	152 030

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

for the year ended 30 June 2019

1. BASIS OF PREPARATION

These summarised consolidated annual financial statements have been prepared in accordance with the JSE Limited Listings Requirements, the Companies Act of South Africa, 71 of 2008, and the Companies Regulations, 2011. The Group has applied the 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 Reporting Pronouncements, as issued by the Financial Reporting Standards Council, as well as the presentation and disclosure requirements of International Accounting Standard (IAS) 34 Interim Financial Reporting. The financial results have been compiled under the supervision of 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 as at and for the year ended 30 June 2019, which are available on the Company's website, http://www.york.co.za/downloads/AuditedConsolidatedResults.pdf or from the Company's registered office.

The Group's external auditor, PricewaterhouseCoopers Inc., has issued an unmodified audit opinion on the Group's consolidated annual financial statements for the year ended 30 June 2019. The audit was conducted in accordance with International Standards on Auditing. The auditor's report does not necessarily report on all of the information contained in these summarised consolidated annual financial statements. 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 statements have been prepared on the going concern basis and were authorised for issue in accordance with a round robin resolution passed by the Board on 27 September 2019.

Other than for the change in the risk-free rate included in the weighted average cost of capital and volume adjustment factor (refer to note 6), there have been no material changes to judgements or estimates relating to amounts reported in prior reporting periods.

The Group financial results are presented in Rand, which is the Group'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 2018, except for new standards that were adopted in the current financial year (refer to note 2).

2. CHANGE IN ACCOUNTING POLICY AND RESTATEMENT

Adoption of new standards

The Group adopted the following new accounting standards as issued by the International Accounting Standards Board (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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2019

2. CHANGE IN ACCOUNTING POLICY AND RESTATEMENT continued

Adoption of new standards continued

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, Southern African Development Community 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. IFRS 15 replaces IAS 18, in terms of which revenue was recognised based on 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 stand-alone 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 stand-alone 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. Revenue derived from transport services to external customers where York acts as a principal, is recognised in the accounting period in which the services are rendered at the gross amount. When York acts in the capacity of 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 goods. The revenue recognised when York acts as an agent is recognised at the net amount. For international plywood sales, the Group recognises the revenue for goods when the original shipping documents, for clearance at destination port, are released. Due to the nature of the exportation of plywood and the timing difference between the expected date of receipt of payment and the actual payment receipt date, this could result in the recognition of contract liabilities.

Changes in accounting policies from the adoption of IFRS 15 have been applied in full 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. In terms of the incurred loss model, the Group assessed whether there was any objective evidence of impairment at the end of each reporting period. In terms of IFRS 9, the Group calculated the allowance for credit losses as expected credit loss according to 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 in full 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 assets	IAS 39	IFRS 9
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Other financial assets	Loans and receivables	Other financial assets 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 Group 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.

Changes in accounting policies from the adoption of IFRS 16 have been applied in full retrospectively.

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS** continued

for the year ended 30 June 2019

2. CHANGE IN ACCOUNTING POLICY AND RESTATEMENT continued

Adoption of IFRS 16 continued

On adoption of the new accounting policies, the Group restated its retained earnings as at 30 June 2018 as follows:

	30 June 2018 as previously reported R'000	Impact of IFRS 15 R'000	Impact of IFRS 9 R'000	Impact of IFRS 16 R'000	30 June 2018 restated R'000
Property, plant and equipment	901 202	–	–	19 063	920 265
Deferred tax	(859 214)	427	(28)	447	(858 368)
Inventories	296 619	3 737	–	–	300 356
Trade and other receivables	258 619	–	112	–	258 731
Retained income	(1 652 556)	1 098	(88)	1 149	(1 650 397)
Lease liability	(1 741)	–	–	(20 658)	(22 399)
Trade and other payables	(323 673)	(5 259)	–	–	(328 932)
Revenue	(1 817 609)	5 259	–	–	(1 812 350)
Cost of sales	1 263 458	(3 739)	–	–	1 259 719
Administration expense	386 691	–	(112)	(1 887)	384 692
Finance cost	81 800	–	–	2 525	84 325
Taxation	50 258	(427)	28	(193)	49 666

3. ADDITIONAL DISCLOSURE ITEMS

	Audited For the year ended 30 June 2019 R'000	Restated Audited For the year ended 30 June 2018 R'000
Authorised capital commitments		
– Contracted, but not provided for	6 502	11 139
– Not contracted	28 199	10 149
Capital expenditure	84 679	64 704
Depreciation of property, plant and equipment	98 718	87 897
Amortisation of intangible assets	324	469
Impairment of trade receivables	1 955	1 329

3. ADDITIONAL DISCLOSURE ITEMS continued

- 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. 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.

4. COMPARATIVE FIGURES

The summarised consolidated annual financial statements for the year ended 30 June 2018 are presented as published, except where new standards were adopted and restatements were made (refer to note 2).

5. 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 plant R'000	Wholesale R'000	Forestry and fleet R'000	Total R'000
For the year ending 30 June 2019				
Revenue: external sales	**955 009**	**562 402**	**77 247**	**1 594 658**
Revenue: inter-segment sales	**351 099**	**–**	**708 813**	**1 059 912**
Total revenue	**1 306 108**	**562 402**	**786 060**	**2 654 570**
Depreciation, amortisation and impairments	**(61 583)**	**(8 202)**	**(231 667)**	**(301 451)**
Reportable segment profit*	**51 838**	**(1 051)**	**122 843**	**173 630**
Material items				
Capital expenditure	**37 657**	**392**	**36 197**	**74 246**
Fair value adjustment to biological assets	**–**	**–**	**203 672**	**203 672**

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS** continued

for the year ended 30 June 2019

5. OPERATING SEGMENTS continued

	Processing plant R'000	Wholesale R'000	Forestry and fleet R'000	Total R'000
For the year ending 30 June 2018 restated				
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, amortisation and impairments	(54 832)	(7 182)	(20 593)	(82 607)
Reportable segment profit*	80 409	13 697	162 892	256 998
Material items				
Capital expenditure	38 294	6 469	17 621	62 384
Fair value adjustment to biological assets	–	–	77 303	77 303

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

	Audited For the year ended 30 June 2019 R'000	Restated Audited For the year ended 30 June 2018 R'000
Revenue per geographical area		
South Africa	**1 384 318**	1 499 236
Southern Africa Development Community (SADC)	**158 725**	179 166
International (Non-SADC)	**57 479**	133 948
Total	**1 600 522**	1 812 350
Reconciliation of reportable segment (loss)/profit		
Total EBITDA for reportable segments	**173 630**	256 998
Depreciation, amortisation and impairment	**(310 982)**	(88 368)
Non-reporting EBITDA	**31 038**	27 415
Operating (loss)/profit	**(106 314)**	196 045

6. BIOLOGICAL ASSETS

	Audited For the year ended 30 June 2019 R'000	Restated Audited For the year ended 30 June 2018 R'000
Reconciliation of biological assets		
Opening balance	**2 918 550**	2 828 518
Fair value adjustment		
– Increase due to growth and enumerations	**515 384**	304 220
– Adjustment to standing timber values to reflect fair value at year-end[1]	**(4 570)**	101 170
– Decrease due to harvesting	**(336 242)**	(328 088)
Standing timber purchased	**133 246**	71 811
Standing timber harvested	**(71 811)**	(59 081)
Closing balance	**3 154 557**	2 918 550
Classified as non-current assets	**2 639 014**	2 498 082
Classified as current assets	**515 543**	420 468

[1] During the current financial year, a change in accounting estimate was applied with an upwards adjustment of R273,2 million. An accuracy factor is used to calculate the accounting estimated volume. The improvements in control measures have resulted in an adjustment of 2% (2018: 10%). This is a downwards adjustment of harvestable volume.

	Audited For the year ended 30 June 2019	Restated Audited For the year ended 30 June 2018
Key assumptions used in the discounted cash flow valuation		
Risk-free rate[2] (%)	**8,84**	8,84
Beta factor	**1,17**	1,25
Cost of equity (%)	**16,46**	16,97
Pre-tax cost of debt (%)	**10,25**	10,00
Debt: equity ratio	**35:65**	35:65
After-tax weighted average cost of capital (%)	**13,28**	13,55

[2] In the current year, the annualised yield of the bootstrapped zero-coupon perfect fit bond curve maturing over ten years was used (2018: R186 bond). The reason for the change in the referenced risk-free rate is due to the volatility in the R186 bond as well as the bond maturing in December 2026. The underlying segment matures over a long period. The curve represents a suitable fit for the period under consideration. This is a change in estimate that resulted in an additional downward adjustment of R146,1 million.

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS** continued

for the year ended 30 June 2019

6. 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 pre-defined products as basis for calculating log yields.
- **Volume adjustment factor:** In a manner consistent with prior years, volumes expected from York plantations in MicroForest are adjusted by 8% (2018: 8%). In the 2019 financial year, the harvesting volumes expected from York plantations in MicroForest were further reduced by a weighted average of 2% (2018: 10%), based on the most recent actual yield reconciliation data. The further reduction in volumes was done in an effort to acknowledge deviations such as the impact from damage caused by baboons and other natural elements, genetic defects and pest and diseases from the planned harvesting volumes.
- **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% over the next year, 4,90% over the following year and at 5,20% over the long term (2018: 5,15% over the next year, 5,33% over the following year and at 5,50% over the long term). Log prices are computed at a weighted average of external market prices and internal prices charged to the Group's processing operations. Internal prices are generally lower than external prices and are based on an internationally-recognised log paying capability calculation. This calculation references the final product value derived from the log, as well as a level of profitability of the processing operation required for sustainability.
- **Operating costs:** The costs are based on the unit cost of the forestry 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 associated fixed overhead costs. The costs exclude the costs necessary to get the asset to the market. An inflation rate of 5% over the next year, 4,90% over the following year and at 5,20% over the long term (2018: 5,15% over the next year, 5,33% over the following year and at 5,50% 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. Cost to sell include harvesting cost and cost to bring logs to roadside, that are part of operating cost.
- **Discount rate:** In determining the weighted average cost of capital (WACC), a comparable group of forestry companies' Beta is used to determine Beta applied in the WACC.

7. RELATED PARTIES

The Group's related parties are its subsidiaries and key management, including directors.

8. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on:

	Audited For the year ended 30 June 2019	Restated Audited For the year ended 30 June 2018
(Loss)/profit attributable to ordinary shareholders (R'000)	**(36 268)**	138 280
Reconciliation of weighted average number of ordinary shares		
Weighted average number of ordinary shares used for basic earnings per share ('000)	**316 048**	316 048
Bonus element of share-based payment ('000)	**1 391**	826
Weighted average number of ordinary shares in issue ('000)	**317 439**	316 874
Basic (loss)/earnings per share (cents)	**(11)**	44
Diluted basic (loss)/earnings per share (cents)	**(11)**	44

9. HEADLINE EARNINGS PER SHARE

The calculation of headline earnings per share is based on:

	Audited For the year ended 30 June 2019 R'000	Restated Audited For the year ended 30 June 2018 R'000
Reconciliation of basic (loss)/earnings to headline earnings		
Basic (loss)/earnings attributable to ordinary shareholders	**(36 268)**	138 280
(Profit)/loss on sale of assets and liabilities (net of tax)	**(13 974)**	128
Impairment of property, plant and equipment (net of tax)	**2 972**	–
Impairment of goodwill	**207 812**	–
Bargain purchase	**–**	(747)
Fair value adjustment on investment property	**(3 045)**	-
Fair value adjustment on deemed disposal of joint arrangement	**–**	5 976
Headline earnings for the year	**157 497**	143 637
Weighted average number of ordinary shares in issue ('000)	**317 439**	316 874
Headline earnings per share (cents)	**50**	45
Diluted headline earnings per share (cents)	**50**	45

NOTES TO THE CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS** continued

for the year ended 30 June 2019

10. CORE EARNINGS PER SHARE

The calculation of core earnings per share is based on:

	Audited For the year ended 30 June 2019 R'000	Restated Audited For the year ended 30 June 2018 R'000
Basic (loss)/earnings attributable to ordinary shareholders	**(36 268)**	138 280
Fair value adjustment on biological assets (net of tax)	**(146 644)**	(55 658)
Impairment of goodwill	**207 812**	–
Core earnings for the year	**24 900**	82 622
Weighted average number of ordinary shares in issue ('000)	**317 439**	316 874
Core earnings per share (cents)	**8**	26
Diluted core earnings per share (cents)	**8**	26

11. BOARD OF DIRECTORS

Paul Botha resigned on 27 November 2018, Gavin Tipper resigned on 3 December 2018 and Thabo Mokgatlha and (Ms) Maserame Mouyeme both resigned on 30 November 2018 as non-executive directors. Andries Brink, Max Nyanteh and (Ms) Hetisani Mbanyele-Ntshinga were appointed on 14 February 2019 as independent non-executive directors.

CORPORATE **INFORMATION**

York Timber Holdings Limited

Incorporated in the Republic
of South Africa
Registration number: 1916/004890/06
JSE share code: YRK
ISIN: ZAE000133450
(“**York**” or the “**Company**” or the “**Group**”)

Tax reference number

9225/039/71/9

Country of incorporation and domicile

South Africa

Nature of business and principal activities

Operation of plantations, sawmills, a plywood plant and wholesale lumber sales

Auditor for the financial year ending 30 June 2019

PricewaterhouseCoopers Inc.
Chartered Accountants (SA)
Registered Auditors

Transfer secretaries

Computershare Investor Services
Proprietary Limited

Sponsor

One Capital

Registered office and business address

York Corporate Office
3 Main Road, Sabie, 1260
Postal address
PO Box 1191, Sabie, 1260

Directors

Executive directors
Pieter van Zyl (Chief Executive Officer)
Gerald Stoltz (Chief Financial Officer)

Non–executive directors
Dr Jim Myers* (Chairman, USA)
Shakeel Meer
Dr Azar Jammine*
Dinga Mncube*
Max Nyanteh*
Hetisani Mbanyele-Ntshinga*
Andries Brink*
** Independent*

Company Secretary

Sue Hsieh

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